Next Media Limited

Stock Code: 00282

NEXT MEDIA

ANNUAL REPORT 2011/2012

ABOUT US

NEXT MEDIA PUBLISHES HONG KONG AND TAIWAN'S MOST-POPULAR AND HIGHLY REGARDED NEWSPAPERS AND MAGAZINES, AND OPERATES THEIR MOST-VISITED NEWS PORTALS.

NOW WE'RE EXPANDING OUR OPERATIONS TO INCLUDE ANIMATED NEWS, IPTV IN TAIWAN, ONLINE GAMES AND WEB-COMMERCE.

APPLE DAILY	SHARP DAILY	蘋果動新聞	壹網樂
飲食男女	壹電視	壹電視新聞	爽購
NXTOMO	港股王	台灣爽報	me!

NEXTmedia

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REVENUE – CONTINUING OPERATIONS (HK$ MILLION)

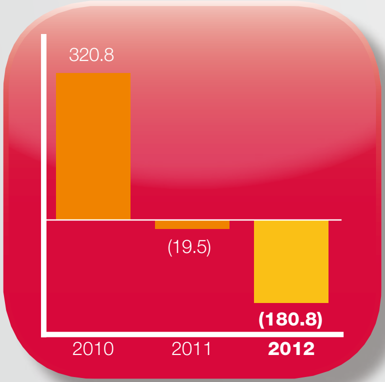
EBITDA BEFORE IMPAIRMENTS AFTER NON-CONTROLLING INTERESTS FROM CONTINUING AND DISCONTINUED OPERATIONS (HK$ MILLION)

CURRENT RATIO (%)

QUICK RATIO (%)

* Restated

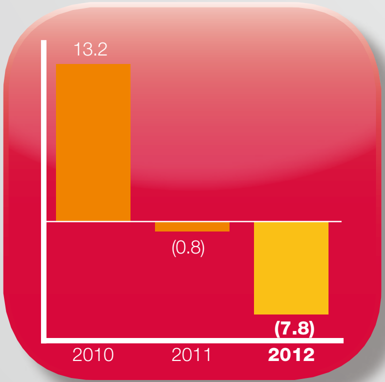
FINANCIAL HIGHLIGHTS



NET PROFIT (LOSS) FOR THE YEAR (HK$ MILLION)

GEARING RATIO (%)

WORKING CAPITAL TURNOVER



BASIC EARNINGS (LOSS) PER SHARE FROM CONTINUING AND DISCONTINUED OPERATIONS (HK CENTS)

DEBT TO EQUITY RATIO (%)

A

APPLE DAILY


蘋果日報
要聞港聞
國際兩岸
娛樂
候任特首辦干預蘋果秘
天后雲妮侯斯頓猝死
三百警員開路
強勢拆
四賊扮麥
11:42
87%
蘋果日報
娛樂
國際兩岸
心戰趕絕師奶
被劉定成嘲又老又禿
Joe Junior擇仔：好怕
祖兒緊張到龜裂
舒淇投
10月約滿撇岳少
向內地娛樂大亨
即時新聞
報料
設定
11:33
蘋果日報
要聞港聞
國際兩岸
糕糖果含毒奶
散播謠言
民反惡性循環
即時新聞
報料
設定
男士投資損手多姓賴
71%歸咎市況差拒絕

CHAIRMAN'S STATEMENT

I have pleasure in reporting Next Media's financial results for the year ended 31 March 2012.

In doing so, I must tell you that the past year was an extremely challenging one for all the players in the media industry, including Next Media. That is because we are in the midst of a period of transformation in which traditional business models are being challenged by new ones. Paid-for newspapers are facing competition from free dailies; print newspapers and magazines are vying like never before for the attention of readers and advertisers with a host of electronic media platforms, such as TV, the Internet, and content sharing based on Smartphone and iPhone technology. And all these development are taking place against a backdrop of global economic upheaval and uncertainty.

Acknowledging these facts is not the same as being pessimistic about them. Nor does it imply we should believe that the traditional media on which our company has built its hugely successful business are in danger of becoming obsolete – either now or in the coming years. Instead, it means we should embrace the new platforms that are continuously being created and the opportunities they offer us to develop our business. Harnessing these new platforms and evolving new and more-effective ways to communicate is Next Media's biggest challenge right now, and we are facing it with a positive and proactive attitude.

Despite some attrition in terms of their sales and readerships, our print publications have continued to outperform most of their competitors and they have firmly remained in the lead position in their respective categories in both Hong Kong and Taiwan. Their quality and integrity still attract far more readers and advertisers than their rivals, and that will continue to underpin their success in the future.

Grasping Every Opportunity

However, the latest developments in the industry do mean that – like any successful company – Next Media must remain flexible and agile, so that we will always be ready to reach out and grasp every opportunity that arises to extend the scope of our business in ways that anticipate and satisfy the market's changing needs.

New Free Daily Hits the Streets

For that reason, we took the major step of launching *Hong Kong Sharp Daily* – a free tabloid newspaper – last September. By doing so, we have disproved the arguments of the usual prophets of doom, who warned us that the city's free daily newspaper market was already too saturated for any newcomers to enter it successfully.

Confident in the support of our Group's vast news-gathering and production capabilities, as well as the prestige of the Next Media brand, we took the plunge and the public have responded enthusiastically to *Hong Kong Sharp Daily's* lively, concise and objective mix of general news, entertainment, business and finance and other topics. Within just five months of its launch, the paper built up a circulation of over 900,000 copies a day.

Yet it goes without saying that Next Media never enters any market without the intention of leading it. Our target is for *Hong Kong Sharp Daily* to have one million readers a day very soon, which will place it into the No. 1 slot in the free daily newspaper sector.

Where readers go, advertisers invariably follow, especially if the readers' demographic profile is right. *Hong Kong Sharp Daily* has attracted tremendous interest and it is gaining a growing volume of advertising from the top brands. We therefore feel certain it has a promising future in a media category that is becoming increasingly important in Hong Kong.

Moreover, *Hong Kong Sharp Daily* is satisfying the public's changing wishes by incorporating the latest interactive multimedia technology in ways that allow readers to access audio and video versions of its stories via Smartphones and iPhones, using QR (quick response) code links. To engage readers even further, it provides them with a line-up of special offers on a growing range of merchandise as well.

TV Operation's Steady Progress

Our Taiwan TV operation was another major focus of attention during the past year. While it is true to say we have been somewhat disappointed by the obstacles and delays we have encountered in getting this fully up and running, we have nevertheless made some slow but steady progress.

Our Internet Protocol TV (IPTV) news channel and our video-on-demand service are both now on the air; and an increasing number of households have free set-top boxes on loan to view them. We have obtained licences to launch high-definition news, sports and movie channels on digital platforms, and we are in the process of obtaining approval for a variety channel. The news channel is already on the air and is currently available in the southern and central regions of the island. Plans are also well advanced to make it available in the Taipei area.

While we are still not yet in a position to reap the returns on our considerable investments in the Next TV and multi-media platform, we remain positive about the Taiwan TV market. Given the technological backwardness and uninspiring content of the channels currently available there, we firmly believe there is enormous potential for us to deliver a world-class experience to viewers.

At the same time, we have paid a lot of attention to upgrading Next Media's hugely popular online portals, as well as introducing iPhone, iPad and Android apps to increase the popularity of the Group's publications, especially among younger people.

Striding Towards a New Era

So, in many respects, our focus in the past year has been on investing time, energy and financial resources in evolving our business models by developing exciting new ways to engage with and deliver news, information and entertainment to an increasing audience.

These endeavours are still in an investment phase, and as a result, Next Media did not make a profit during the past financial year. However, they are crucial for our long-term success. At present, we are engaged in complementing our established and highly profitable print publications by establishing some outstanding new media platforms. Like two strong legs, our print and new media operations will allow Next Media to stand tall as we stride into the communications industry's new era.

A Word of Gratitude

In conclusion, I would like to offer my sincere thanks to all the many remarkable people who work in our Hong Kong and Taiwan teams. Your extremely hard work, resourcefulness and enthusiasm have made all our accomplishments possible during the year.

I would also pay tribute to the contributions of our readers, advertisers and shareholders for your unwavering loyalty and support. We pledge ourselves to work even harder in the coming year to justify your faith in us.

Jimmy Lai
Chairman

Hong Kong, 8 June 2012

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SHARP DAILY

睇Video
爽報
至喪檔案
創刊號
聽爽報
睇Video
動新聞
至喪
檔案
最後的旅程

MANAGEMENT DISCUSSION & ANALYSIS

The global economy had a lacklustre year in 2011. Worldwide, GDP growth slowed to less than 4.0 per cent in real terms, compared with more than 4.5 per cent during 2010. Most of the growth that did take place was in emerging and developing economies, where the rate averaged above 6.0 per cent, compared with around 1.5 per cent in the more mature ones.

The long-running sovereign debt crisis in the Euro zone flared up again during the second quarter, and ratings agencies downgraded the debt of a number of European countries in the course of the year. High unemployment remained a concern in many nations worldwide, but again this trend was more pronounced in developed economies, where it was blamed for restraining economic recovery.

The unacceptable high jobless rate of 8.0 per cent in the United States kept the world's largest economy in low gear throughout 2011. In fact, its momentum declined even further towards the year's end. Inevitably, this had a dampening effect on other economies around the globe.

Mainland China's economy experienced a moderate slowdown in 2011, with GDP growth declining to 9.2 per cent from 10.3 per cent in 2010. Yet this was still a creditable achievement compared to other countries and regions. On the other hand, inflation climbed to 5.3 per cent, well above the government's target of 4.0 per cent. The authorities implemented a number of measures to curb inflation during the latter half of the year. These, together with lower demand for Chinese exports from financially-strapped Western countries, held back China's economic growth considerably in the fourth quarter – a trend that looks set to continue during 2012.

Overview of Major Markets

The gradual deceleration of Mainland China's economic growth as 2011 progressed had some impact on Hong Kong and Taiwan, the two main markets in which Next Media operates. However, its full influence has not yet become apparent in their economies.

Hong Kong

Hong Kong's GDP grew by 5.0 per cent in 2011, underpinned by China's economic strength and spending by Mainland visitors and investors in the retail sector and property market. Following a dip in the summer months, property prices resumed their upward trend towards the year's end. The city's job market remained stable, with effectively full employment, whereas the median monthly household income grew by 5.1 per cent in real terms during the year.

The most significant trend in Hong Kong's media industry in 2011 was the continuing pressure exerted on the readerships and advertising revenues of paid-for newspapers by the increasing number of free dailies in the city. The most recent *Nielsen Media Index Survey*, which was conducted between July 2010 and June 2011, showed that the combined readerships of print editions of paid-for dailies declined by 6.0 per cent between 2009 and mid-2011, whereas the combined market share of free dailies rose to 36.0 per cent in the same period. Two more free dailies – Next Media's *Sharp Daily* and *Sky Post* – have been launched since the survey took place, and this has undoubtedly intensified the trend.

The emergence of new media has also impacted newspaper-reading habits. According to *Nielsen*, the percentage of people who read newspapers online and on mobile phones and devices almost tripled between 2009 and 2011, up from 3.0 per cent to 11.0 per cent.

Advertising spending continued to grow in Hong Kong in the past year. The city's businesses spent 14.0 per cent more on advertising year-on-year during the 12 months up to 31 March 2012, according to media-monitoring firm admanGo. However, the rate of increase was slower in the first quarter of 2012 than the preceding nine months.

Banking and investment services continued to lead the market, although they spent 5.0 per cent less than in the previous 12 months. The travel and tourism sector also trimmed its expenditure. The three top-spending individual customers were all in the cosmetics and skincare category, reflecting the keen competition that exists in that industry. Although many advertisers still favoured traditional media, such as TV and print, the highest growth rates were seen in mobile and interactive media, another trend that is set to continue.

Taiwan

Taiwan's export-driven economy got off to a strong start during the first half of 2011. However, it faltered and the island experienced a mild recession in the second half. This was mainly due to the floods that hit Thailand in late 2011 and which affected the supply chain for Taiwan's important hi-tech manufacturing sector. The sovereign debt crisis in the Euro zone also had a negative impact. But, despite these adversities, the island's GDP increased by 5.2 per cent and its exports grew by 12.3 per cent in 2011, while the unemployment rate remained relatively low at 4.4 per cent.

According to *Nielsen*, Taiwan's advertising spending hit its highest level for seven years during 2011, with companies spending a total of more than NT$50.0 billion (HK$13.3 billion).

The three major growth drivers were website hosting and online service providers, supermarkets and convenience store operators, and cosmetics brands, which spent 35.9 per cent, 29.4 per cent and 22.1 per cent more than in 2010, respectively.

On the other hand, property developers were affected by tax increases designed to reduce real estate speculation, and they cut their advertising budgets by an average of 21.8 per cent. Government departments and financial companies likewise lowered their advertising expenditure by 12.9 per cent and 11.8 per cent, respectively.

Operational Review

Traditional paid-for print media had a challenging year in 2011. They faced increasing competition for advertising dollars and readers from the growing number of free newspapers, as well as online media and contents delivered via Smartphones and iPhones.

Taking this into account, Next Media's print publications achieved satisfactory results during the year ended 31 March 2012. While the performance of one or two were a little disappointing, most of them were in line with expectations.

The fact that the Group's publications outperformed most of their peers in the industry and maintained their leading edge in both Hong Kong and Taiwan is testimony to their high quality, the strong bonds they enjoy with their readers and advertisers, and the professionalism of their people.

Due to the initial outlay on the launch of *Hong Kong Sharp Daily* in the second half, the segmental profits of the Group's publication and printing operations for the year declined to HK$493.4 million. Meanwhile, the Group's sizeable investments in its Television and Multi-media operation in Taiwan – which is not yet fully operational – resulted in a segmental loss of HK$1,168.1 million. The Internet Division also recorded a segmental loss of HK$36.9 million. Next Media disposed of its 70.0 per cent equity interest in Colored World, the Group's animation operation, for a cash consideration of US$100.0 million and recorded a gain on its disposal of HK$848.3 million. Consequently, Next Media made a consolidated loss of HK$180.8 million, compared to a loss of HK$19.5 million for the previous financial year.

BUSINESS PERFORMANCE

Next Media's revenue from continuing operation totalled HK$3,634.6 million during the year ended 31 March 2012. This was 4.5 per cent higher than the restated figure of HK$3,477.0 million for the preceding 12 months. The increase in revenue was mainly attributable to the rise in the advertising income of the Group's publications.

Newspapers Publication and Printing Division

The Newspapers Publication and Printing Division continued to account for the lion's share of the Group's revenue. In the 2011/12 financial year, the Division's external revenue totalled HK$2,499.3 million, an increase of 1.9 per cent on the figure of HK$2,453.3 million for the previous year.

Apple Daily

Apple Daily remained as Hong Kong's most widely read paid-for newspaper in 2011. However, the city's paid-for daily newspaper market continued to contract last year in the face of considerable pressure from free newspapers and online news media. But despite the launch of the Group's new *Sharp Daily*, *Apple Daily's* average daily readership of people aged 12 and over declined only marginally from 1,566,000 in 2010 to 1,535,000[1]. Meanwhile, its average daily circulation slipped by 11.8 per cent to 259,245 copies during the second half of 2011, compared with 293,892 copies in the same period of 2010[2].

Even so, *Apple Daily* continued to show resilience and retain the loyalty of its readers – particularly those with higher educational qualifications and in higher-income groups – who appreciate its quality and objectivity. *Nielsen Media Research* shows that its demographic profile has remained more attractive to advertisers in the banking, fashion and telecommunications industries than that of its closest rival.

As a result, *Apple Daily's* revenue was relatively stable during the year under review, amounting to HK$1,029.6 million, a slight dip of 6.0 per cent on the previous financial year's figure of HK$1,095.2 million. Meanwhile, its advertising revenue amounted to HK$679.7 million, compared to HK$706.6 million the previous year. Due to a decrease in its average daily sales during the year, its circulation sales income totalled HK$349.9 million, 10.0 per cent less than the previous year's figure of HK$388.6 million.

Hong Kong Sharp Daily

The most important milestone in the Group's Hong Kong operations during the 2011/12 financial year was the launch of *Hong Kong Sharp Daily*, its free daily newspaper, on 19 September 2011.

The new tabloid has proved tremendously popular with the general public. During the period from January to March 2012, a daily average 924,056 copies were being distributed every day from Mondays to Fridays in the city's main commercial districts and housing estates.

In response to feedback from its readers and advertisers, *Hong Kong Sharp Daily* is now distributed in the mornings only, instead of the initial practice of printing both morning and evening editions. The Group aims to increase the paper's circulation to one million copies a day in the near future, and to make it Hong Kong's most widely read free daily.

Hong Kong Sharp Daily targets the mass market and the working population in particular with its broad coverage of general news, entertainment, business and finance and other topics. This is delivered without political bias and in an enjoyable and easy-to-read format that is designed to appeal to busy people wishing to catch up quickly on the latest developments every morning. To boost its attractiveness to readers further, *Hong Kong Sharp Daily* offers its readers discount e-shopping on a wide range of merchandise.

Moreover, *Hong Kong Sharp Daily* is leveraging on the growing appeal of interactive multimedia features by allowing readers to access audio and video versions of its stories via Smartphones and iPhones, using QR (quick response) code links.

Although the proliferation of new free dailies has made this a highly competitive sector of the media, *Hong Kong Sharp Daily* has the advantage of the economies of scale offered by Next Media's vast editorial and production capabilities. It also benefits from the strong and trusted image of the Next Media brand among readers and advertisers.

TOP FOUR NEWSPAPERS' READERSHIP IN HONG KONG

for the period from Jan — Dec 2011
'000

Source:
The 2011 Nielsen Media Index:
Hong Kong Report
(January — December 2011)

While it is still in the investment phase, *Hong Kong Sharp Daily* is attracting a growing volume of advertising, especially from the pharmaceuticals, retail and telecommunications sectors. The Group is therefore confident it will gain a strong foothold in Hong Kong's print media landscape.

Taiwan Apple Daily

In 2011, *Taiwan Apple Daily* remained the market leader in Taiwan, enjoying an average daily readership of 3,097,000 people aged over 12, compared with 3,225,000 the previous year, stayed ahead of its main competitor's 2,944,000 readers[3]. A drop in circulation of 4.7% year-on-year was more than offset by 70.0% growth in the number of online viewers.

The print edition of *Taiwan Apple Daily* holds the advantageous position of being the largest newspaper in the Taiwan market, coupled with the highest per-copy price. It also sells the largest percentage of its copies (nearly 90 per cent) at newsstands. Moreover, *Taiwan Apple Daily* has an excellent demographic profile, and it reaches more young high-income earners in Taiwan than any other medium, even out-competing TV shows. These advantages make *Taiwan Apple Daily* a priority for advertisers, and its advertising revenue grew by 8.3 per cent to HK$895.8 million, compared with HK$826.8 million for the 2010/11 financial year.

The newspaper's total revenue increased by HK$69.9 million during the year under review. However, its profitability dropped by 7.6 per cent to HK$197.5 million, compared with the previous financial year's HK$213.7 million. This was a result of increased operating costs due to investment in an expansion programme that aims to grow new online revenue streams, such as video and animation.

Taiwan Sharp Daily

Taiwan Sharp Daily is a free newspaper distributed to travellers at Taipei's Rapid Transit subway stations every morning from Mondays to Fridays. It has proved popular with readers ever since it was launched in October 2006 and it maintained an average daily distribution figure of 263,220 copies during the year under review.

Advertisers – especially smaller local companies – are among its keen supporters, because *Taiwan Sharp Daily* offers them a chance to target the citizens of Taiwan's biggest city without having to launch extremely expensive island-wide advertising campaigns.

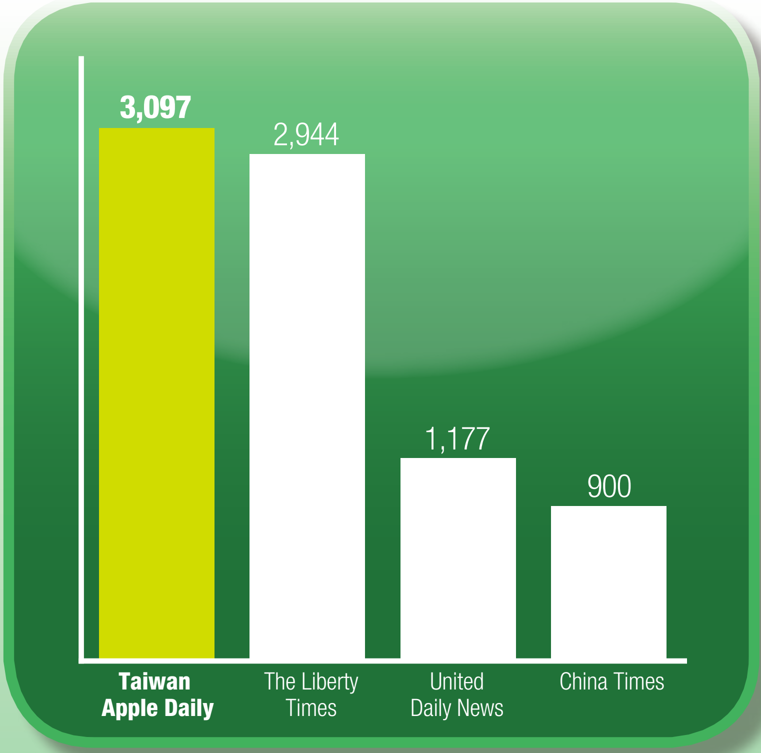
ADPL

Bolstered by the extra business created by the launch of *Hong Kong Sharp Daily*, the Group's newspaper printing business had a good year, and once again it contributed a stable income to the Group. Its Hong Kong printing operations recorded a revenue of HK$433.5 million during the 2011/12 financial year, compared with HK$396.6 million the previous year, an increase of 9.3 per cent.

Excluding transactions related to printing Next Media's own publications, the revenue of ADPL amounted to HK$137.4 million during the 2011/12 financial year. This was 2.8 per cent more than the HK$133.7 million it achieved in the preceding 12 months.

TOP FOUR NEWSPAPERS' READERSHIP IN TAIWAN

for the period from Jan — Dec 2011
'000



Source:
Media Index (January — December 2011),
Nielsen Media Research, Taiwan

Books and Magazines Publication and Printing Division

The Books and Magazines Publication and Printing Division continued to account for a significant proportion of the Group's income. Despite fierce competition within the global printing industry and a big decline in the number of orders being placed by publishers in Western countries, its external revenue during the year under review amounted to HK$1,056.1 million, a 4.9 per cent increase on the previous financial year's figure of HK$1,007.2 million.

Next Magazine Bundle

The Group's flagship weekly maintained its ranking as Hong Kong's second most widely read Chinese weekly magazine, even though its average weekly readership among people aged 12 and above decreased by 4.8 per cent – from 773,000 to 736,000 – during the year ended 31 December 2011[1]. It sold an average of 113,858 copies a week between July and December 2011, a decrease of 6.7 per cent on the average of 121,985 copies it sold in the same period of the previous year[2].

Next Magazine's male and female readers have a high-calibre demographic profile. Almost 50.0 per cent of them have a post-secondary or university education, and more than 40.0 per cent have a monthly household income of over HK$30,000. At least 73.0 per cent of them are in the 25-54 age group. This makes the magazine attractive to advertisers, especially companies in the toiletries, cosmetics, skincare, luxury products and health equipment sectors.

At the same time, *Next+ONe* – a perfect-bound magazine that focuses on city trends and smart lifestyles in the areas of fashion, luxury, beauty and living and which is now bundled with *Next Magazine* – has been especially successful in luring high-end and luxury product advertising.

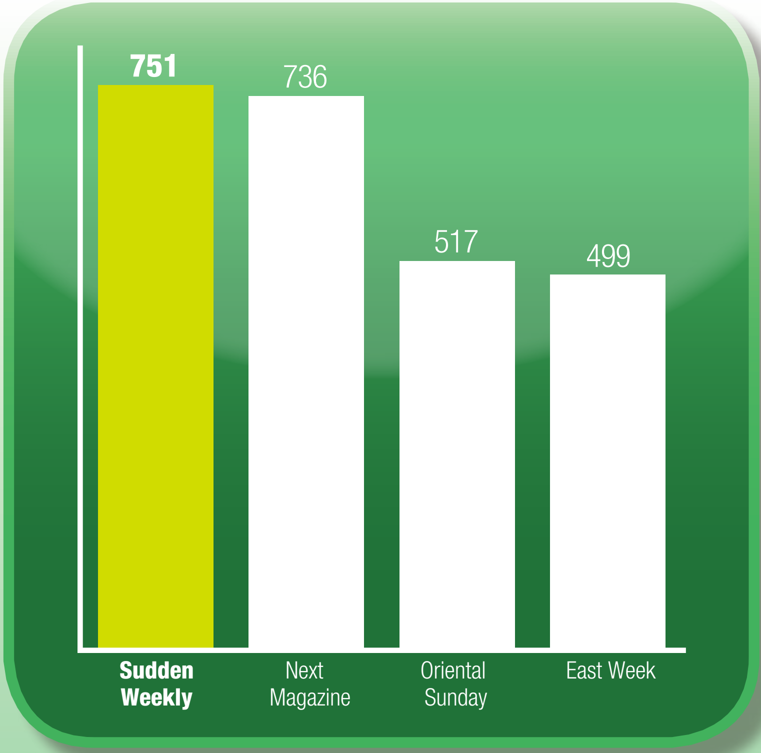
Next Magazine Bundle's advertising revenue for the year under review increased by 14.3 per cent to HK$215.1 million, compared with HK$188.2 million during the preceding financial year.

Sudden Weekly Bundle

Incorporating *Sudden Weekly, Eat and Travel Weekly and ME!, Sudden Weekly Bundle* is Hong Kong's bestselling and most widely read weekly magazine. It still stands head and shoulders above other publications that primarily target female readers, although its average weekly readership among people aged 12 and above declined by 7.6 per cent last year, from 813,000 in 2010 to 751,000 in 2011[1], and its average weekly sales dipped by 9.7 per cent to 152,094 copies during the period from July to December 2011, compared with 168,358 copies in the same months of the previous year[2].

TOP FOUR
CHINESE WEEKLY MAGAZINES' READERSHIP IN HONG KONG

for the period from Jan — Dec 2011
'000



Source:
The 2011 Nielsen Media Index:
Hong Kong Report
(January — December 2011)

Sudden Weekly Bundle's readers have a strong demographic profile. More than 70.0 per cent of them are in the 25-54 age group; and more than 49.0 per cent live in households with a monthly income of more than HK$25,000.

Sudden Weekly Bundle incorporates *ME!* – a perfect-bound upmarket magazine printed on heavier art paper and directed at higher-income females and office ladies. This title has been spectacularly successful in attracting advertising for prestigious brand-name products. During the year under review, *Sudden Weekly Bundle's* advertising sales income amounted to HK$240.9 million, compared with the figure of HK$216.1 million in 2010/11; and its total revenue amounted to HK$323.0 million, compared with HK$305.2 million the previous financial year, representing increases of 11.5 per cent and 5.8 per cent, respectively.

FACE Bundle

FACE Bundle – which incorporates *FACE*, *Ketchup*, *Auto Express* and *Trading Express* – appeals to affluent young adult readers and advertisers seeking to reach them. In 2011, around 75.0 per cent of its readers were aged 15-44, and more than 42.0 per cent of them lived in a household with a total monthly income of over HK$25,000.

The publication had an average weekly readership of 275,000 people during 2011, compared with 283,000 the previous year[1]. It sold an average of 44,507 copies a week during the second half of 2011, compared with 55,624 copies in the corresponding months of 2010[2]. The title's total revenue was increased by 13.5 per cent during the year under review to HK$105.9 million, against the figure of HK$93.3 million for the preceding 12 months.

Taiwan Next Magazine Bundle

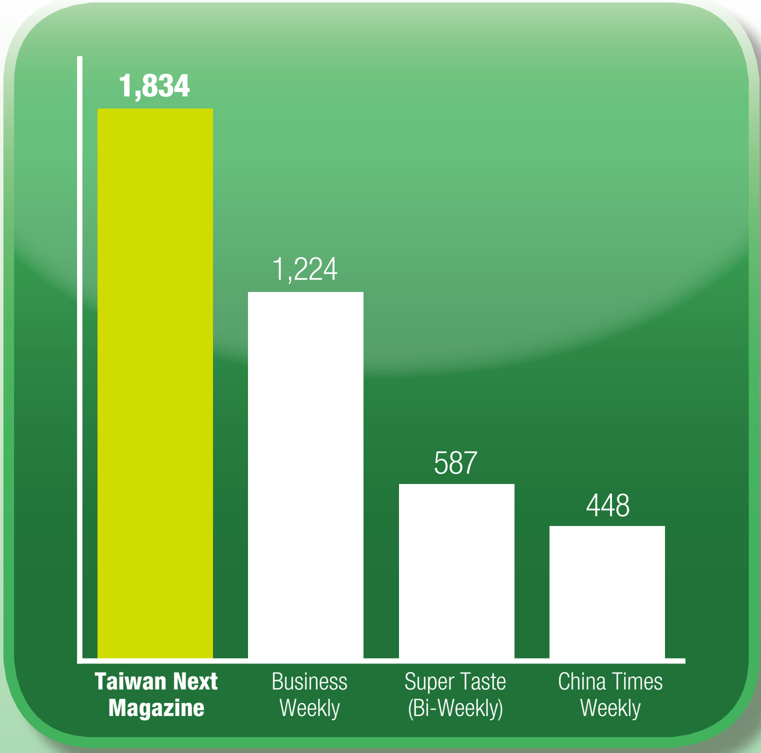
The *Taiwan Next Magazine Bundle* – which includes *Taiwan Next Magazine* and *Taiwan ME!*, a separate magazine focusing on fashion, luxury and beauty products aimed at high-income females – maintained a strong lead as the island's best-read and bestselling weekly.

It enjoyed an average weekly readership of 1,834,000 people aged 12 and above during 2011, compared with 1,928,000 the previous year. Single issue sales stabilised at an average of 98,580 copies a week during the second half of 2011, a decrease of 10.0 per cent on the figure of 109,510 in the corresponding months of 2010[4].

Due to the heavy pick-up of its stories by competing media and its consistently strong online audience presence, the island's advertisers continued to regard *Taiwan Next Magazine* as their medium of choice. This was especially true in the beauty and perfume, food and beverage and consumer electronics and communications sectors. The *Bundle's* advertising sales amounted to HK$178.9 million in the year ended 31 March 2012, an increase of 9.8 per cent on the figure of HK$162.9 million for the preceding 12 months.

TOP FOUR CHINESE WEEKLY MAGAZINES' READERSHIP IN TAIWAN

for the period from Jan — Dec 2011
'000



Source:
Media Index (January — December 2011)
Nielsen Media Research, Taiwan

Paramount Printing Company Limited
Next Media's commercial printing operation continued to compete vigorously against a growing number of increasingly sophisticated rivals in Mainland China and elsewhere around the world. At the same time, adverse economic conditions in North America, Europe and Australasia resulted in a dearth of new orders, and clients became increasingly price sensitive during the year under review.

Although its profit margins remained under considerable pressure, the operation's reputation for quality work enabled it to obtain a steady flow of orders, and thus contribute to the Group's total revenues. Its revenue during the year ended 31 March 2012 amounted to HK$250.4 million, which was 5.7 per cent less than the figure of HK$265.5 million for the previous financial year. Internal sales accounted for HK$157.8 million or 63.0 per cent of this amount, whereas sales to external customers made up the remaining HK$92.6 million, a decrease of 10.4 per cent on the preceding financial year's figure of HK$103.4 million.

Television & Multi-media Division

The Group made further headway in its project to establish a strong presence in the Taiwan TV industry during the past year. However, it also encountered a series of delays and disappointments that made its implementation considerably more protracted than originally expected. After lengthy deliberations, the Taiwan National Communications Commission (NCC) is expected to grant Next TV an operating license for a variety channel, in addition to the news, sports and movies channels approved earlier. While awaiting the approval of crucial licences and undergoing negotiations to secure listings on the cable networks continued, the Group focused on creating original and attractive high-definition (HD) content and alternatives to traditional MSO distribution strategies.

At present, Next TV operates a news channel and variety channel via Internet Protocol. These are distributed to more than 600,000 households, who have received set-top boxes to decode the signal on loan and free of charge as members of the Next Multi-Media *Yi Wang Le* Club. More than 100,000 of these households are also regular fee-paying viewers of the Club's wide range of VOD (video-on-demand) content. In addition, the Next TV News Channel is available in high-definition format on the Chunghwa Telecom MOD and kbroVision digital platforms, and it is carried by several MSO cable operators in the southern and central regions of the island, thus giving it a total reach of around 2.0 million households. However, it remains difficult to gain access to the major cable systems, especially in the Greater Taipei area.

The Next TV News Channel was also launched in the Los Angeles area of the United States on 1 January 2012, as a first step in extending the Next Media brand and increasing its reach to North America.

The prolonged delays in obtaining licences and access to the MSO platform have inevitably had a negative effect on the Television and Multi-media Division's income, which relies heavily on advertising revenue. At the same time, the Group made considerable capital investments in Next TV, the multi-media platform and related supporting infrastructure as it embarked on creating high-quality drama series and distributing set-top boxes. Consequently, the Television and Multi-media operation made a segmental loss of HK$1,168.1 million during the 12 months up to 31 March 2012, compared with a loss of HK$459.2 million the preceding year.

Despite the disappointingly slow progress to date, the Group is still sanguine about the Taiwan TV market. The island's existing channels offer poor quality, lookalike content, and their infrastructure is under-developed. Most TV programmes are still broadcasting in analogue format, which is the only type of signal that 80.0 per cent of households can receive. Since the Taiwan government has mandated digitisation from July 2012, and as Next TV is the only 100.0 per cent digitised broadcaster in Taiwan, it expects that its channels will become highly successful and that they will dramatically transform the Taiwan TV industry once they become available to a mass audience.

Internet Division

The Internet Division's online portals, together with its iPhone, iPad and Android apps, continued to provide local and overseas readers with convenient and entertaining ways to access their favourite Next Media's publications. In particular, they provided an effective channel for popularising the Group's titles, especially among the technologically-savvy younger generation.

During the year under review, the online version of *Apple Daily* maintained its status as Hong Kong's most-visited interactive news portal, while the popularity of *Taiwan Apple Daily's* website increased substantially. As at 31 March 2012, the online version of *Apple Daily* (excluding Smartphone apps) was receiving an average of 3.7 million unique visitors and 148.0 million page views a month, while *Taiwan Apple Daily's* online version attracted a monthly average of 8.3 million unique visitors and 160.0 million page views[5].

Concurrently, *Apple Daily's* mobile apps for iTunes and Android-platform Smartphones were among the top downloads in both Hong Kong and Taiwan, with 2.0 million downloads already in Hong Kong and 1.0 million in Taiwan.

The Division's income consisted of subscription fees, advertising revenues and content licensing payments. During the year under review, it recorded HK$47.2 million in external revenue from its continuing operations, an increase of 303.4 per cent on the restated amount of HK$11.7 million for the previous year. This was due to steady growth in its advertising revenue contributed mainly by external advertisers in the online and mobile phone sectors.

On the other hand, the Division devoted additional resources to revamping its portals and other IT support during the year. As a result, it recorded a loss of HK$36.9 million, compared with a restated loss of HK$20.3 million in the preceding 12 months.

To capture the growing number of business opportunities being created by the increasing popularity of portable devices to a greater extent, a new subsidiary, Next Mobile Limited, was established during the year. Its location-based mobile phone game, "Life is Crime", was launched in a collaboration with Next Media Animation Limited, an associated company of the Group, in March 2012. Since then, it has been consistently ranked as one of the three highest-grossing mobile games in Hong Kong.

Sources:

1. The 2011 Nielsen Media Index: Hong Kong Report (January – December 2011).
2. Hong Kong Audit Bureau of Circulations Ltd (January – December 2011).
3. Media Index (January – December 2011), Nielsen Media Research, Taiwan
4. The Audit Bureau of Circulations, R. O. C.
5. Google Analytics

Financial Review

CONSOLIDATED FINANCIAL RESULTS

Revenue

Next Media's total revenue from continuing operations amounted to HK$3,634.6 million during the year ended 31 March 2012, an increase of 4.5 per cent or HK$157.6 million on the figure of HK$3,477.0 million recorded in the previous 12 months.

The Group continued to derive most of its revenue from Hong Kong, where its operations accounted for HK$2,011.5 million or 55.3 per cent of its total revenue during the 2011/12 financial year. That was followed by Taiwan, which was responsible for 43.2 per cent. Taiwan's contribution remained relatively stable, increasing by 7.7 per cent from the previous financial year's HK$1,458.8 million to HK$1,570.7 million during the year under review.

Newspaper publishing and printing continued to account for the largest part of the Group's revenue. The Newspapers Publication and Printing Division generated HK$2,499.3 million, or 68.8 per cent of the Group's total revenue, an increase of HK$46.0 million or 1.9 per cent on the figure of HK$2,453.3 million for the previous financial year.

The Books and Magazines Publication and Printing Division's revenue accounted for at HK$1,056.1 million or 29.1 per cent of the Group's total revenue, an increase of 4.9 per cent on the figure of HK$1,007.2 million in 2010/11.

During the year under review, the Television and Multi-media Division and Internet Division generated revenues amounting to HK$32.0 million and HK$47.2 million, representing increases of 566.7 per cent and 303.4 per cent respectively against the figures of HK$4.8 million and HK$11.7 million in the previous year.

EBITDA and Segment Results

The Group's Earnings Before Interest, Taxes, Depreciation, Amortisation and impairments (EBITDA) from both continuing and discontinued operations for the year ended 31 March 2012 amounted to HK$525.3 million. This was HK$280.7 million or 114.8 per cent higher than the HK$244.6 million it achieved in the previous financial year.

The Group made a segment loss from continuing operations of HK$711.6 million during the year under review, compared with a restated segment profit of HK$121.9 million in the previous financial year.

The Newspapers Publication and Printing Division's segment profit declined by 33.4 per cent to HK$314.2 million, compared to the previous financial year's figure of HK$471.6 million.

The segment profit of the Books and Magazines Publication and Printing Division increased by 38.1 per cent to HK$179.2 million, compared with the figure of HK$129.8 million for the preceding 12 months.

The Television and Multi-media Division recorded a segment loss of HK$1,168.1 million (which included impairment loss recognized in respect of property, plant and equipment, goodwill as well as programmes and film rights in a total amount of HK$160.6 million), compared to a segment loss of HK$459.2 million in 2010/11; whereas the Internet Division recorded a segment loss of HK$36.9 million, compared with a segment restated loss of HK$20.3 million during the previous financial year.

Discontinued Operation

On 10 June 2011, the Group entered into a sale and purchase agreement with STV, a company 100.0 per cent beneficially owned by Mr. Lai, the Group's Chairman and controlling shareholder. Under this agreement, the Group's 70.0 per cent equity interest in Colored World (together with its subsidiaries, the "Colored World Group"), a company engaged in animation production and related services in Hong Kong and Taiwan, was sold to STV. This transaction was approved by the independent Shareholders of the Company at an EGM held on 2 September 2011 and completed on 31 October 2011.

With effect from the completion date of the transaction, the member companies of the Colored World Group ceased to be subsidiaries of Next Media. Accordingly, the Group recorded a gain on its disposal of HK$848.3 million in its consolidated financial statements for the year ended 31 March 2012.

Operating Expenses

The Group's operating expenses from continuing operations – excluding impairment losses totalled HK$4,219.6 million during the financial year under review. This was HK$826.5 million or 24.4 per cent higher than the previous financial year's restated figure of HK$3,393.1 million. HK$2,004.9 million or 47.5 per cent of its operating expenses during the year were essential production costs. Personnel costs accounted for HK$1,539.1 million or 36.5 per cent, an increase of HK$135.8 million or 9.7 per cent on the previous financial year's restated figure of HK$1,403.3 million.

Taxation

The taxes levied on the Group during the 2011/12 financial year amounted to HK$106.3 million, which was 43.3 per cent more than the previous financial year's figure of HK$74.2 million.

FINANCIAL POSITION

Current Assets and Current Liabilities

As at 31 March 2012, the Group's current assets amounted to HK$1,659.0 million, representing a decrease of 9.8 per cent on the figure of HK$1,838.3 million 12 months earlier. The Group's total liabilities on the same date were HK$2,118.1 million, 12.9 per cent more than the figure of HK$1,875.5 million 12 months earlier. The aggregate total of the Group's bank balances and cash, including restricted bank balances, was HK$731.2 million, as at 31 March 2012. The current ratio on the same date was 154.1 per cent, which was 32.6 per cent lower than the figure of 228.6 per cent a year earlier.

Trade Receivables

As at 31 March 2012, the Group's trade receivables totalled HK$538.0 million, an increase of 11.2 per cent on the figure of HK$484.0 million 12 months earlier. The average revenue days for the Group's trade receivables as at 31 March 2012 was 51.3 days, compared to 48.1 days on the same date of the previous financial year.

Trade Payables

As at 31 March 2012, the Group's trade payables amounted to HK$142.6 million. This was 12.8 per cent less than the figure of HK$163.6 million on the same date of the previous financial year. The average revenue days for the Group's trade payables was 42.1 days, compared to 44.9 days during 2010/11.

Long-term and Short-term Borrowings

As at 31 March 2012, the Group's long-term borrowings, including current portions, totalled HK$1,014.0 million. This represented an increase of 15.3 per cent on the figure of HK$879.3 million on the same date of the previous financial year. As at 31 March 2012, the current portion of the Group's long-term borrowings stood at HK$289.3 million, an increase of 127.6 per cent measured as against the figure of HK$127.1 million 12 months earlier.

Borrowings and Gearing

The Group's primary source of financing for its operations during the 2011/12 financial year was the cash flow generated by its operating activities and – to a lesser extent – the banking facilities provided by its principal bankers.

As at 31 March 2012, the Group's available banking facilities totalled HK$1,431.8 million, of which HK$1,017.5 million had been utilised. There was no seasonality in the Group's bank borrowing requirements, and all the monies borrowed bear interest at floating rates.

The Group's bank borrowings during the year were denominated in Hong Kong and New Taiwanese dollars. As at 31 March 2012, the Group's total bank balances, including restricted bank balances and cash on hand, amounted to HK$731.2 million. Its gearing ratio on the same date was 18.4 per cent, compared to 16.0 per cent a year earlier. The Group's gearing ratio is calculated by dividing long-term borrowings, including current portions, by total asset value.

Share Capital Structure

There was no change in the Company's share capital structure during the year. As at 31 March 2012, the Company's total issued share capital was HK$2,412.5 million. This amount was made up of 2,412,496,881 Shares with a par value of HK$1.0 each.

Cash Flow

The Group's net cash outflow from operating activities during the year ended 31 March 2012 amounted to HK$518.0 million compared with net cash from operating activities of HK$109.4 million the previous year. The difference was mainly due to the decrease in operating cash flows.

The inflow of investment-related cash during the 2011/12 financial year totalled HK$264.3 million, compared to the outflow of investment-related activities of HK$573.0 million recorded during the previous financial year. This was due to the HK$763.2 million cash inflow resulting from the disposal of the Group's 70.0 per cent equity interest in Colored World.

The Group's net cash inflow for financing activities during the year amounted to HK$109.1 million, compared to the preceding year's net cash inflow figure of HK$507.6 million. The new loans raised during the year under review was HK$263.0 million. A HK$650.0 million term loan from a bank syndicate was drawn down in the financial year of 2010/11 financial year.

Exchange Rate Exposure and Capital Expenditure

The Group's assets and liabilities are mainly denominated in Hong Kong dollars and New Taiwanese dollars. It continues to face exchange rate exposure, due to its newspapers and magazines publishing, television and multi-media and Internet businesses operations in Taiwan, and it aims to reduce this exposure by arranging bank loans in New Taiwanese dollars, as and when appropriate. As at 31 March 2012, the Group's net currency exposure stood at NT$7,237.7 million (the equivalent of HK$1,903.6 million) an increase of 5.0 per cent on the figure of NT$6,893.8 million (the equivalent of HK$1,825.2 million) a year earlier. The Group will continue to monitor its overall currency exposure and take steps to hedge further against such exposure, if and when necessary.

The Group's capital expenditure for the 2011/12 financial year totalled HK$461.4 million, of which, HK$407.5 million was used to fund its operations in television and multi-media. As at 31 March 2012, it had committed to further capital expenditure of HK$33.2 million on its operations, of which, HK$28.4 million was to fund its operations in television and multi-media.

Pledge of Assets

As at 31 March 2012, Next Media had pledged certain elements of the Group's Hong Kong and Taiwan property portfolio and printing equipment to Hong Kong and Taiwan banks as securities for bank loans granted to its Hong Kong and Taiwan operations. The aggregate carrying value of these assets was HK$1,349.9 million.

Contingent Liabilities and Guarantees

During the year under review, Next Media incurred contingent liabilities arising as a result of a number of litigation proceedings in Hong Kong and Taiwan. Such proceedings are an occupational hazard in the publishing business.

In addition, the Group had a dispute with UDL Contracting Limited ("UDL") as the contractor for the construction of a printing facility of a subsidiary of the Company, ADPL, over amounts payable in respect of the construction of the facility. Separate legal action concerning the claim was taken against ADPL and Mr. Lai in the High Court during 2007.

Pursuant to the judgement issued by the High Court on 18 January 2008, the default judgement against ADPL had been set aside and the proceedings against ADPL had been referred to arbitration. UDL had been ordered to pay 20.0 per cent of ADPL's costs on the application to set aside the default judgement. ADPL also obtained an order for the payment of all of its costs in relation to the application for a stay of proceedings to arbitration from UDL, and this amount was received in July 2008.

In connection with the acquisition of Database Gateway Limited and its subsidiaries (the "Acquired Group") on 26 October 2001, Mr. Lai, the Chairman and a controlling shareholder of the Company, has undertaken to provide unlimited personal indemnities to the Acquired Group against all payments, claims, suits, damages and settlement payments and any associated costs and expenses arising, made or incurred after 26 October 2001 arising out of or connected with (1) any third-party claims made against the Acquired Group on and before 26 October 2001; (2) defamation claims, claims for infringement of intellectual property rights and other proceedings and claims which may in the future arise from the content of the newspaper and magazines published by the Acquired Group on and at any time before 26 October 2001; and (3) the contractor dispute with UDL (the "Indemnity"). In relation to the Indemnity, Mr. Lai also procured a bank guarantee of HK$60.0 million for a term of three years up to 25 October 2013 in favour of the Company and the Acquired Group in respect of his obligations under the Indemnity.

The Directors of the Company are of the opinion that, in view of the indemnity given by Mr. Lai, it is unlikely the Group would incur any indemnity if UDL were to pursue its various claims to their ultimate conclusion. It is therefore the opinion of the Directors of the Company that the outstanding claims brought by UDL would not have any adverse material impact on the Group's financial position.

Next Media also maintains contingent liabilities that are related to various corporate guarantees the Company has provided to financial institutions for facilities utilised by certain of its subsidiaries. As at 31 March 2012, these contingent liabilities amounted to HK$1,431.8 million.

Intangible Assets

In view of current accounting standards, particularly, HKAS38 in respect of the valuation of intangible assets, the Board appointed an independent professional valuer to conduct a valuation of the Group's mastheads and publishing rights as at 31 March 2012, based on the value-in-use approach.

According to the valuation report, the value of the Group's mastheads and publishing rights was HK$2,348.7 million as at 31 March 2012 (31 March 2011: HK$2,333.3 million) against the corresponding carrying value of HK$1,300.9 million as at 31 March 2012 (31 March 2011: HK$1,300.9 million). Therefore, a revaluation surplus of HK$1,047.8 million arose on a Group basis as at 31 March 2012 (31 March 2011: HK$1,032.4 million). The Group's accounting policy is to state these intangible assets at cost less accumulated amortisation and accumulated impairment loss. Therefore, no adjustment was made to the Group's financial statements for this revaluation surplus.

PROSPECTS AND OUTLOOK

The many variables and interconnections that exist in today's globalised economy make it extremely difficult to forecast the prospects for individual markets, especially those that are export-driven, such as China, Hong Kong and Taiwan.

However, the general picture does not look particularly bright at the moment. Slow economic recovery, or even recession, in the US and Europe will inevitably reduce the growth momentum in China and Taiwan. On the other hand, any adverse developments in the Mainland's economy will invariably have a negative impact on Hong Kong. The Group therefore believes it is essential to maintain a cautious outlook during the coming months.

Next Media's print publications form the rock-solid foundation of its business; they continue to perform satisfactorily, both in terms of their sales and advertising revenues. They have tremendously loyal and high-quality readerships that make them attractive to advertisers. The Group regards them as its most valuable assets, and it feels they will continue to make indispensable contributions to its future success.

Yet, Next Media is also mindful that the fundamentals of the media industry are changing irreversibly and at an accelerating pace. The trend for the future is away from paid-for newspapers towards free ones, and from print media towards electronic media, including TV, online and mobile media.

Next Media has always believed in staying ahead by looking and planning ahead. Just as it has reached out and extended the scope of its operations to Taiwan, which it still sees as an ideal location for its future development, it intends to move with the times and further extend the scope of its offerings to include TV, the Internet, and the new forms of electronic media that are emerging.

Not only will this serve to make the Next Media brand more comprehensive and competitive than ever, it will also create synergy that will allow it to reach out and satisfy the needs of new audiences.

While it will continue to pay close attention to its costs, Next Media will never compromise on the quality and professionalism of its publications, and it will uphold its pledge to deliver the same unfailingly high standards to its readers, advertisers, Shareholders and employees.

DIVIDEND

The Directors have resolved not to recommend the payment of a final dividend for the year (2010/11: Nil).

BOOK CLOSE PERIOD

The Register of Members of the Company will be closed from Friday, 27 July 2012 to Monday, 30 July 2012, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfers of shares accompanied by relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 26 July 2012.

FORWARD-LOOKING STATEMENTS

This document contains several statements that are "forward-looking", or which use various "forward-looking" terminologies. Such statements are based on the current beliefs, assumptions, expectations and projections of the Directors regarding the industry and markets in which the Group is active. Readers are reminded that such statements are subject to risks, uncertainties and other factors that are beyond the Group's control.

NEXT MAGAZINE


壹週刊
NEXT MAGAZINE
另有正印
特首
景賢里
智經
網絡
梁振英時
梁振英

CORPORATE GOVERNANCE

Next Media is committed to maintaining high standards of corporate governance. It strongly believes that sound and effective corporate governance practices – with an emphasis on accountability, transparency, fairness and integrity – will ensure the company's long-term success, and ultimately advance its Shareholders' interests.

This report describes the corporate governance practices and structure that are in place at Next Media, with reference to the principles and guidelines of the CG Code contained in Appendix 14 as well as other applicable requirements in the Listing Rules.

Corporate Governance Practices

The CG Code sets out the Stock Exchange's views on the principles of good corporate governance. It makes two levels of recommendations:

- Code Provisions, which issuers are expected to comply with or provide reasons for any deviation from; and

- Recommended Best Practices, which issuers are encouraged to comply with, but which are provided for guidance only.

The Company has complied with all the applicable provisions of the CG Code throughout the year ended 31 March 2012, except for CG Code provision E.1.2. Due to another business engagement, Mr. Lai, the Chairman of the Board, did not attend the 2011 AGM held on 18 July 2011. Instead, Mr. Chu Wah Hui, the former ED and CEO, chaired the 2011 AGM in accordance with the provisions of Next Media's Articles of Association.

Board of Directors

The Board is chaired by Mr. Lai. As of 31 March 2012, it consisted of seven members, of whom four were EDs and three were INEDs. Next Media has complied with Rules 3.10 and 3.10A of the Listing Rules, which require the board of directors of a listed issuer to have at least three INEDs, representing at least one-third of the board.

Role of the Board

The Board's primary role is to promote the Group's success and deliver sustainable long-term value to Shareholders. It plays a key role in decisions related to:

- Formulating the Group's strategic objectives;

- Directing and monitoring the management in pursuit of the Group's strategic objectives;
- Ensuring a sound risk-management control system; and
- Approving the Group's major financial decisions and other significant issues.

The day-to-day management, administration and operation of the Group's business activities and the implementation of polices are delegated to the management of the Company and its subsidiaries. The Board fully supports the management and allows it autonomy to run and develop the Group's business. However, it also periodically reviews the powers delegated to the management, to ensure that they remain appropriate.

Strategic Direction

Next Media is an innovative media organization that delivers news and entertainment content to its readers and audiences without bias or prejudice. The following values form the foundation of the way we work:

- Dedication – we are dedicated to satisfying the expectations of our readers and audiences on all our platforms and at all times;
- Transparency – we encourage direct communication and maintain a high degree of transparency;
- Integrity – we act in a trustworthy, honest and fair way, and we hold ourselves accountable for our commitments; and
- Innovation – we foster creativity in order to stay abreast of change and at the forefront of the media industry.

Next Media is mindful of the rapid changes in the media landscape; in particular, the digital revolution that is sweeping through the world's media and the increasing availability of higher-speed and mobile broadband services over the past decade. We appreciate that the growth in the delivery of online content now gives audiences a huge range of information sources, and they expect instant access to news, entertainment content and analysis. That offers us enormous opportunities to innovate and serve our audiences better by diversifying our services and products. We will further develop our capabilities in publishing and other digital platforms, including TV, the Internet and mobile communication, and we will deliver content that reflects our commitment to quality, independence and professional journalism in order to meet the expectations of diverse audiences. At the same time, we will keep pace with changing technologies and we will continue to work creatively to achieve our strategic goals and grow our capabilities further. To face the challenges, we will constantly explore and pursue new ideas, opportunities and collaborations in order to establish sustainable business activities that have the potential to generate commercial value for our Shareholders in the long term.

Corporate Governance Policy

The mandate of the Board is to oversee the management of the business and affairs of the Group and ensure that good corporate governance practices and procedures are in place. On 30 March 2012, the Board established a corporate governance policy which sets out the Company's basic approach to corporate governance. Details of this policy can be found on the Company's website.

Board Composition

As of 31 March 2012, the Board's four EDs were Mr. Lai (Chairman); Mr. Cheung Ka Sing, Cassian (CEO); Mr. Ting Ka Yu, Stephen (COO and CFO); and Mr. Ip Yut Kin. Its three INEDs were Mr. Fok Kwong Hang, Terry; Mr. Wong Chi Hong, Frank; and Dr. Lee Ka Yam, Danny.

During the year under review, all the INEDs complied with the guidelines for assessing their independence set out in Rule 3.13 of the Listing Rules, and they provided the Company and the Stock Exchange with written confirmation regarding their independence. The Company considered that all the INEDs were independent; and that no family, material or other relevant relationships existed between any of them.

In addition, none of the members of the Board was related to any of the others.

The members of the Board possess business and financial expertise in a range of areas that are essential for the effective governance of a multi-media company. Their biographies and respective roles in the Board's Committees are set out in the Directors and Senior Management section of this annual report and on Next Media's website at http://www.nextmedia.com.

Chairman and Chief Executive Officer

The posts of Chairman and CEO are distinct and separate, with a clear division of their responsibilities. The Chairman's role is to provide the Group with strategic direction in consultation with the Board, whereas the CEO, with the support of the EDs, is responsible for the strategic planning of its various business units, and day-to-day management of its operations.

Mr. Cheung Ka Sing, Cassian, is the CEO responsible for formulating the Group's strategies, and he leads its management and business unit heads in achieving the goals set by the Board, with a focus on enhancing long-term Shareholder value. Mr. Cheung is also in charge of the Group's animation and interactive business units, as well as its television and multi-media operations, and he leads its experienced and high-calibre management team in ensuring that Next Media operates in accordance with its strategies.

Appointment, Re-election and Removal of Directors

Articles 84 and 85 of the Articles of Association requires each Director to retire by rotation once every three years, and one-third (or the nearest number to one-third) of its Directors to retire from office every year and be eligible for re-election at each AGM. During the year ended 31 March 2012, Mr. Ting Ka Yu, Stephen, and Mr. Ip Yut Kin retired and were re-elected as Directors at the 2011 AGM.

In view of the Board's current size, each Director has an average term of office of three years. All EDs have entered into service contracts with members of the Group that can be terminated by the Company giving them a period of notice of not more than one year.

None of the INEDs has entered into a service contract with any member of the Group. They have been appointed as INEDs for a fixed term of two years from the date of their appointment, or the date of the renewal of their appointment, whichever is applicable. The terms of appointment of the respective INEDs are as follows:

Name	Term of Appointment
Mr. Fok Kwong Hang, Terry	01.04.2011 to 31.03.2013
Mr. Wong Chi Hong, Frank	30.01.2011 to 29.01.2013
Dr. Lee Ka Yam, Danny	09.03.2011 to 08.03.2013

Although Mr. Fok Kwong Hang, Terry, has served as an INED for more than nine years, he does not have any management role in the Group, and he has at all times exercised independent judgment concerning issues of strategy, policy, performance and standards of conduct when participating in the Board and/or committee meetings. The Board is of the opinion that he possesses the character, integrity, independence and experience commensurate with the office of INED.

Board Activities

The Board meets regularly and holds quarterly meetings to review and consider the Company's operations, financial results and other relevant matters identified by the Directors. Additional meetings may also be arranged at the Directors' request. The dates of Board meetings for each year are usually proposed by the Company Secretary and agreed to by all the Directors during the third quarter of the previous year in order to give all Directors adequate time to plan their schedules in advance. The Board's proceedings are well defined, and they follow the CG Code's requirements and applicable recommended best practices. The draft agendas for regular Board meetings are prepared by the Company Secretary and approved by the CEO. The Directors are informed about the draft agenda's contents in advance, and consulted about any additional items that they wish to propose for inclusion on it. Once the agenda has been finalized, the Company Secretary issues the notice of the Board meeting with a notice period of at least fourteen days, and sends to all Directors the Board papers containing supporting analysis and related information at least three working days before the Board meeting.

During each regular Board meeting, the EDs report to the Board on their respective business area, including its operations, progress of projects, financial performance and corporate governance and compliance.

The Company Secretary prepares written resolutions and minutes, and keeps sufficiently detailed records of matters discussed and decisions resolved at Board meetings. Draft minutes and resolutions of the Board are sent to all Directors for comment in a timely manner. Original minutes and resolutions of the Board are placed on record and kept by the Company Secretary. These are available for inspection by the Directors upon request.

Below is an overview of the dates of the various Board meetings and the record of attendance of its members during the year:

	Numbers of Meetings Attended/Held				
	Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting (Note 2)	Annual General Meeting	Extraordinary General Meeting
EDs					
Lai Chee Ying, Jimmy (Chairman)	2/4 (50%)	N/A	N/A	0/1 (0%)	0/1 (0%)
Cheung Ka Sing, Cassian (CEO)	4/4 (100%)	N/A	N/A	1/1 (100%)	1/1 (100%)
Ting Ka Yu, Stephen (COO and CFO)	4/4 (100%)	N/A	N/A	1/1 (100%)	1/1 (100%)
Ip Yut Kin	4/4 (100%)	N/A	N/A	0/1 (0%)	0/1 (0%)
Chu Wah Hui (Note 1)	1/1 (100%)	N/A	N/A	1/1 (100%)	0/1 (0%)
INEDs					
Fok Kwong Hang, Terry	4/4 (100%)	2/2 (100%)	N/A	0/1 (0%)	0/1 (0%)
Wong Chi Hong, Frank	3/4 (75%)	1/2 (50%)	N/A	0/1 (0%)	1/1 (100%)
Lee Ka Yam, Danny	4/4 (100%)	2/2 (100%)	N/A	0/1 (0%)	1/1 (100%)
Dates of Meetings	03.06.2011 03.10.2011 18.11.2011 09.03.2012	01.06.2011 18.11.2011	N/A	18.07.2011	02.09.2011

Notes:

1. Mr. Chu Wah Hui ceased to be an ED and vacated the office as CEO with effect from 2 October 2011.

2. The Remuneration Committee did not hold any physical meetings during the year ended 31 March 2012. Instead, it considered and approved relevant issues by way of written resolutions of all members, details of which are set out in the section below headed "Board Committees".

3. The Directors may attend Board and/or committee meetings in person or by means of telephonic communication or similar communications equipment in accordance with the Articles of Association. Any Director taking part in the meeting via such means of electronic communication shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in the quorum accordingly.

Board Committees

The Board has established an Audit Committee, Remuneration Committee, Nomination Committee and several other committees as integral elements of good corporate governance and to oversee relevant aspects of the Group's affairs.

Audit Committee

(i) Structure and Membership

The Audit Committee was established on 19 March 1999 with reference to "A Guide for the Formation of an Audit Committee" issued by HKICPA.

On 3 October 2011, the Company established a whistle-blowing policy for employees and those who deal with the Group to raise concerns, in confidence, with a designated officer of the Group about suspected fraud in matters of financial reporting, internal controls or other matters relating to the Group. This policy applies to Directors, officers and employees at all levels of the Group as well as joint ventures or companies in which the Group holds a controlling interest. The Audit Committee has overall responsibility for this policy, and it will report fraudulent activities to the Board at least annually. The policy has been posted on the Company's website.

In light of the amendments made to the Listing Rules, which took effect on 1 April 2012, and to ensure the Company's full compliance with them, the Board adopted revised terms of reference for the Audit Committee with effect from 30 March 2012. The revised terms of reference of the Audit Committee were posted on the respective websites of the Company and the Stock Exchange on 30 March 2012.

As at 31 March 2012, the Audit Committee's membership consisted solely of INEDs, namely, Mr. Fok Kwong Hang, Terry; Mr. Wong Chi Hong, Frank; and Dr. Lee Ka Yam, Danny. None of them is, or has previously been, a member of the Company's current or previous external auditor. The Chairman of the Audit Committee, Dr. Lee

Ka Yam, Danny, possesses the professional qualifications and financial management expertise required under the Listing Rules.

(ii) Audit Committee's Functions

The Audit Committee meets regularly with the external auditor, professional advisers and management team to assist the Board in overseeing the Group's financial reporting, the appointment of the auditor and its fees, and the effectiveness of the Group's internal control system. It will convene additional meetings whenever its members need to discuss any specific matters. Full details of the Audit Committee's role and current terms of reference are posted on Next Media's website at http://www.nextmedia.com and the Stock Exchange's website.

(iii) Audit Committee's Activities

During the year under review, all the members of the Audit Committee attended both of its two meetings, together with the external auditor and in the absence of the EDs. The meetings reviewed the following matters before they were submitted to the Board for its consideration:

- Audit related and non-audit related services proposal for the financial year ended 31 March 2012;
- The Group's audited consolidated financial statements for the year ended 31 March 2011;
- The connected transactions of the Group for the year ended 31 March 2011;
- Valuation of mastheads and publishing rights of the Group for the year ended 31 March 2011;
- The internal control review reports of the Group for the year ended 31 March 2011; and
- The Group's unaudited interim financial statements for the six months ended 30 September 2011.

The Deputy CFO and the Company's Financial Controller were invited to attend these meetings in order to give a full account of the financial statements and answer the Audit Committee's questions. The Audit Committee reviewed the nature of the service fees and independence of the external auditor on an annual basis. Working closely with the external auditor and a professional firm, the Audit Committee also reviewed the adequacy and effectiveness of Next Media's internal control measures. The Chairman of the Audit Committee reported to the Board on the work done by the Audit Committee, and highlighted any significant issues.

Remuneration Committee

(i) Structure and Membership

The Remuneration Committee was established on 15 March 2005, together with specific terms of reference regarding its authority and duties. In light of the amendments made to the Listing Rules, which took effect on 1 April 2012, and to ensure Next Media's full compliance with them, the Board resolved to adopt revised terms of reference for the Remuneration Committee and to change its composition by accepting the resignation of Mr. Wong Chi Hong, Frank (INED) and appointing Mr. Ting Ka Yu, Stephen (ED) as members, and by electing Mr. Fok Kwong Hang, Terry (INED) as the chairman of the Remuneration Committee with effect from 30 March 2012.

As at 31 March 2012, the Remuneration Committee consisted of three members with a majority of INEDs, namely, Mr. Fok Kwong Hang, Terry; Dr. Lee Ka Yam, Danny; and Mr. Ting Ka Yu, Stephen. Mr. Fok Kwong Hang, Terry (INED) was the chairman of the Remuneration Committee.

(ii) Remuneration Committee's Functions

The Remuneration Committee is responsible for reviewing and developing all policies relating to the remuneration of the Company's Directors and senior management. It is also entrusted with making all recommendations in relation to such policies to the Board. Full details of the Remuneration Committee and its terms of reference can be found at the Company's website http://www.nextmedia.com and the Stock Exchange's website.

The Remuneration Committee is also responsible for ensuring that no Director nor any of his associates is involved in deciding his own remuneration. The Board has the authority to approve any remuneration matters concerning the Directors and members of the senior management that are brought before it, subject to recommendations from the Remuneration Committee and approval by Shareholders, if required under the Listing Rules, the Articles of Association, and applicable legislation.

(iii) Remuneration Committee's Activities

During the year, the Remuneration Committee reviewed and resolved by way of written resolutions of all its members to recommend proposals in relation to salary increments for Mr. Cheung Ka Sing, Cassian, and Mr. Ip Yut Kin, as well as the Directors' fees for the year ended 31 March 2012 to the Board for its consideration.

Nomination Committee

(i) Structure and Membership

The Nomination Committee was established on 30 March 2012, together with specific terms of reference regarding its authority and duties. As of 31 March 2012, the Nomination Committee consisted of three members with a majority of INEDs, namely, Mr. Wong Chi Hong, Frank; Mr. Fok Kwong Hang, Terry; and Mr. Cheung Ka Sing, Cassian. Mr. Wong Chi Hong, Frank (INED) was the Chairman of the Nomination Committee.

(ii) Nomination Committee's Functions

The Nomination Committee is primarily responsible for reviewing the structure, size and composition of the Board and making recommendations to the Board as and when appropriate. Full details of the Nomination Committee and its terms of reference can be found at the Company's website http://www.nextmedia.com and the Stock Exchange's website.

(iii) Nomination Committee's Activities

The Nomination Committee did not hold any meetings during the year ended 31 March 2012.

Its members assessed the independence of INEDs in respect of the year ended 31 March 2012, and opined that all three of the Company's INEDs complied with Rule 3.13 of the Listing Rules.

Other Committees

(i) A Board Committee consisting of any two of the EDs was established on 28 August 2007 to approve the issue and allotment of Shares pursuant to the 2007 Share Option Scheme from time to time;

(ii) A Board Committee consisting of any two of the EDs, subject to any conflict of interests, was established on 8 November 2007 to administer and manage the Subscription Plan from time to time; and

(iii) A Sub-committee consisting of the financial heads of all the major business units, the Company Secretary, Deputy CFO and Financial Controller was established in September 2000 to review connected transactions and ensure that they comply with the Listing Rules and other relevant legislation.

Transparency and Fairness

Material Interests

The Directors are requested to declare their direct or indirect interests, if any, in any matters or transactions to be considered at Board or committee meetings. They may not vote on any resolution of the Board or committees if they have such an interest, and they may not be counted in the quorum for such a vote.

Directors' Commitment

Each Board member is required to make a disclosure to Next Media every six months regarding the number and nature of the offices they hold in other public companies or organisations. They are also required to declare all their other significant commitments, including the identity of the public companies or organisations concerned. During the year under review, apart from Mr. Cheung Ka Sing, Cassian, none of the Directors held any directorships or offices in any other public companies or organizations.

Mr. Cheung is currently an independent non-executive director, a Nomination Committee Member, an Audit Committee Member and Chairman of the Remuneration Committee of Trinity Limited, a company listed on the main board of the Stock Exchange.

Securities Transactions

Next Media originally adopted the Model Code in April 2004. With effect from 1 April 2009, the Model Code was revised to extend the "blackout" period for dealings by a company's directors in its securities. The Company adopted the revised version with effect from 1 April 2009, by means of a written resolution that was unanimously approved by the members of the Board.

The Model Code requires the Directors to notify Mr. Cheung Ka Sing, Cassian, and receive a dated written acknowledgement from him, before they deal in the Company's securities and derivatives. Mr. Cheung Ka Sing, Cassian, is required to notify Mr. Lai (Chairman of the Board), and receive a dated written acknowledgement from him, before he deals in any securities and derivatives of Next Media.

Following specific enquiries by the Company, all the Directors have confirmed that they fully complied with the required standards of the Model Code for the year ended 31 March 2012.

Specific officers and employees of the Company who, because of their offices, are likely to be in possession of unpublished price-sensitive information pertaining to Next Media or its activities are also subject to compliance with the Model Code.

Voting by Poll

The Company has conducted all voting at general meetings by poll since 2004. Following the relevant special resolutions passed at the 2009 AGM, the Articles of Association were amended to comply with Rule 13.39(4) of the Listing Rules, which requires any vote of shareholders at a general meeting to be conducted by poll. At the 2011 AGM and the EGM held on 2 September 2011, the Chairman of the meetings likewise demanded voting by poll on all the resolutions put to the meetings. The Shareholders' rights and procedures for demanding a poll were set out in a circular sent to the Shareholders within the stipulated timeframe, and they were explained to those present at the start of the general meetings. To ensure the votes were counted correctly, Computershare Hong Kong Investor Services Limited, the Company's share registrar, was appointed as the scrutineer for the voting by poll at the general meetings. The poll results were announced and posted on both the respective website of the Stock Exchange and Company on the same days.

Directors' Training and Continuous Development

The Company has a policy of providing all newly appointed Directors with a comprehensive, formal and tailored induction to the Company. An induction package containing information in respect of the duties and responsibilities of all Directors under the Listing Rules, the Companies Ordinance and other related ordinances and relevant regulatory requirements of Hong Kong is provided to each newly appointed Director. The Company also arranges seminar sessions conducted by qualified professionals, particularly relating to the roles, functions and duties of listed company directors, for all the Directors at the Company's cost, as and when necessary, in order to ensure that their skill sets and knowledge remain consistent with all relevant legal and regulatory requirements. From time to time, the Company Secretary also provides updates to all Directors about the latest developments in terms of rules and regulations.

Independent and Professional Advice

The Directors and Board committees' members are empowered with all the resources deemed necessary to carry out their duties to the best of their abilities. They are given full and timely access to the advice and services of the Company Secretary, and to all information that is relevant to Next Media's operations. If the need arises, Directors and members of the Board committees may also seek independent professional advice about the performance of their duties at the Company's expense in accordance with the "Procedures for Directors to Seek Independent Professional Advice" that have been adopted by the Board.

Directors' Responsibility for Financial Statements

The Directors acknowledge their responsibility for preparing financial statements that give a true and fair view of the Group's state of affairs. When preparing the financial statements, the Directors review and approve appropriate accounting policies recommended by the management, Audit Committee and professional bodies. They apply the same standards consistently in demonstrating the quantified operational performance and in exercising relevant judgment.

Audit, Control and Risk Management

External Auditor

Deloitte has been the Company's external auditor for eight consecutive years since 2004. During the year ended 31 March 2012, the total fees paid and payable to the external auditor for non-audit-related services amounted to HK$1,264,000. This sum included HK$380,000 for taxation services and HK$593,000 for a review of the Group's interim results for the six months ended 30 September 2011.

Internal Controls

Since 1 April 2006, the Board has engaged professional firms to conduct assessments and evaluations of entity-level controls within Next Media, with reference to the COSO (The Committee of Sponsoring Organizations) framework covering control environment, risk assessment, control activities, information and communication and monitoring. During the year ended 31 March 2012, the Board engaged RSM to conduct a review of controls over Next Media's financial, operational, compliance and risk management, in order to identify and prioritise significant risk areas that required further improvement or rectification. Overall, the assessment indicated that a high level of awareness about these controls exists within the Group's business units. Findings and recommendations concerning improvements to the controls have been reported to the Audit Committee and the Board.

Communications with Shareholders

AGM

Next Media has always endeavoured to maintain amicable and open relationships with its Shareholders. The Company's AGM provides a forum at which Board members and Shareholders can share opinions and ideas. Shareholders are invited to direct questions to the Board at the AGM. Those available to answer such questions include not only the EDs but also the Chairmen of the relevant committees or, in their absence, members of the committees as well as the Company's external auditor.

Details of voting procedures are included in the Company's circulars to Shareholders.

Investor Relations

The Board is well aware of the importance of communication between investors, Shareholders and the Company. The Board ensures it disseminates details of major activities, price-sensitive information and transactions in full compliance with the Listing Rules. The Company has a series of procedures to communicate with analysts and the media. These measures were developed to ensure full compliance with the Stock Exchange's guidelines regarding the disclosure of price-sensitive information. The Company has also carefully selected certain EDs and senior management to act as its representatives in meetings with analysts and the media. On 3 October 2011, the Board adopted the Group's external communication policy for its operations in Taiwan, when dealing with communications with investors, analysts and the media.

As a multi-media company, Next Media remains determined to enhance its transparency further by making full use of all appropriate communications channels when sharing information with third parties. Specific activities undertaken in this area during the year included the publication of corporate news via press releases and formal announcements, and the issuing of circulars, interim and annual reports. All such information is freely accessible to anyone at the Company's website http://www.nextmedia.com.

Shareholders and interested members of the public are welcome to communicate directly with Next Media by sending correspondence marked "for the attention of the Company Secretary" to the Company's registered office address, or via its designated investor relations e-mail account at ir@nextmedia.com.

On 30 March 2012, the Board established a shareholder communication policy, which is available on the Company's website. It will regularly review this policy to ensure its effectiveness.

Shareholder Rights

The Shareholders' Guide containing the following information was posted on Next Media's website at http://www.nextmedia.com on 30 March 2012:

(i) The procedures for proposing a resolution at an AGM;

(ii) The procedures for election of Directors; and

(iii) The procedures for convening an EGM on requisition.

Directors' and Officers' Insurance

The Directors and officers of the Group are fully indemnified against all costs, charges, losses, expenses and liabilities incurred by them in discharging their duties. Next Media has taken out comprehensive Directors' and officers' liabilities insurance coverage for such purposes, subject to the provisions of the Companies Ordinance and other applicable legislation.

Proposed Amendments to the Articles of Association

The Stock Exchange has amended the Listing Rules relating to, amongst other things, the articles of association or equivalent constitutional documents of listed issuers. These amendments came into effect on 1 January 2012 and 1 April 2012, respectively. The Directors accordingly propose to seek the approval of Shareholders at the 2012 AGM to amend the existing Articles of Association of the Company by way of special resolution. A circular containing, inter alia, information about the proposed amendments and notice of the 2012 AGM will be dispatched to Shareholders in due course.

GROUP COMMITMENTS

Strengthening Investor Relations

As a leading Chinese-language media company in Hong Kong and Taiwan, Next Media constantly strives to strengthen its relationships with its investors. We believe that open, transparent, and timely communication with them is part of our ongoing mission, and that it is central to achieving greater success in our business.

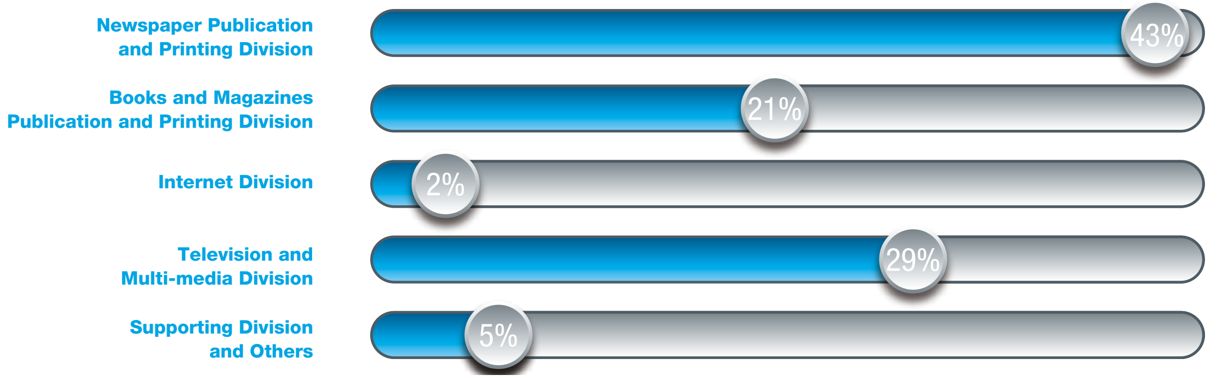
Our Directors and senior management team maintain ongoing dialogues about our performance and business strategies with many interested parties, including research analysts and institutional investors. They do this by participating in briefings, meetings and company visits.

We provide up-to-date and comprehensive corporate information, in both English and Chinese, in the investor relations section of our website, http://www.nextmedia.com. This includes interim and annual reports, public announcements, circulars and press releases.

In addition, we hold annual general meetings to provide a platform for individual shareholders to exchange views with the Board, and to enable them to gain a deeper understanding of the Company and its development.

We also encourage and value feedback from our Shareholders, who we regard as a source of valuable input and perspectives that enhance our continuous efforts to improve our performance. We invite them to send their questions and comments via our dedicated investor relations e-mail account, ir@nextmedia.com, or by post to our Company Secretary at Next Media's registered office. We aim to reply directly to all written communications within seven days.

Headcount Report as at 31 March 2012



Employee Wellbeing

Equal Opportunities, Fair Rewards

As of 31 March 2012, Next Media employed a total of 5,367 people in Hong Kong, Taiwan and Canada (2011: 5,229). The increase of 138 on the previous year's headcount was mainly attributable to the recruitment of additional employees to work on the Group's growing TV and multi-media business in Taiwan.

Next Media believes that the talents and dedication of our team members are the foundations for our success and growth. We uphold the principle of equal opportunity by maintaining non-discriminatory recruitment policies, and we employ staff members purely in accordance with the relevance of their skills and experience.

We reward employees fairly for their outstanding performance and contributions to the Group's success. The remuneration package of each of our staff members is reviewed every year in the light of the individual's responsibilities and the Group's business performance, together with internal benchmarks and prevailing market practices and conditions. At the same time, we offer special performance-related and variable pay-related rewards, such as year-end bonuses and a profit-sharing scheme, to team members who make exceptional contributions.

In addition, we encourage our employees to increase their professional and personal capabilities and advance in their careers. For this reason, we invest heavily in providing them with opportunities for professional growth and personal development. For instance, we make special educational subsidies available to those who wish to obtain further career-related qualifications. Also, we arrange regular in-house seminars to update the legal knowledge of our reporters and editors, and to teach them how to handle specific and sensitive issues that they may encounter in the course of their work.

On top of this, the Group offers a comprehensive range of employee benefits, including insurance and medical coverage and maternity and paternity benefits, as well as retirement and mandatory provident fund schemes. To motivate members of our senior and middle management to generate extra value for our Shareholders, we operate discretionary share option schemes and a Subscription Plan that offer them options and invitations to subscribe for shares in Next Media and its operating subsidiaries. All these measures help to maintain the commitment of our staff to strive for excellence and professionalism.

During the year under review, Next Media's staff-related costs from continuing operations, including retirement benefits, totalled HK$1,539.1 million, an increase of 9.7 per cent on the previous year's restated figure of HK$1,403.3 million. This increase was mainly due to the rising headcounts of the Group's expanding TV and multi-media operations during the year.

Fostering Work-Life Balance

At Next Media, we believe people are more effective when their working and personal lives are in harmony. Sustainable work performance based on employee satisfaction is critical to our success. In line with our longstanding policy of caring for their well-being, we offer our staff members a pleasant and professional working environment. For example, our Hong Kong head office has a wide range of leisure facilities, including a cafeteria, an open-air BBQ area and a superbly equipped fitness centre with a swimming pool and multi-function athletics court.

Moreover, we arrange many different types of staff activities. During the year under review, these included:

- A 3-on-3 basketball competition;
- Mid-Autumn Festival celebration;
- Christmas party; and
- Weekly yoga classes.

Next Media proactively safeguards the health of our staff members too. Commonly used equipment and the ventilation system in our premises are regularly cleaned and maintained in order to ensure a clean and hygienic working environment. We also issue periodic health advice and guidelines to remind employees about the importance of personal hygiene.

To make the working environment even safer, in 2009 we installed automated external defibrillators, and arranged for members of our Security Department to be properly trained and qualified to operate them. These portable devices can diagnose potentially life-threatening cardiac arrhythmias, and treat them by applying an electrical current to help the heart re-establish an effective rhythm. Influenza vaccination programmes are organised during influenza seasons. All these preventative measures aim to keep our staff members healthy and on the job, and to protect their families and co-workers.

Our people-centred approach has earned Next Media an enviable reputation as a preferred employer in the media industry. We do not simply offer employees a career; instead, we provide a dynamic environment in which they can pursue their personal development and achieve their goals in life, while simultaneously raising their awareness about issues that directly influence everyone in the community.

Concern for the Community

Caring for the Underprivileged

Truthful and balanced journalism is just one of Next Media's roles. Striving to be a good corporate citizen that significantly benefits all the communities we operate in is equally important to us.

In 1995, we founded the Apple Daily Charitable Foundation in Hong Kong. Its principal objective is to assist less-privileged members of our community through direct financial support and sponsorship of various social service programmes. The Foundation has two committees, the Charitable Fund Committee and Educational Fund Committee.

Apple Daily supports the Foundation and its programmes by regularly publishing a column appealing for donations from readers, and by devoting space to promote its charitable activities. The paper also donates 1.0 per cent of its operating profits to the Foundation every month.

The Foundation began issuing a quarterly newsletter to publicise its good work during the fourth quarter of 2006. Copies of this are distributed by mail via the Haven of Hope Integrated Vocational Rehabilitation Services Centre.

The Foundation's online donation service at http://www.charity.atnext.com/donate was launched in July 2008, and it has since become an increasingly popular method for readers to make donations to the Foundation. The website also provides the public with comprehensive and transparent information, such as details of the individuals and charitable organisations who are benefiting from the Foundation's work, reports about the donations it receives and disburses, copies of its quarterly newsletter, and information about its forthcoming activities.

During the year, the Foundation donated more than HK$1.9 million to support 101 social service projects for disadvantaged groups and needy people.

In 1996, we launched the Apple Bursaries Scheme, which provides direct financial support to needy students. Since 2009, it has extended its coverage to include full-time undergraduate students at Hong Kong's 11 tertiary educational institutions. The scheme provided bursaries totalling HK$5.3 million to 2,201 primary and secondary school students and undergraduates during the financial year ended 31 March 2012.

Since its launch in May 2003, *Taiwan Apple Daily* has also established a similar foundation – the Apple Daily Charity Fund – in Taiwan, with an initial endowment of NT$15.0 million from the newspaper. The Fund aims to assist less-privileged people on the island through direct financial support, subsidies for their medical and educational needs, and sponsorship of a variety of social service programmes. During the year, *Taiwan Apple Daily* donated NT$2.8 million to the Fund.

Serving the Community

Next Media's community service philosophy is based on the motto "Use what you receive from society in order to benefit society!" During the year, the Foundation put this philosophy into practice via the following programmes:

Hong Kong

- In line with "caring about the underprivileged and sharing festive joy with them", another guiding principle of its community service, the Foundation donated HK$640,000 to the "Big Festive Meals" project. This delivered meals during traditional Chinese festivals to more than 8,500 disadvantaged elderly people via 88 voluntary organizations.

- Continuing to support the underprivileged by donating HK$1.0 million to the "Warm Action" programme, which last winter distributed fleecy vests and food parcels to 18,000 elderly and disabled people and low-income families via 90 social organisations.

- Donating HK$127,000 to help provide 14,000 rice dumplings to needy people during the Tuen Ng Festival, plus a further HK$570,000 to provide 30,000 mooncakes to them during the Mid-Autumn Festival.

- The reports we published in *Apple Daily* resulted in generous donations from its readers. These included:

  – HK$1,100,000 for a five-year-old child who suffers from Pompe disease, whose subsidy for injections had been terminated by the Hospital Authority;

  – HK$370,000 for a two-year-old child born without a cochlea, who is thus completely deaf, and needs to undergo surgery; and

  – HK$200,000 for the family of a carer who died in a traffic accident.

- The Group and its employees supported fundraising activities by World Vision Hong Kong by skipping a meal or having a snack instead, and donating funds to help hungry children in East Africa.

- Next Media employees donated blood to the Hong Kong Red Cross Blood Transfusion Service.

Next Media is committed to participating in community affairs, and we will continue to adhere to our philosophy of supporting disadvantaged members of society in the years to come.

Caring About the Environment

Eco-friendly Initiatives

Concern about the environment is another important dimension of our commitment to society. Next Media strives to fulfil this goal in terms of our own operations and through our relationships with suppliers, customers and the wider community.

Next Media became a member of the Forest Stewardship Council in 2009. This international non-profit, multi-stakeholder organisation was established in 1993 to promote the responsible management of the world's forests. Our membership means we abide by its standards concerning the independent certification and labelling of forestry products and ensuring that they come from socially and environmentally sustainable sources.

Next Media used 158,900 metric tonnes of newsprint for our newspapers and another 22,700 metric tonnes of paper for our magazines during the year. This was supplied by reputable major manufacturers in Canada, Korea, Japan, New Zealand and Sweden. All of them adhere strictly to manufacturing processes that create minimal impact on the environment and comply with the ISO14000 Environmental Management System Standard.

We also used approximately 2,413 tonnes of organic-based printing ink for our newspapers and 653 tonnes for our magazines during the year. This ink consists of a composite of resin and vegetable oil that fulfils environmental conservation objectives. Its manufacturer also complies with ISO14000 and 14001 Environmental Management System Standards, as well as with the ISO 9000 and 9001 Quality Management System Standards, and its products are recognised in international treaties concerning environmental protection.

At the same time, we implement environmental monitoring and review systems in all our production processes. They incorporate a range of strategies and technologies that effectively reduce pollution. Moreover, we train our employees to minimise waste, environmental damage and noise.

All our printing plants have emission-control systems that reduce VOC emissions from printing ink by 90 per cent. They are also equipped with comprehensive sewage-processing systems that comply fully with Hong Kong statutory requirements. Dedicated disposal bins have been installed for chemical wastes, and all solid, pulp, paper and chemical wastes. All recyclable materials are properly categorised, then collected and handled by a contractor acceptable to the Environmental Protection Department.

The waste paper Next Media's operations generate is processed by dedicated recycling companies. In addition, we have installed energy-saving lighting systems, and we use environmentally friendly cleaning materials. We regularly monitor the materials and other resources we use, with the aim of ensuring that they are either recycled and/or environmentally responsible.

Hong Kong 香港

The Society of Publishers in Asia (SOPA) 2011 Awards for Editorial Excellence
亞洲出版業協會 2011年度卓越新聞獎

Excellence in Multimedia News Presentation
卓越多媒體新聞獎
Award for Excellence: *Apple Daily*
大獎：*《蘋果日報》*
主題：𥚃樓

Excellence in Human Rights Reporting
卓越人權報導獎
Award for Excellence: *Apple Daily*
大獎：*《蘋果日報》*
主題：人權的豐碑 劉曉波得諾貝爾和平獎

Excellence in Reporting on the Environment
卓越環境報導獎
Award for Excellence: *Apple Daily*
大獎：*《蘋果日報》*
主題：兩次揭發大亞灣洩核輻射

Excellence in News Photography
卓越新聞攝影獎
Honorable Mention: *Apple Daily*
優異：*《蘋果日報》*
主題：八十後年青人衝著反對興建高鐵及清拆菜園村而來

Excellence in Editorial Cartooning
卓越漫畫獎
Honorable Mention: *Apple Daily*
大獎：*《蘋果日報》*
主題：選票起義

The 11th Consumer Rights Reporting Awards
第十一屆消費權益新聞報導獎

Category: News
組別：新聞
Silver Award: *Apple Daily*
銀獎：*《蘋果日報》*
主題：抵制婚宴食翅 人情做七折

Category: Press Photo
組別：新聞攝影
Silver Award: *Apple Daily*
銀獎：*《蘋果日報》*
主題：領匯逼走良心超市 街坊支持續租

The 16th Annual Human Rights Press Awards
第十六屆人權新聞獎

General News
報章新聞

Prize: *Apple Daily*
大獎：*《蘋果日報》*
主題： 區議會選舉種票系列之1屋7姓13票
樓拆了照種票

Merit: *Apple Daily*
優異獎：*《蘋果日報》*
主題：共幹漂白 種票又種人

Merit: *Apple Daily*
優異獎：*《蘋果日報》*
主題：選民登記烏煙瘴氣原居民都「轉會」

Newspaper – Features
報章特寫

Prize: *Apple Daily*
大獎：*《蘋果日報》*
主題：貧童鏡頭下看貧窮

Merit: *Apple Daily*
優異獎：*《蘋果日報》*
主題：小販討生計舉步維艱
食環惡法害人領匯瘋狂打壓

Magazines
雜誌

Prize: *Next Magazine*
大獎：*《壹週刊》*
主題：緬甸專訪 昂山素姬細訴遺憾

Photojournalism
新聞攝影

Merit: *Apple Daily*
優異獎：*《蘋果日報》*
主題：泰緬難民

Spot News
突發新聞
Merit: *Apple Daily*
優異獎：《*蘋果日報*》
主題：替補諮詢變罵戰

Merit: *Apple Daily*
優異獎：《*蘋果日報*》
主題：李克強訪港大校慶 警方鎮壓學生

Merit: *Apple Daily*
優異獎：《*蘋果日報*》
主題：燭光不滅

Merit: *Apple Daily*
優異獎：《*蘋果日報*》
主題：空襲立法會撤回替補方案

Merit: *Apple Daily*
優異獎：《*蘋果日報*》
主題：李克強風波：還我採訪權

WAN-IFRA
Asian Media Award 2011
國際報業協會
亞洲傳媒大獎2011

Best in Print Award – Circulation above 150,000 copies
最佳印刷 – 發行量多於150,000份
Gold Award: *Apple Daily*
金獎：《*蘋果日報*》

Hong Kong Press Photographers Association Focus at the Frontline 2011
香港攝影記協會
「前線 • 焦點2011」

People
人物組
Winner: *Next Magazine*
冠軍：*《壹週刊》*
主題：保險唔賠手術重做易小玲大控訴

Honorable Mention: *Next Magazine*
優異獎：*《壹週刊》*
主題：緬甸專訪昂生素姬細訴遺憾

General News
一般新聞組
2nd Runner-up: *Next Magazine*
季軍：*《壹週刊》*
主題：幹部港商勾結直擊烏坎對決現場

The Hong Kong Management Association — Best Annual Reports Awards
香港管理專業協會—最佳年報獎

Citation for Design: *Next Media Limited*
設計獎：*壹傳媒有限公司*
Publication: Annual Report 10/11
作品：年報10/11

2012 Astrid Awards — 22nd Annual Competition
2012年第22屆Astrid Awards

Gold Winner (Annual Reports — Corporate — Non-Traditional — Over 121 Pages): *Next Media Limited*
金獎(年報 — 企業 — 非傳統 — 超過121頁組別)：
壹傳媒有限公司
Publication: Annual Report 10/11 “movin’ on”
作品：年報10/11 “動’不停”

Silver Winner (Annual Reports — Specialized — Interim Report): *Next Media Limited*
銀獎（年報 — 特別組別 — 中期報告）：
壹傳媒有限公司
Publication: Interim Report 11/12
作品：中期報告11/12

2012 Grand Winner (Annual Reports):
Next Media Limited
2012年總大獎(年報)：*壹傳媒有限公司*
Publication: Annual Report 10/11 “movin’ on”
作品：年報10/11 “動’不停”

Taiwan 台灣

The Society of Publishers in Asia (SOPA) 2011 Awards for Editorial Excellence
亞洲出版業協會 2011年度卓越新聞獎

Excellence in Information Graphics
卓越資訊圖像獎
Honourable Mention: *Taiwan Apple Daily*
優異：*《台灣蘋果日報》*
主題：地底飽受煎熬「與主同在」「也與魔鬼同在」

Excellence in Reporting Breaking News
卓越突發新聞獎
Honourable Mention: *Taiwan Apple Daily*
優異：*《台灣蘋果日報》*
主題：連勝文助選頭中槍 系列報導

WAN-IFRA Asian Media Award 2011
國際報業協會 亞洲傳媒大獎2011

Best in Print Award — Circulation above 150,000 copies
最佳印刷 — 發行量多於150,000份
Silver Award: *Taiwan Apple Daily*
銀獎：*《台灣蘋果日報》*

Best in Design Award — Newspaper Overall Design
最佳設計 — 報紙整體設計
Bronze Award: *Taiwan Apple Daily*
銅獎：*《台灣蘋果日報》*

The Pacific Area Newspaper Publishers' Association (PANPA) 2011 Newspaper of the Year Awards
太平洋地區新聞出版者協會 2011年度新聞大獎

Technical Excellence Award: *Taiwan Apple Daily*
印刷技術卓越獎：*《台灣蘋果日報》*

Technical Excellence Award: *Taiwan Sharp Daily*
印刷技術卓越獎：*《台灣爽報》*

The Consumer Protection Commission of the Executive Yuan, Republic of China (Taiwan) 2011 Consumer Protection Rights Reporting Awards
中華民國(台灣)行政院消費者保護委員會
2011消費者權益報導獎

Print Media/Feature Reporting Award
平面媒體類/專題報導獎
Honourable Distinction: *Taiwan Apple Daily*
佳作：*《台灣蘋果日報》*
主題：中華電信3G行動上網 連線品質差 爆民怨

The Foundation for Excellent Journalism Award
The 10th Excellent Journalism Awards
卓越新聞獎基金會
第十屆卓越新聞獎

Excellent Journalism Award in Print Media
卓越新聞獎平面媒體類
Real Time News Award: *Taiwan Apple Daily*
即時新聞獎：*《台灣蘋果日報》*
主題：白玫瑰震撼 —「性侵幼童輕判引人民怒吼」系列報導

DIRECTORS AND SENIOR MANAGEMENT

Our directors and senior management possess a wide range of business and financial expertise, which they have gained over many years both inside and outside the multi-media industry. This rich experience in various fields enables them to contribute to the Group's balanced growth, as well as its excellent corporate governance.

Executive Directors

Mr. Lai Chee Ying, Jimmy, aged 64, has been a Director and Chairman of the Company since 1999 and he is responsible for formulating and implementing the Group's strategic policies. Mr. Lai entered the print media industry by launching *Next Magazine* in March 1990. He subsequently added several other popular titles to his stable of publications, including *Easy Finder* (September 1991, renamed *FACE* in May 2007), *Apple Daily* (June 1995), *Sudden Weekly* (August 1995), *Eat & Travel Weekly* (July 1997), *ME!* (December 2006) and *Sharp Daily* (September 2011). Mr. Lai extended the boundaries of the Group's operations from Hong Kong to Taiwan by launching *Taiwan Next Magazine* (May 2001), *Taiwan Apple Daily* (May 2003) and *Taiwan Sharp Daily* (October 2006). Mr. Lai expanded the Group's operations from print media to multi-media by launching *Next TV* on an open Internet-based, digital and interactive IPTV platform in 2010 and multi-media services such as online games and online shopping in 2011. Prior to founding his publishing business in 1990, Mr. Lai had a distinguished 30-year career in the local garment industry, establishing and running the hugely successful Giordano manufacturing and retail chain.

Mr. Cheung Ka Sing, Cassian, aged 56, has been a Director of the Company since November 2008. He has been re-designated as CEO of the Group from October 2011, who is responsible for formulation of the Group's strategies and leads the management and operation unit heads to achieve goals set by the Board with a view to enhancing long term shareholder value. Mr. Cheung is an independent non-executive director of Trinity Limited, a company listed on The Stock Exchange of Hong Kong Limited.

Mr. Cheung started his career with Nestle in the U.S.A. and had held various senior management positions in Quaker Oats Asia and Wal-Mart. He attended universities in the U.S.A. and received a Master of Management degree from the Northwestern University Kellogg School of Management.

Mr. Ting Ka Yu, Stephen, aged 52, has been a Director of the Company since October 1999. He is currently the Group's COO and CFO and responsible for the Group's day-to-day management and operations. Prior to joining the Group in December 1997, Mr. Ting worked with a leading audit firm in both Hong Kong and Australia. He also held senior financial and management positions with a variety of leading companies and listed groups. The holder of a Bachelor of Economics degree from Macquarie University in Sydney, Australia, Mr. Ting is a member of the Institute of Chartered Accountants in Australia. He is currently an advisory board member of Business Association BEA HKUSU of The University of Hong Kong.

Mr. Ip Yut Kin, aged 60, has been a Director of the Company since November 2001. He is currently the Chairman of *Taiwan Apple Daily* and *Taiwan Next Magazine*. Since October 2011, Mr. Ip has been appointed as the Chief Executive Officer – Print Media to oversee the Group's print operations in both Hong Kong and Taiwan. Prior to joining the Group, Mr. Ip worked with many leading Hong Kong newspapers during a long journalistic career that spanned more than 30 years. He is a graduate of the National Chengchi University of Taiwan with a Bachelor of Social Sciences (Journalism) degree.

Independent Non-executive Directors

Mr. Fok Kwong Hang, Terry, aged 56, has been a Director of the Company since June 2000. He holds both M.Sc. and MBA degrees from the University of Wisconsin, U.S.A. Mr. Fok has over 25 years' experience in the securities industry, and he is currently the Non-executive Chairman of Kim Eng Securities (Hong Kong) Limited.

Mr. Wong Chi Hong, Frank, aged 57, has been a Director of the Company since January 2009. He is currently the President of the Asia region for Scholastic Inc. Prior to that, he held various general management and brand management positions with multinational companies in the U.S.A. and Mainland China such as Pepsi, Nabisco and Colgate Palmolive. Mr. Wong has a BA degree from George Washington University and a Master degree from Columbia University, and did further graduate studies at Harvard University's Kennedy School of Government. He is a member of the International Advisory Council of George Washington University's School of Public & International Affairs; and Governor of the American Chamber of Commerce in Hong Kong.

Dr. Lee Ka Yam, Danny, aged 50, has been a Director of the Company since March 2009. He has extensive experience in strategic management, merger and acquisitions, assurance and financial advisory work, particularly in the areas of marketing communications and media industry. Dr. Lee is a fellow member of the Chartered Association of Certified Accountants U.K., the Hong Kong Institute of Certified Public Accountants and an associate member of the Institute of Chartered Accountants in England and Wales.

Dr. Lee obtained a Master of Arts degree in international accounting from the City University of Hong Kong, a Master of Arts degree in English for the professions and a Doctorate degree in business administration, both from the Hong Kong Polytechnic University and a Master of Science degree in electronic commerce and internet computing from the University of Hong Kong.

Senior Management

Mr. Tung Chuen Cheuk, aged 70, is currently the Chairman of *Apple Daily* and the Publisher of *Sharp Daily*. He was a Director of the Company from June 2003 to March 2009. A graduate of Taiwan Provincial Cheng Kung University, Mr. Tung holds a Bachelor of Arts degree. His long and distinguished media career has included spells with the U.S.I.S., Hong Kong, BBC in London, *Reader's Digest* and *Ming Pao*.

Mr. Peir Woei, aged 51, has been the Publisher of *Taiwan Next Magazine* since March 2005. Mr. Peir had more than 23 years of experience in journalism and graduated from National Taiwan Ocean University with a Bachelor's degree in Marine Transportation.

Mr. Chow Tat Kuen, Royston, aged 54, is currently the Group's Deputy CFO, as well as the Chief Operating Officer of Apple Daily Printing Limited and Paramount Printing Company Limited. Prior to joining the Group, he held senior management accounting positions with several leading financial institutions in Hong Kong and Australia. The holder of a Bachelor of Commerce in Accounting degree and a Master of Commerce in Finance degree from the University of New South Wales, Australia, Mr. Chow is also a member of the CPA Australia and The Hong Kong Institute of Certified Public Accountants.

Mr. Lee Chi Ho, aged 46, has been the Associate Publisher of *Next Magazine* since 2005. Mr. Lee joined the Group as a reporter in 1990. He graduated from the Hong Kong Baptist College (now known as "The Hong Kong Baptist University"), and he holds a Bachelor's degree in Social Science (Journalism).

Mr. Chiu Wai Kin, aged 51, is currently the Chief Executive Officer of *Sudden Weekly Bundle* – which consists of *Sudden Weekly, Eat & Travel Weekly* and *ME!*. Mr. Chiu started his career in the print media industry in 1988, and he has over 20 years of experience. He has been Editor-in-Chief of *Film Bi-Weekly*, *East Weekly* and *Sudden Weekly*. Mr. Chiu graduated from Jinan University, P.R.C., with a Bachelor's degree in Linguistics and Arts.

Mr. Yan Ming Wai, Daniel, aged 43, is currently the Publisher of *FACE*. He joined the Group in 1992 and he has worked in several of its departments, including website development and the editorial department of *Next Magazine*. Mr. Yan has over 20 years of experience in the media industry. He graduated from the University of Hong Kong with a Bachelor of Arts degree, and he was awarded a scholarship from The Japan Society of Hong Kong to study Japanese in Japan.

Ms. Wang Tzu Yun, Karen, aged 48, is currently the Chief Executive Officer of Next TV. Prior to joining the Group in 2010, she was working in Avon Cosmetics (Hong Kong, Taiwan and Korea) from 1991 to 2010 with extensive experience in sales and marketing. Ms. Wang attended universities in Taiwan and received a Bachelor of Business Administration degree from National Cheng Kung University and an EMBA degree from National Taiwan University.

Ms. Wong Nga Fan, Ivy, aged 39, is currently the Chief Executive Officer of Next Mobile Limited. Prior to joining the Group in September 2011, she has over 10 years of experience in online media business and worked with TVB.com Limited and Yahoo! (Hong Kong and Asia). Ms. Wong has a Bachelor of Commerce degree from University of Toronto, Canada majoring in International Economics and Marketing.

CORPORATE INFORMATION

Directors

Executive Directors

Lai Chee Ying, Jimmy (Chairman)
Cheung Ka Sing, Cassian (CEO)
Ting Ka Yu, Stephen (COO and CFO)
Ip Yut Kin

Independent Non-executive Directors

Fok Kwong Hang, Terry
Wong Chi Hong, Frank
Lee Ka Yam, Danny

Authorised Representatives

Cheung Ka Sing, Cassian
Ting Ka Yu, Stephen

Company Secretary

Wong Shuk Ha, Cat

Auditor

Deloitte Touche Tohmatsu

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
The Shanghai Commercial & Savings Bank, Ltd.
DBS Bank (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited

Legal Advisors

Reed Smith Richards Butler
Deacons

Registered Office

1/F., 8 Chun Ying Street
Tseung Kwan O Industrial Estate
Tseung Kwan O
New Territories
Hong Kong

Share Registrars and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17/F., Hopewell Centre
183 Queen's Road East
Hong Kong

Shareholders' Enquiries

For additional information, please contact the Company Secretary by:
Mail: Company's registered office address
Fax: (852) 2623 9386
E-mail: ir@nextmedia.com

Website

http://www.nextmedia.com

COMPANY PROFILE

Striding Towards a New Era

Since we launched *Next Magazine* in 1990 and *Apple Daily* in 1995, Next Media has become the largest and one of the most important Chinese-language print media publishing groups in Hong Kong.

Readers know they can rely on Next Media's publications for comprehensive, in-depth, forthright and factual coverage of the issues that have an impact on their lives. The journalists who work for the Group deliver the facts – without fear or favour, without prejudice, and without pandering to advertisers.

The Group's portfolio of publications in Hong Kong has now grown to include 11 print titles, as well as a number of online portals. Their combined readerships, circulations and advertising revenues place us at the forefront of the local media scene.

Next Media is committed to pursuing new opportunities that constantly create added value for our Shareholders. In 2001, we launched *Taiwan Next Magazine*, followed by *Taiwan Apple Daily* in 2003. These two titles have quickly seized the top position in the island's weekly magazine and daily newspaper markets, respectively. In 2006, we launched *Taiwan Sharp Daily*, our first free newspaper, in Taipei. This has succeeded in capturing the interest of younger readers in the city and attracting smaller local advertisers. We further expanded Next Media's horizons in Taiwan by establishing *Next TV* there in 2010. It currently operates two IPTV channels – a news channel and a movie channel.

In 2011, we launched *Hong Kong Sharp Daily* in Hong Kong. Besides providing a convenient source of news for busy readers, the free daily incorporates interactive media features that allow them to access audio and video versions of its stories via Smartphones and iPhones, using QR (quick response) code links. Moreover, it offers readers discount e-shopping coupons for a wide range of merchandise under the Sharpon umbrella.

Furthermore, Next Media entered into creative collaborations to develop online games and produce animations during the year. Our first online game – *Life is Crime* – was launched on digital platforms in early 2012, and it has received an overwhelming response from the public.

CORPORATE STRUCTURE

NEWSPAPERS PUBLICATION AND PRINTING DIVISION

Apple Daily
Taiwan Apple Daily
Hong Kong Sharp Daily
Taiwan Sharp Daily
Newspaper Printing

BOOKS AND MAGAZINES PUBLICATION AND PRINTING DIVISION

Next Magazine Bundle
Sudden Weekly Bundle
FACE Bundle
Taiwan Next Magazine Bundle
Magazine Printing
Book, Calendar and Catalogue Printing

TELEVISION & MULTI-MEDIA DIVISION

Next TV
TV Shopping

INTERNET DIVISION

Internet Portals
Sharpon
Next Mobile
Online Games
Animation

SHARE INFORMATION

As at 31 March 2012

Shareholders of Ordinary Shares

Mr. Lai Chee Ying, Jimmy	74.05%
Directors other than Mr. Lai Chee Ying, Jimmy	0.62%
Others	25.33%

Authorised Share Capital — HK$4,600,000,000

4,600,000,000 Ordinary Shares at HK$1.00 each

Issued Share Capital — HK$2,412,496,881

Market Capitalisation

at HK$0.60 per Ordinary Share (closing price on 30 March 2012)	HK$1.45 billion

Stock Code

The Stock Exchange of Hong Kong Limited Main Board	00282

Board Lot — 2,000 Ordinary Shares

Share Options for Ordinary Shares granted under the 2007 Share Option Scheme of the Company and remaining unexpired

at an exercise price of HK$1.000 each	9,680,000 Option Shares
at an exercise price of HK$1.064 each	9,000,000 Option Shares
at an exercise price of HK$1.370 each	650,000 Option Shares
at an exercise price of HK$1.050 each	17,114,000 Option Shares
at an exercise price of HK$1.150 each	9,000,000 Option Shares
at an exercise price of HK$2.120 each	420,000 Option Shares
Total	45,864,000 Option Shares

S

SHARPON

$388/件
迪士尼
手提電話
爽購記錄
http://sharpon.hk/
香港首頁 | 台灣
用戶登入 註冊新會員
爽報
蘋果日報 | 爽報 | 動新聞 | 壹週刊 | 忽然1周
SHARPON
$340/5盒
$95/5盒
折扣72%
先到先得
售完即止

DIRECTORS' REPORT

The Directors or the Board present their report and financial statements for the year ended 31 March 2012.

Principal Activities and Analysis of Operations

The Company's principal activity is to operate as an investment holding company. The activities of its principal subsidiaries are set out in note 45 to the Financial Statements.

The Group's performance for the year is analysed by business and geographical segments in note 8 to the Financial Statements. The Management Discussion and Analysis on pages 10 to 30 describes the material factors underlying the Group's performance and its financial position.

Results and Appropriations

The Group's results for the year are set out in the consolidated statement of comprehensive income on page 101.

No interim dividend was paid to the Shareholders during the year (2011: Nil).

The Directors have resolved not to recommend the payment of a final dividend for the year (2011: Nil).

Property, Plant and Equipment

Details of changes in the Group and Company's property, plant and equipment during the year are set out in note 20 to the Financial Statements.

Five-Year Financial Summary

A summary of the Group's results, assets and liabilities for the last five financial years is set out on page 245.

Share Capital

Details of changes in the Company's share capital during the year are set out in note 35 to the Financial Statements.

Reserves

Details of changes in the Company's reserves during the year are set out in note 37 to the Financial Statements.

Distributable Reserves

As at 31 March 2012, the Company's distributable reserves (calculated in accordance with section 79B of the Hong Kong Companies Ordinance) amounted to HK$391,473,000 (2011: HK$378,637,000).

Major Customers and Suppliers

The Group's five largest customers accounted for 35.3% of its revenue, and its five largest suppliers accounted for 28.0% of its total purchases during the year. The Group's largest customer accounted for 27.1% of its revenue, and its largest supplier accounted for 6.9% of its total purchases during the year.

None of the Directors, their associates or the Shareholders (which to the knowledge of the Directors own more than 5.0% of the Company's share capital), had an interest in any of the abovementioned suppliers or customers.

Donations

Donations for charitable and other purposes made by the Group during the year amounted to HK$3,080,000 (2011: HK$3,518,000).

Share Incentive Schemes

(a) Next Media Share Option Schemes

(i) 2000 Share Option Scheme

The Company adopted its 2000 Share Option Scheme on 29 December 2000, and it was amended to comply with the requirements of Chapter 17 of the Listing Rules on 31 July 2002. The limit to the number of Shares that may be issued upon exercise of all the options to be granted was refreshed to 10.0% of the Company's issued ordinary share capital as at 31 July 2002. The 2000 Share Option Scheme was terminated by the Shareholders at the 2007 AGM and all outstanding options granted under such scheme were lapsed on 28 December 2010. The key terms of the 2000 Share Option Scheme are summarised below:

1. The purpose of the 2000 Share Option Scheme is to provide participants with an opportunity to acquire proprietary interests in the Company, and to encourage participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and all Shareholders.

Share Incentive Schemes (continued)

(a) Next Media Share Option Schemes (continued)

(i) 2000 Share Option Scheme (continued)

2. The participants shall include any full-time employees and directors (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries.

3. The total number of Shares issued and to be issued upon exercise of options granted and to be granted to each participant (including both exercised and outstanding options) during any 12-month period shall not exceed 1.0% of the Shares in issue. Any additional grants of options in excess of this limit shall be subject to separate approval by the Shareholders in a general meeting, with the participants and their associates abstaining from voting.

4. The Board may, at its absolute discretion, determine the period in which the option must be exercised at the time of the grant, provided that this period does not expire more than 10 years after the date on which the 2000 Share Option Scheme was adopted.

5. The period in which an option must be held before it can be exercised shall be determined by the Board at the time of the grant.

6. The exercise price per Share shall be not less than the highest of: (i) the closing price of the Share stated in the daily quotation sheets issued by the Stock Exchange on the date of the grant; (ii) the average closing price of the Share stated in the daily quotation sheets issued by the Stock Exchange for the 5 trading days immediately prior to the date of the grant; or (iii) the nominal value of the Share on the date of the grant.

Share Incentive Schemes (continued)

(a) Next Media Share Option Schemes (continued)

(i) 2000 Share Option Scheme (continued)

7. The table below sets out details of changes in options under the 2000 Share Option Scheme during the year ended 31 March 2011:

Name or category of participant	Date of grant	Exercise price per Share	Vesting date (%)	Exercisable period	Balance as at 01.04.2010	Lapsed during the year	Balance as at 31.03.2011
Director							
Ting Ka Yu, Stephen	18.03.2002	HK$1.670	18.03.2003 (30%) 18.03.2004 (60%) 18.03.2005 (100%)	19.03.2003– 28.12.2010	1,618,000	(1,618,000)	0
Employees							
In aggregate	18.03.2002	HK$1.670	18.03.2003 (30%) 18.03.2004 (60%) 18.03.2005 (100%)	19.03.2003– 28.12.2010	656,000	(656,000)	0
	24.08.2005	HK$3.325	24.08.2006 (30%) 24.08.2007 (60%) 24.08.2008 (100%)	25.08.2006– 28.12.2010	1,000,000	(1,000,000)	0
	06.12.2006	HK$3.102	06.12.2007 (30%) 06.12.2008 (60%) 06.12.2009 (100%)	07.12.2007– 28.12.2010	14,600,000	(14,600,000)	0
	08.01.2007	HK$2.784	08.01.2008 (30%) 08.01.2009 (60%) 08.01.2010 (100%)	09.01.2008– 28.12.2010	600,000	(600,000)	0
	09.03.2007	HK$2.760	09.03.2008 (30%) 09.03.2009 (60%) 09.03.2010 (100%)	10.03.2008– 28.12.2010	400,000	(400,000)	0
Total outstanding					18,874,000	(18,874,000)	0

There was no outstanding option under such scheme as at 31 March 2012 and 2011.

Share Incentive Schemes (continued)

(a) Next Media Share Option Schemes (continued)

(ii) 2007 Share Option Scheme

On 30 July 2007, the Company adopted the 2007 Share Option Scheme. Its terms comply with the requirements of Chapter 17 of the Listing Rules. The most important of these are as follows:

1. The purpose of the 2007 Share Option Scheme is to reward participants who have contributed to the Group, and to encourage them to work towards enhancing the value of the Company and the Shares, for the benefit of the Company and all Shareholders.

2. The participants are directors (including executive directors, non-executive directors and independent non-executive directors) and full-time employees of the Group, as well as any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint-venture business partners, promoters and providers of services to the Group whom the Board considers, at its sole discretion, have contributed to the Group in the past, or who will contribute to it in the future.

3. The total number of the Shares issued and to be issued upon exercise of the options granted and to be granted to each participant (including both exercised and outstanding options) during any 12-month period shall not exceed 1.0% of the Shares in issue. Any additional grant of options in excess of this limit must be subject to separate approval by the Shareholders in a general meeting, with the participants and their associates abstaining from voting.

4. The period of a particular option is the period during which the option can be exercised. This period shall be determined by the Board and notified to each grantee at the time when an offer is made. In any event, this period shall not expire later than 10 years from the date of the grant.

5. The exercise price per Share shall be determined by the Board at its absolute discretion, but in any event it shall not be less than the highest of: (i) the closing price of the Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of the grant; (ii) the average closing price of the Share as stated in the daily quotation sheets issued by the Stock Exchange on the 5 trading days immediately preceding the date of the grant; or (iii) the nominal value of the Share on the date of the grant.

Share Incentive Schemes (continued)

(a) Next Media Share Option Schemes (continued)

(ii) 2007 Share Option Scheme (continued)

6. The total number of the Shares that may be issued upon the exercise of all the options to be granted under the 2007 Share Option Scheme and any of the Company's other share option schemes shall not exceed 10.0% in nominal amount of the aggregate of the Shares in issue on 30 July 2007, the adoption date of the 2007 Share Option Scheme, subject to a refresher of the scheme's mandate limit.

7. The Company may refresh the scheme mandate limit at any time, subject to prior approval by the Shareholders in a general meeting. But in any event, the limit shall not exceed 10.0% of the Shares in issue on the date when it is approved by the Shareholders.

8. The table below sets out the movements in options under the 2007 Share Option Scheme during the year:

Name or category of participant	Date of grant	Exercise price per share	Vesting date (%)	Exercisable period	Balance as at 01.04.2011	Granted during the year	Modified during the year	Cancelled during the year	Lapsed during the year	Balance as at 31.03.2012
Directors										
Chu Wah Hui (Note 1)	02.10.2008	HK$1.880	02.10.2009 (100%)	03.10.2008–01.10.2013	10,000,000	–	–	–	(10,000,000)	–
	02.10.2009	HK$1.000	02.10.2010 (100%)	03.10.2009–01.10.2014	10,000,000	–	–	–	(10,000,000)	–
	04.10.2010	HK$1.100	04.10.2011 (100%)	05.10.2010–03.10.2015	10,000,000	–	–	–	(10,000,000)	–
Cheung Ka Sing, Cassian	01.02.2010 (Note 2)	HK$1.064	01.02.2011 (100%)	02.02.2010–31.01.2013	9,000,000	–	(9,000,000)	–	–	–
	01.02.2011 (Note 3)	HK$1.150	01.02.2012 (100%)	02.02.2011–31.01.2014	9,000,000	–	(6,000,000)	–	–	3,000,000
	03.10.2011 (Note 2)	HK$1.064	03.10.2011 (100%)	04.10.2011–29.07.2017	–	–	9,000,000	–	–	9,000,000
	03.10.2011 (Note 3)	HK$1.150	01.02.2012 (100%)	04.10.2011–29.07.2017	–	–	6,000,000	–	–	6,000,000
	01.02.2012	HK$1.000	01.02.2013 (100%)	02.02.2012–29.07.2017	–	9,000,000	–	–	–	9,000,000

Share Incentive Schemes (continued)

(a) Next Media Share Option Schemes (continued)

(ii) 2007 Share Option Scheme (continued)

Name or category of participant	Date of grant	Exercise price per share	Vesting date (%)	Exercisable period	Balance as at 01.04.2011	Granted during the year	Modified during the year	Cancelled during the year	Lapsed during the year	Balance as at 31.03.2012
Directors										
Ting Ka Yu, Stephen	10.12.2010	HK$1.050	10.12.2011 (30%) 10.12.2012 (60%) 10.12.2013 (100%)	11.12.2010–29.07.2017	1,618,000	–	–	–	–	1,618,000
Fok Kwong Hang, Terry	10.12.2010	HK$1.050	10.12.2011 (30%) 10.12.2012 (60%) 10.12.2013 (100%)	11.12.2010–29.07.2017	510,000	–	–	–	–	510,000
Wong Chi Hong, Frank	10.12.2010	HK$1.050	10.12.2011 (30%) 10.12.2012 (60%) 10.12.2013 (100%)	11.12.2010–29.07.2017	510,000	–	–	–	–	510,000
Lee Ka Yam, Danny	10.12.2010	HK$1.050	10.12.2011 (30%) 10.12.2012 (60%) 10.12.2013 (100%)	11.12.2010–29.07.2017	510,000	–	–	–	–	510,000
Employees and Advisor										
In aggregate	20.01.2009	HK$1.000	05.01.2010 (100%)	06.01.2009–04.01.2014	400,000	–	–	–	(400,000)	–
	05.01.2010	HK$1.070	05.01.2011 (100%)	06.01.2010–04.01.2015	400,000	–	–	–	(400,000)	–
	01.03.2010	HK$1.110	02.03.2011 (50%) 02.03.2012 (100%)	02.03.2010–29.07.2017	4,000,000	–	–	(4,000,000)	–	–
	15.04.2010	HK$1.370	16.04.2011 (30%) 16.04.2012 (60%) 16.04.2013 (100%)	16.04.2010 – 29.07.2017	650,000	–	–	–	–	650,000
	10.12.2010	HK$1.050	11.12.2011 (30%) 11.12.2012 (60%) 11.12.2013 (100%)	11.12.2010 – 29.07.2017	16,966,000	–	–	–	(4,000,000)	12,966,000

Share Incentive Schemes (continued)

(a) Next Media Share Option Schemes (continued)

(ii) 2007 Share Option Scheme (continued)

Name or category of participant	Date of grant	Exercise price per share	Vesting date (%)	Exercisable period	Balance as at 01.04.2011	Granted during the year	Modified during the year	Cancelled during the year	Lapsed during the year	Balance as at 31.03.2012
Employees and Advisor										
	05.01.2011	HK$1.090	05.01.2012 (100%)	06.01.2011–04.01.2016	400,000	–	–	–	(400,000)	–
	08.07.2011	HK$1.000	09.07.2012 (30%) 09.07.2013 (60%) 09.07.2014 (100%)	09.07.2011–29.07.2017	–	680,000	–	–	–	680,000
	01.02.2012	HK$1.050	02.02.2013 (60%) 02.02.2014 (100%)	02.02.2012–29.07.2017	–	1,000,000	–	–	–	1,000,000
	01.02.2012	HK$2.120	01.02.2012 (100%)	02.02.2012–07.11.2012	–	420,000	–	–	–	420,000
Total outstanding					73,964,000	11,100,000	–	(4,000,000)	(35,200,000)	45,864,000

Note 1: Mr. Chu Wah Hui ceased to act as an ED and vacated the office of CEO on 2 October 2011.

Note 2: On 3 October 2011, 9,000,000 outstanding options which granted on 1 February 2010 with one year vesting period were modified with the terms of the option granted remained unchanged except the exercise period was extended to 29 July 2017.

Note 3: On 3 October 2011, 6,000,000 outstanding options which granted on 1 February 2011 with one year vesting period were modified with the terms of the option granted remained unchanged except the exercise period was extended to 29 July 2017.

Apart from the abovementioned movements, no options were exercised under the 2007 Share Option Scheme during the year ended 31 March 2012.

Share Incentive Schemes (continued)

(a) Next Media Share Option Schemes (continued)

(ii) 2007 Share Option Scheme (continued)

The Company has used the Binomial Model for assessing the fair values of the options granted during the year ended 31 March 2012. This is an appropriate method for assessing the fair value of an option that can be exercised before the expiry of the option period. The values of the respective options granted during the year ended 31 March 2012 were calculated as follows:

Date of grant	No. of options granted	Closing price per Share immediately prior to the date of grant (HK$)	Risk-free rate	Expected life (years)	Expected volatility	Expected dividend yield	Fair value per option (HK$)	Remarks
08.07.2011	680,000	0.910	1.71%	6.05	47.72%	0%	0.3700	(Note 1)
03.10.2011	9,000,000	0.670	0.92%	5.82	48.93%	0%	0.2099	
03.10.2011	6,000,000	0.670	0.92%	5.82	48.93%	0%	0.1991	
01.02.2012	9,000,000	0.700	0.69%	5.49	50.07%	0%	0.2331	
01.02.2012	1,000,000	0.700	0.69%	5.49	50.07%	0%	0.2266	(Note 2)
01.02.2012	420,000	0.700	0.69%	0.77	50.07%	0%	0.0010	

Note 1: 30% of the 680,000 options granted to employees on 8 July 2011 will vest on 9 July 2012; and a further 30% will vest on 9 July 2013, while the remaining 40% will vest on 9 July 2014. The fair value per option stated above is an averaged fair value of such options.

Note 2: 60% of the 1,000,000 options granted to an employee on 1 February 2012 will vest on 1 February 2013; and the remaining 40% will vest on 1 February 2014. The fair value per option stated above is an averaged fair value of such options.

An amount of HK$2,834,000 was recognised in the consolidated statement of comprehensive income for the year ended 31 March 2012 in respect of the values of options granted during the year (2011: HK$3,883,000).

Share Incentive Schemes (continued)

(a) Next Media Share Option Schemes (continued)

(ii) 2007 Share Option Scheme (continued)

When calculating the fair value of the options, no allowance was made for forfeiture prior to vesting. It should be noted that the value of an option varies according to the different variables of certain subjective assumptions, and changes in the variables adopted may materially affect the fair value estimate.

Details of the 2007 Share Option Scheme are also set out in note 36 to the Financial Statements.

(b) Subsidiary Share Option Schemes

(i) Hong Kong Subsidiary Share Option Schemes

During the year, the following Hong Kong subsidiaries of the Company had their own respective share option schemes (collectively referred to as the Hong Kong Subsidiary Share Option Schemes). Their terms of reference complied with the requirements of Chapter 17 of the Listing Rules.

Name of subsidiary	Adoption date	Share option scheme title
Apple Daily Publication Development Limited (ADPDL)	30 July 2007	2007 ADPDL Share Option Scheme
Next Media Publishing Limited (NMPL)	30 July 2007	2007 NMPL Share Option Scheme
Apple Community Infonet Limited (ACIL)	20 February 2008	2008 ACIL Share Option Scheme
Next Media Animation Limited (NMAL) (Note)	20 February 2008	2008 NMAL Share Option Scheme
Next Media Webcast Limited (NMWL)	20 February 2008	2008 NMWL Share Option Scheme
Aim High Investments Limited (AHIL)	12 June 2009	2009 AHIL Share Option Scheme

Note: NMAL has ceased to be a subsidiary of the Group upon completion of the sale of 70% equity interest in Colored World, the intermediate holding company of NMAL, to STV, a company 100% beneficiary owned by Mr. Lai, on 31 October 2011.

Share Incentive Schemes (continued)

(b) Subsidiary Share Option Schemes (continued)

(i) Hong Kong Subsidiary Share Option Schemes (continued)

The terms of the above Hong Kong Subsidiary Share Option Schemes are broadly similar. The most important of them can be summarised as follows:

1. The purpose of each of the schemes is to provide its participants with an opportunity to acquire a proprietary interest in the subsidiary concerned, and to encourage them to work towards enhancing the value of the subsidiary and its shares, for the benefit of the subsidiary and all its shareholders.

2. The participants in the schemes include any full-time employees and directors of the subsidiary or any of its subsidiaries, and any person whom the board of directors of the subsidiary considers to be capable of enhancing its operation or value.

3. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each participant (including both redeemed and outstanding options) during any 12-month period shall not exceed 1.0% of the shares in issue. Any additional grants of options (including redeemed, cancelled and outstanding options) to participants that exceed 1.0% of the shares in issue shall be subject to the approval of the subsidiary's shareholders. Also, for so long as a subsidiary remains a subsidiary of the Company, such additional grants of options shall require the approval of the Shareholders in advance. In both cases, the participants and their associates shall abstain from voting.

4. The board of directors of the subsidiary may, at its absolute discretion, determine the period within which the option must be exercised, provided that it does not extend beyond the date on which the subsidiary or its intermediate holding company or other such company holding the business conducted or to be conducted by the subsidiary and its subsidiaries is listed on an internationally recognised stock exchange in Hong Kong or elsewhere (a listing) or the 10th anniversary of the scheme's adoption date, whichever is the earlier.

Share Incentive Schemes (continued)

(b) Subsidiary Share Option Schemes (continued)

(i) Hong Kong Subsidiary Share Option Schemes (continued)

5. The period for which an option must be held before it can be exercised shall be determined by the subsidiary's board of directors.

6. The exercise prices of the Hong Kong Subsidiary Share Option Schemes shall be determined solely by the board of directors of the subsidiary concerned, but it shall always be higher than or equal to the nominal value of a share. The subscription price for a share under any option that is granted after a subsidiary has resolved to seek a listing or within six months prior to the lodgement of an application for a listing with the relevant stock exchange shall not be less than (i) the issue price of a share in the listing; or (ii) the nominal value of a share of the subsidiary, whichever amount is the greater.

7. The maximum number of shares that may be issued upon the exercise of all the options to be granted shall be 10.0% of the subsidiary's issued share capital on the date of the scheme's adoption. Options that lapse in accordance with the terms of subsidiary share option schemes shall not be included in the calculation of the scheme mandate limit. However, the scheme mandate limit may be refreshed at any time, subject to the prior approval of the shareholders of the subsidiary, as well as the prior approval of the Shareholders for so long as the subsidiary remains a subsidiary of the Company.

8. The terms of a subsidiary share option scheme shall expire on either (a) the date of the listing; or (b) the 10th anniversary date of its adoption, whichever is the earlier. No further options shall be granted and no options may be exercised after this date.

Share Incentive Schemes (continued)

(b) Subsidiary Share Option Schemes (continued)

(i) Hong Kong Subsidiary Share Option Schemes (continued)

9. The tables below set out movements in options under the Hong Kong Subsidiary Share Option Schemes during the year:

2008 NMAL Share Option Scheme

Name or category of participant	Date of grant	Exercise price per share	Vesting date (%)	Exercisable period	Balance as at 01.04.2011	Granted during the year	Lapsed during the year	Balance as at 31.03.2012
Employees								
In aggregate	14.10.2009	See above (6)	15.10.2010 (30%) 15.10.2011 (60%) 15.10.2012 (100%)	Not yet determined	637,000	–	(47,000)	590,000
	04.01.2010	See above (6)	05.01.2011 (30%) 05.01.2012 (60%) 05.01.2013 (100%)	Not yet determined	35,000	–	–	35,000
	15.10.2010	See above (6)	16.10.2011 (60%) 16.10.2012 (100%)	Not yet determined	70,000	–	–	70,000
	15.12.2010	See above (6)	16.12.2011 (30%) 16.12.2012 (60%) 16.12.2013 (100%)	Not yet determined	200,000	–	–	200,000
	03.10.2011	See above (6)	04.10.2012 (30%) 04.10.2013 (60%) 04.10.2014 (100%)	Not yet determined	–	10,000	–	10,000
Total outstanding					942,000	10,000	(47,000)	905,000

Apart from the above movements in the 2008 NMAL Share Option Scheme, no options were granted, exercised, lapsed or cancelled under the other Hong Kong Subsidiary Share Option Schemes during the year ended 31 March 2012.

Share Incentive Schemes (continued)

(b) Subsidiary Share Option Schemes (continued)

(i) Hong Kong Subsidiary Share Option Schemes (continued)

The Company has used the Binomial Model to assess the fair values of options granted under the 2008 NMAL Share Option Scheme during the year ended 31 March 2012. This is an appropriate method for assessing the fair value of an option that can be exercised before the expiry of the option period.

The values of the options granted during the year ended 31 March 2012 were calculated as follows:

2008 NMAL Share Option Scheme

Date of grant	No. of options granted	Risk-free rate	Expected life (years)	Expected volatility	Expected dividend yield	Fair value per option (HK$)	Remarks
03.10.2011	10,000	1.06%	6.38	41.68%	0%	0.004	Note

Note: 30% of the 10,000 options granted to an employee on 3 October 2011 will vest on 4 October 2012; and a further 30% will vest on 4 October 2013, while the remaining 40% will vest on 4 October 2014. The fair value per option stated above is an averaged fair value of such options.

A total amount of HK$51 (2011:HK$130,000) was recognised in the consolidated statement of comprehensive income for the year ended 31 March 2012 in respect of the value of options granted during the year under the Hong Kong Subsidiary Share Option Schemes.

When calculating the fair values of options granted under the 2008 NMAL Share Option Scheme during the year, no allowance was made for forfeiture prior to vesting. It should be noted that the value of an option under each grant varies according to different variables of certain subjective assumptions; and changes in the variables adopted may materially affect the fair value estimate.

Share Incentive Schemes (continued)

(b) Subsidiary Share Option Schemes (continued)

(ii) Taiwan Subsidiary Share Option Schemes

On 16 September 2010, the following Taiwan subsidiaries of the Company, adopted their respective share option schemes (collectively referred to as the Taiwan Subsidiary Share Option Schemes) with terms in compliance with the requirements of Chapter 17 of the Listing Rules.

Name of subsidiary	Adoption date	Share option scheme title
Next TV Broadcasting Limited (Next TV)	16 September 2010	2010 Next TV Share Option Scheme
Next Multi-media Entertainment Services Limited (NMES)	16 September 2010	2010 NMES Share Option Scheme
Next Media Lifestyle Entertainment Services Limited (NMLE)	16 September 2010	2010 NMLE Share Option Scheme

The terms of the Taiwan Subsidiary Share Option Schemes are broadly similar. The most important of them can be summarised as follows:

1. The purpose of each of the schemes is to provide its participants with an opportunity to acquire a proprietary interest in the subsidiary concerned, and to encourage them to work towards enhancing the value of the subsidiary and its shares, for the benefit of the subsidiary and all its shareholders.

2. The participants in the schemes are any employees of the subsidiary.

Share Incentive Schemes (continued)

(b) Subsidiary Share Option Schemes (continued)

(ii) Taiwan Subsidiary Share Option Schemes (continued)

3. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each participant (including both redeemed and outstanding options) during any 12-month period shall not exceed 1.0% of the shares in issue. Any additional grants of options (including redeemed, cancelled and outstanding options) to participants that exceed 1.0% of the shares in issue shall be subject to the approval of the subsidiary's shareholders. Also, for so long as a subsidiary remains a subsidiary of the Company, such additional grants of options shall require the approval of the Shareholders in advance. In both cases, the participants and their associates shall abstain from voting.

4. The board of directors of the subsidiary may, at its absolute discretion, determine the period within which the option must be exercised, provided that it does not extend beyond the date on which the subsidiary or its intermediate holding company or other such company holding the business conducted or to be conducted by the subsidiary and its subsidiaries is listed on an internationally recognised stock exchange in Hong Kong or elsewhere (a listing) or the 10th anniversary of the scheme's adoption date, whichever is the earlier.

5. The period for which an option must be held before it can be exercised shall be determined by the subsidiary's board of directors.

6. The exercise prices of the Taiwan Subsidiary Share Option Schemes shall be determined solely by the board of directors of the subsidiary concerned, but it shall always be higher than or equal to the nominal value of a share. The subscription price for a share under any option that is granted after a subsidiary has resolved to seek a listing or within six months prior to the lodgement of an application for a listing with the relevant stock exchange shall not be less than (i) the issue price of a share in the listing; or (ii) the nominal value of a share of the subsidiary, whichever amount is the greater.

Share Incentive Schemes (continued)

(b) Subsidiary Share Option Schemes (continued)

(ii) Taiwan Subsidiary Share Option Schemes (continued)

7. The maximum number of shares that may be issued upon the exercise of all the options to be granted shall be 10.0% of the subsidiary's issued share capital on the date of the scheme's adoption. Options that lapse in accordance with the terms of subsidiary share option schemes shall not be included in the calculation of the scheme mandate limit. However, the scheme mandate limit may be refreshed at any time, subject to the prior approval of the shareholders of the subsidiary, as well as the prior approval of the Shareholders for so long as the subsidiary remains a subsidiary of the Company.

8. The terms of a subsidiary share option scheme shall expire on either (a) the date of the listing; or (b) the 10th anniversary date of its adoption, whichever is the earlier. No further options shall be granted and no options may be exercised after this date.

9. The tables below set out movements in options under the Taiwan Subsidiary Share Option Schemes during the year:

2010 Next TV Share Option Scheme

Name or category of participant	Date of grant	Exercise price per share	Vesting date (%)	Exercisable period	Balance as at 01.04.2011	Granted during the year	Lapsed during the year	Balance as at 31.03.2012
Employees								
In aggregate	15.12.2010	NT$10.0	16.12.2011 (30%) 16.12.2012 (60%) 16.12.2013 (100%)	Not yet determined	291,600	–	(82,500)	209,100
	19.03.2012	NT$10.0	20.03.2013 (30%) 20.03.2014 (60%) 20.03.2015 (100%)	Not yet determined	–	50,000	–	50,000
Total outstanding					291,600	50,000	(82,500)	259,100

Share Incentive Schemes (continued)

(b) Subsidiary Share Option Schemes (continued)

(ii) Taiwan Subsidiary Share Option Schemes (continued)

Apart from the above movements, no options were exercised or cancelled under the 2010 Next TV Share Option Scheme during the year ended 31 March 2012.

2010 NMES Share Option Scheme

Name or category of participant	Date of grant	Exercise price per share	Vesting date (%)	Exercisable period	Balance as at 01.04.2011	Granted during the year	Lapsed during the year	Balance as at 31.03.2012
Employees								
In aggregate	15.12.2010	NT$10.0	16.12.2011 (30%) 16.12.2012 (60%) 16.12.2013 (100%)	Not yet determined	6,000	–	–	6,000
	08.07.2011	NT$10.0	09.07.2012 (30%) 09.07.2013 (60%) 09.07.2014 (100%)	Not yet determined	–	3,500	–	3,500
Total outstanding					6,000	3,500	–	9,500

Apart from the above movements, no options were exercised or cancelled under the 2010 NMES Share Option Scheme during the year ended 31 March 2012.

Share Incentive Schemes (continued)

(b) Subsidiary Share Option Schemes (continued)

(ii) Taiwan Subsidiary Share Option Schemes (continued)

2010 NMLE Share Option Scheme

Name or category of participant	Date of grant	Exercise price per share	Vesting date (%)	Exercisable period	Balance as at 01.04.2011	Granted during the year	Lapsed during the year	Balance as at 31.03.2012
Employees								
In aggregate	08.07.2011	NT$10.0	09.07.2012 (30%) 09.07.2013 (60%) 09.07.2014 (100%)	Not yet determined	–	5,000	(3,000)	2,000
Total outstanding					–	5,000	(3,000)	2,000

Note: On 5 April 2012, the exercise price of the share options granted under the Taiwan Subsidiary Share Option Schemes, which remain unexercised and outstanding, has been determined by the respective boards of directors of the subsidiaries at NT$10.0 per share, being the par value of a share of each of the subsidiaries.

Apart from the above movements, no options were exercised or cancelled under the 2010 NMLE Share Option Scheme during the year ended 31 March 2012.

The Company has used the Binomial Model to assess the fair values of options granted under the Taiwan Subsidiary Share Option Schemes during the year ended 31 March 2012. This is an appropriate method for assessing the fair value of an option that can be exercised before the expiry of the option period.

Share Incentive Schemes (continued)

(b) Subsidiary Share Option Schemes (continued)

(ii) Taiwan Subsidiary Share Option Schemes (continued)

The values of the respective options granted during the year ended 31 March 2012 were calculated as follows:

Date of grant	No. of options granted	Risk-free rate	Expected life (years)	Expected volatility	Expected dividend yield	Fair value per option (HK$)	Remarks
2010 Next TV Share Option Scheme							
19.03.2012	50,000	1.2046%	8.49	34.16%	0%	1.01	Note 1
2010 NMES Share Option Scheme							
08.07.2011	3,500	1.4187%	9.19	70.77%	0%	3.80	Note 2
2010 NMLE Share Option Scheme							
08.07.2011	5,000	1.4187%	9.19	70.77%	0%	17.63	Note 3

Share Incentive Schemes (continued)

(b) Subsidiary Share Option Schemes (continued)

(ii) Taiwan Subsidiary Share Option Schemes (continued)

Note 1: 30% of the 50,000 options granted to an employee on 19 March 2012 will vest on 20 March 2013; and a further 30% will vest on 20 March 2014, while the remaining 40% will vest on 20 March 2015. The fair value per option stated above is an averaged fair value of such options at HK$1.01.

Note 2: 30% of the 3,500 options granted to an employee on 8 July 2011 will vest on 9 July 2012; and a further 30% will vest on 9 July 2013, while the remaining 40% will vest on 9 July 2014. The fair value per option stated above is an averaged fair value of such options at NT$15.80 equivalent to HK$3.80.

Note 3: 30% of the 5,000 options granted to the employees on 8 July 2011 will vest on 9 July 2012; and a further 30% will vest on 9 July 2013, while the remaining 40% will vest on 9 July 2014. The fair value per option stated above is an averaged fair value of such options at NT$72.73 equivalent to HK$17.63. 3,000 options out of the total options granted have lapsed during the year ended 31 March 2012.

A total amount of HK$154,000 (2011: HK$595,000) was recognised in the consolidated statement of comprehensive income for the year ended 31 March 2012 in respect of the value of options granted during the year under the Taiwan Subsidiary Share Option Schemes.

When calculating the fair values of options granted under the Taiwan Subsidiary Share Option Schemes during the year, no allowance was made for forfeiture prior to vesting. It should be noted that the value of an option under each grant varies according to different variables of certain subjective assumptions; and changes in the variables adopted may materially affect the fair value estimate.

Share Subscription and Financing Plan

The Subscription Plan allows the Board to invite eligible persons to subscribe for new Shares in the Company. Its key terms are summarised below:

1. The Subscription Plan's purpose is to recognise contributions made by eligible persons (including employees and directors of the relevant Group subsidiary), to seek to retain them for the Group's continued operation and development, and to attract suitable personnel for its future development. The Subscription Plan encourages such persons to reinvest part of their remuneration in the form of equity participation in the Company, thus closely aligning their goals and interests with those of the Company and all Shareholders.

2. The Subscription Plan also provides an alternative for eligible persons (except directors of the Group subsidiary concerned) to apply for loans from the Group subsidiary to pay all or part of the subscription price.

3. Eligible persons – including full and part-time employees and directors (both executive and non-executive) of the Group subsidiary concerned – may be invited to participate. However, directors of the Group subsidiary concerned cannot apply for loans under the Subscription Plan.

4. The Subscription Plan has no set term, and it may be terminated or suspended by the Board at any time.

5. The recipient of an invitation letter may, after satisfying certain conditions such as his or her length of service and performance targets, subscribe for up to the maximum number of new Shares stated in the letter at a price per Share that does not represent a discount of 20.0% or more from the higher of:

   (a) The closing price of the Share on the invitation date; or

   (b) The average closing price of the Share on the 5 trading days immediately prior to the invitation date, being the date of the announcement to be made on each invitation date.

6. The limit on the total number of new Shares that may be issued under the Subscription Plan shall not exceed 70,000,000 Shares, representing 2.9% of the Company's issued share capital as at 29 October 2007. These Shares shall be issued under the general mandate to issue shares available on the relevant date. Part of the general mandate may therefore be reserved each year for the issue of Shares under the Subscription Plan.

Share Subscription and Financing Plan (continued)

7. Having accepted an invitation to subscribe under the Subscription Plan, and having satisfied certain conditions such as the period of his or her service and performance targets, the eligible person may subscribe for the number of new Shares specified in the invitation. Each invitation may specify different conditions.

8. The table below sets out movements of the invitations for subscriptions issued under the Subscription Plan during the year:

Name or category of participant	Invitation date	Subscription price per Share	Vesting date (%)	Subscription period	Balance as at 01.04.2011	Lapsed during the year	Balance as at 31.03.2012
Directors							
Ting Ka Yu, Stephen	08.11.2007	HK$2.120	09.11.2008 ($33^1/_3$%) 09.11.2009 ($66^2/_3$%) 09.11.2010 (100%)	09.11.2008–07.11.2012	1,194,000	–	1,194,000
Ip Yut Kin	08.11.2007	HK$2.120	09.11.2008 ($33^1/_3$%) 09.11.2009 ($66^2/_3$%) 09.11.2010 (100%)	09.11.2008–07.11.2012	1,060,000	–	1,060,000
Employees							
In aggregate	08.11.2007	HK$2.120	09.11.2008 ($33^1/_3$%) 09.11.2009 ($66^2/_3$%) 09.11.2010 (100%)	09.11.2008–07.11.2012	37,514,000	(5,574,000)	31,940,000
	25.02.2008	HK$2.490	26.02.2009 ($33^1/_3$%) 26.02.2010 ($66^2/_3$%) 26.02.2011 (100%)	26.02.2009–24.02.2013	1,000,000	–	1,000,000
Total outstanding					40,768,000	(5,574,000)	35,194,000

No invitations for subscriptions under the Subscription Plan were issued, subscribed for or cancelled during the year ended 31 March 2012.

Directors

The Directors during the year and up to the date of this report were:

Executive Directors:

Mr. Lai Chee Ying, Jimmy (Chairman)
Mr. Cheung Ka Sing, Cassian (CEO) (re-designated from the position of Co-CEO to CEO on 2 October 2011)
Mr. Ting Ka Yu, Stephen (COO and CFO)
Mr. Ip Yut Kin
Mr. Chu Wah Hui (CEO) (ceased to act as an ED and vacated the office of CEO on 2 October 2011)

Independent Non-executive Directors:

Mr. Fok Kwong Hang, Terry
Mr. Wong Chi Hong, Frank
Dr. Lee Ka Yam, Danny

Pursuant to Articles 84 and 85 of the Articles of Association, one-third of the relevant number of Directors (or, if their number is not a multiple of three, then the number nearest to but not exceeding one-third) shall retire from office at every AGM. Accordingly, Mr. Cheung Ka Sing, Cassian, Mr. Wong Chi Hong, Frank and Dr. Lee Ka Yam, Danny will retire at the forthcoming AGM and, being eligible, offer themselves for re-election.

Biographical details of the Directors as at the date of this report are set out on pages 57 to 58. Details of the Director's emoluments are provided under note 13(a) to the Financial Statements.

Directors' Service Contracts

Neither of the Directors who have been proposed for re-election at the forthcoming AGM has a service contract that cannot be terminated by the Group within one year without payment of compensation (other than statutory compensation).

Interests and Short Positions of the Directors and Chief Executive in Shares, Underlying Shares and Debentures

As at 31 March 2012, the interests and short positions of the Directors and Chief Executive and their associates in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(a) Interests in the Company

The table below sets out the long positions of each Director and the Chief Executive in the Shares and underlying Shares:

	Number of Shares						
Name of Director/ Chief Executive	Personal interests	Family interests	Corporate interests	Other interests	Interests in underlying Shares/equity derivatives	Total shares	Percentage of issued share capital
Lai Chee Ying, Jimmy	1,720,594,935	–	1,000,000	64,938,230	–	1,786,533,165	74.05
Cheung Ka Sing, Cassian	172,000	–	–	–	27,000,000 (Note 1)	27,172,000	1.13
Ting Ka Yu, Stephen	90,314	–	–	–	1,194,000 (Note 2) 1,618,000 (Note 1)	2,902,314	0.12
Ip Yut Kin	10,200,377	2,630,000	–	–	1,060,000 (Note 1)	13,890,377	0.58
Fok Kwong Hang, Terry	1,800,000	–	–	–	510,000 (Note 1)	2,310,000	0.10
Wong Chi Hong, Frank	–	–	–	–	510,000 (Note 1)	510,000	0.02
Lee Ka Yam, Danny	–	–	–	–	510,000 (Note 1)	510,000	0.02

Interests and Short Positions of the Directors and Chief Executive in Shares, Underlying Shares and Debentures (continued)

(b) Interests in Associated Corporation

The tables below sets out the long positions in the underlying shares of the Company's associated corporations (within the meaning of Part XV of the SFO) of each Director and the Chief Executive:

Colored World

Name of Director/ Chief Executive	Number of shares Personal Interests	Family interests	Corporate interests	Other interests	Interests in underlying shares/equity derivatives	Total shares	Percentage of issued share capital
Lai Chee Ying, Jimmy	–	–	70 (Note 4)	–	–	70	70

ADPDL

Name of Director/ Chief Executive	Number of shares Personal Interests	Family interests	Corporate interests	Other interests	Interests in underlying shares/equity derivatives	Total shares	Percentage of issued share capital
Ting Ka Yu, Stephen	108,344 (Note 3)	–	–	–	–	108,344	1.00
Ip Yut Kin	216,688 (Note 3)	–	–	–	–	216,688	2.00

Interests and Short Positions of the Directors and Chief Executive in Shares, Underlying Shares and Debentures (continued)

(b) Interests in Associated Corporation (continued)

Notes:

(1) These interests represented options granted under the Company's 2007 Share Option Scheme to the Directors as beneficial owner, details of which are set out in the section headed "Share Incentive Schemes".

(2) These interests represented the Shares to be subscribed for under invitations issued by the Company pursuant to the Subscription Plan to the Directors as beneficial owners, details of which are set out in the section headed "Share Incentive Schemes".

(3) These interests represented shares of ADPDL issued upon the exercise of options granted under the 2007 ADPDL Share Option Scheme.

(4) These interests represented shares of Colored World transferred upon completion of the sale of 70 shares of US$1.00 each in Colored World from AtNext Limited, a wholly owned subsidiary of the Company, to STV, a private company 100% beneficially owned by Mr. Lai, on 31 October 2011 (the "Sale").

Apart from the details disclosed above and in the section headed "Discloseable Interests and Short Positions of Shareholders under the SFO" below, none of the Directors or the Chief Executive of the Company or their associates had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 March 2012.

Discloseable Interests and Short Positions of Shareholders Under the SFO

As at 31 March 2012, the following person (other than a Director or Chief Executive of the Company) had interests or short positions in the Shares and underlying Shares of the Company recorded in the register required to be kept under Section 336 of the SFO and so far as is known to any Director or Chief Executive of the Company:

Name of shareholder	Number of Shares/ underlying Shares held	Percentage of issued share capital
Li Wan Kam, Teresa	1,786,533,165 (Note)	74.05

Note:

These Shares represent the same total number of Shares held by Mr. Lai Chee Ying, Jimmy as disclosed in the section headed "Interests and Short Positions of the Directors and Chief Executive in Shares, Underlying Shares and Debentures". Ms. Li Wan Kam, Teresa is the spouse of Mr. Lai Chee Ying, Jimmy and is deemed to be interested in these Shares.

Save as disclosed above, the Company had not been notified of any other person (other than Directors or the Chief Executive of the Company) who had an interest or a short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO and so far as is known to any Director or the Chief Executive of the Company as at 31 March 2012.

Continuing Connected Transactions

During the year, the Company and its subsidiaries had entered into the following transactions which constituted continuing connected transactions of the Company under the Listing Rules:

(1) On 21 February 2011, the Taiwan Branch of ADPDL entered into a car parking spaces lease agreement with the Taiwan Branch of Best Combo Limited ("Best Combo"), a company 100% beneficially owned by Mr. Lai. Pursuant to which, the Taiwan Branch of Best Combo agreed to lease the car parking spaces with a total floor area of 4,203.04 square feet located at Lots. 4–5, 4–6, 4–7, 4–8, 4–9, 4–20, 4–21, Jiuzong, Neihu District, Taipei City, Taiwan to the Taiwan Branch of ADPDL for a term of one year from 15 April 2011 to 14 April 2012 (both days inclusive) at a rental of NT$200,000 per month (equivalent to HK$54,170) (inclusive of business tax). The total rental of NT$2,286,000 (equivalent to HK$604,000) was paid by the Taiwan Branch of ADPDL in respect of the year ended 31 March 2012.

Continuing Connected Transactions (continued)

(2) On 29 April 2011, Next TV, an indirect wholly-owned subsidiary of the Company, entered into a lease agreement with the Taiwan Branch of Best Combo. Pursuant to which, the Taiwan Branch of Best Combo agreed to lease the building with a total floor area of 12,211.46 square meters located at No.18, Lane 146, Xinhu 2nd Road, Neihu District, Taipei City, Taiwan to Next TV for a term of 35 months from 1 May 2011 to 31 March 2014 (both days inclusive) at a rental of NT$2,819,730 per month (equivalent to HK$763,678) (exclusive of tax). The total rental of NT$28,197,000 (equivalent to HK$7,432,000 was paid by Next TV in respect of the year ended 31 March 2012.

(3) On 7 June 2011, Next TV entered into a lease agreement with the Taiwan Branch of Best Combo together with the addendum dated 30 September 2011. Pursuant to which, the Taiwan Branch of Best Combo agreed to lease the properties with a total floor area of 3,875.75 square meters located at 1st floor, 2nd floor, 7th floor and 8th floor, Lots. 46–3 and 46–15, Jiuzong, Neihu District, Taipei City, Taiwan to Next TV for the period from 17 November 2011 to 31 March 2014 (both days inclusive) at a rental of NT$973,600 per month (equivalent to HK$263,848) (exclusive of tax). The total rental of NT$4,349,000 (equivalent to HK$1,130,000 was paid by Next TV in respect of the year ended 31 March 2012.

(4) On 7 June 2011, NMES, an indirect wholly owned subsidiary of the Company, entered into a lease agreement with the Taiwan Branch of Best Combo together with the addendum dated 30 September 2011. Pursuant to which, the Taiwan Branch of Best Combo agreed to lease the properties with a total floor area of 3,874.41 square meters located at 3rd floor to 6th floor, Lots. 46–3 and 46–15, Jiuzong, Neihu District, Taipei City, Taiwan to NMES for the period from 17 November 2011 to 31 March 2014 (both days inclusive) at a rental of NT$973,600 per month (equivalent to HK$263,848) (exclusive of tax). The total rental of NT$4,349,000 (equivalent to HK$1,130,000 was paid by NMES in respect of the year ended 31 March 2012.

(5) On 31 October 2011, Next TV entered into a lease agreement with the Taiwan Branch of NMAL, an associated company of the Group. Pursuant to which, the Next TV agreed to lease the properties with a total floor area of 2,213 square meters located at 2nd floor, 3rd floor and 9th floor, No. 39, Lane 141, Xingai Road, Neihu District, Taipei City, Taiwan to the Taiwan Branch of NMAL for the period from 1 November 2011 to 31 March 2014 (both days inclusive) at a rental of NT$669,500 per month (equivalent to HK$181,400) (before tax). The total rental of NT$3,348,000 (equivalent to HK$869,000 was received from the Taiwan Branch of NMAL in respect of the year ended 31 March 2012.

Continuing Connected Transactions (continued)

(6) On 31 October 2011, the Company and NMAL entered into a business framework agreement (the "Business Framework Agreement") in respect of the animation services to be rendered by NMA and its group companies (the "NMA Group") to the Group, the advertising services and supporting services to be rendered by the Group to the NMA Group for the period from 31 October 2011 to 31 March 2014 at the annual caps as follows:

Period	Annual cap in respect of animation services	Annual cap in respect of advertising services	Annual cap in respect of supporting services
31 October 2011–31 March 2012	HK$70,000,000	HK$5,000,000	HK$1,000,000
1 April 2012–31 March 2013	HK$73,500,000	HK$5,250,000	HK$1,100,000
1 April 2013–31 March 2014	HK$77,000,000	HK$5,500,000	HK$1,200,000

The annual caps for each of the periods as set out in the Business Framework Agreement are determined by reference to (a) the historical transaction amount in respect of the provision of animation production services by the NMA Group and advertising services and supporting services by the Group; and (b) the expected annual growth rate of approximately 5.0% in respect of the provision of the animation services and the advertising services and the expected annual growth rate of approximately 10.0% in respect of the provision of the supporting services.

Details of the continuing connected transactions are set out in the note 41 to the Financial Statements.

The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the continuing connected transactions entered into by the Company and the Group during the year ended 31 March 2012.

Annual Review of Continuing Connected Transactions

All the INEDs have reviewed the above disclosed continuing connected transactions (the "CCTs") for the year ended 31 March 2012 and confirmed that the CCTs were entered into by the Company and the Group:

a. in the ordinary business of the Group;
b. on normal commercial terms; and
c. on terms that are fair and reasonable and in interests of the Shareholders as a whole.

The Company's auditor, Deloitte, had been engaged to report on the Group's or the Company's CCTs in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA. Based on the work performed, Deloitte has confirmed in a letter to the Board that the CCTs:

a. have been approved by the Board;
b. have been entered in accordance with the relevant agreement(s) governing the CCTs; and
c. have not exceeded the caps disclosed in the previous announcements.

A copy of the confirmation letter issued by Deloitte has been provided by the Company to the Stock Exchange.

Related Party Transactions

During the year, the Group entered into certain transactions with parties regarded as related parties under applicable accounting principles, details of which are set out in note 41 to the Financial Statements. These mainly concerned contracts entered into by the Group in the ordinary course of business. These contracts were negotiated on normal commercial terms and on an arm's length basis with reference to prevailing market conditions.

Save as disclosed above and note 41 to the Financial Statements, no other contract of significance between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries were entered into or existed during the year.

Management Contracts

No contract concerning the management and administration of all or any substantial part of the Group's business was entered into or existed during the year.

Directors' Interests in Contracts of Significance

No contracts of significance in relation to the Group's business to which the Company, its subsidiaries or associated companies was a party and in which a Director had a material interest, whether directly or indirectly, existed at the end of the year or at any time during the year.

Retirement Benefits Plans

Details of the Group's retirement benefits plans are set out in note 34 to the Financial Statements.

Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, the percentage of the Shares in the public's hands exceed 25.0% as at 8 June 2012, the latest practicable date to ascertain such information prior to the issue of this report.

Arrangements to Purchase Shares or Debentures

Other than the options disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate.

Purchase, Sale or Redemption of Listed Shares

The Company has not redeemed any of its listed Shares during the year. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed Shares during the year.

Auditor

The Financial Statements have been audited by Messrs. Deloitte Touche Tohmatsu. A resolution will be submitted to the 2012 AGM to re-appoint the auditor, Messrs. Deloitte Touche Tohmatsu.

On behalf of the Board
Cheung Ka Sing, Cassian
Director

Hong Kong, 8 June 2012

Deloitte.
德勤

TO THE MEMBERS OF NEXT MEDIA LIMITED
壹傳媒有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Next Media Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 101 to 244, which comprise the consolidated and Company's statements of financial position as at 31 March 2012, and the consolidated statements of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

Auditor's Responsibility (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
8 June 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
Continuing operations			
Revenue	7	**3,634,553**	3,477,005
Production costs			
Cost of raw materials consumed		**(1,326,039)**	(1,163,461)
Film production costs		**(339,481)**	(52,497)
Other overheads		**(339,389)**	(268,408)
Staff costs	16	**(953,997)**	(841,930)
		(2,958,906)	(2,326,296)
Personnel costs excluding direct production staff costs	16	**(585,120)**	(561,412)
Other income	7	**76,971**	49,268
Depreciation of property, plant and equipment		**(295,588)**	(163,873)
Release of prepaid lease payments		**(1,797)**	(1,797)
Other expenses		**(421,964)**	(376,569)
Impairment loss recognised in respect of property, plant and equipment	20 & 43	**(112,214)**	–
Impairment loss recognised in respect of goodwill	26	**(9,889)**	–
Impairment loss recognised in respect of interest in associates	24	**(105,505)**	–
Impairment loss recognised in respect of unlisted convertible note	27	**(7,800)**	–
Impairment loss recognised in respect of programmes and film rights	28	**(38,474)**	–
Finance costs	9	**(22,807)**	(9,318)
Share of results of associates	24	**(9,202)**	–
Share of results of a jointly controlled entity	25	**(1,172)**	(3,053)
(Loss) profit before tax		**(858,914)**	83,955
Income tax expense	10	**(106,281)**	(74,171)
(Loss) profit for the year from continuing operations	11	**(965,195)**	9,784
Discontinued operation			
Profit (loss) for the year from discontinued operation	12	**784,378**	(29,328)
Loss for the year		**(180,817)**	(19,544)
Other comprehensive (expense) income			
Exchange differences arising on translation		**(42,351)**	110,759
Total comprehensive (expense) income for the year		**(223,168)**	91,215

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
Loss for the year attributable to:			
Owners of the Company			
– (Loss) profit for the year from continuing operations		**(973,009)**	9,598
– Profit (loss) for the year from discontinued operation		**784,378**	(29,328)
		(188,631)	(19,730)
Non-controlling interests			
– Profit for the year from continuing operations		**7,814**	186
		(180,817)	(19,544)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(231,310)**	90,865
Non-controlling interests		**8,142**	350
		(223,168)	91,215
(Loss) earnings per share	17		
From continuing and discontinued operations			
– Basic		**(HK7.8 cents)**	(HK0.8 cent)
– Diluted		**(HK7.8 cents)**	(HK0.8 cent)
From continuing operations			
– Basic		**(HK40.3 cents)**	HK0.4 cent
– Diluted		**(HK40.3 cents)**	HK0.4 cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Intangible assets	18	**1,300,881**	1,300,881
Property, plant and equipment	20	**2,256,962**	2,132,185
Prepaid lease payments	21	**61,555**	63,352
Deposit for acquisition of property, plant and equipment	23	**21,592**	145,363
Programmes and film rights	28	**181,288**	–
Interest in associates	24	**–**	–
Loans to associates	24	**34,001**	–
Interest in a jointly controlled entity	25	**–**	1,172
Investment in an unlisted convertible note	27	**–**	6,216
Derivatives embedded in the investment in an unlisted convertible note	27	**–**	1,584
		3,856,279	3,650,753
CURRENT ASSETS			
Programmes and film rights	28	**–**	68,240
Inventories	29	**190,511**	171,000
Trade and other receivables	30	**735,247**	711,610
Prepaid lease payments	21	**1,797**	1,797
Tax recoverable		**294**	1,716
Restricted bank balances	31	**5,411**	5,411
Bank balances and cash	31	**725,784**	878,557
		1,659,044	1,838,331
CURRENT LIABILITIES			
Trade and other payables	32	**728,349**	653,594
Amounts due to associates	24	**2,981**	–
Borrowings	33	**289,305**	127,107
Obligations under finance leases		**–**	4
Tax liabilities		**56,007**	23,620
		1,076,642	804,325
NET CURRENT ASSETS		**582,402**	1,034,006
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,438,681**	4,684,759

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2012

	Notes	**2012 HK$'000**	2011 HK$'000
NON-CURRENT LIABILITIES			
Borrowings	33	**724,684**	752,176
Retirement benefits plans	34	**29,204**	27,242
Deferred tax liabilities	38	**287,542**	291,781
		1,041,430	1,071,199
NET ASSETS		**3,397,251**	3,613,560
CAPITAL AND RESERVES			
Share capital	35	**2,412,497**	2,412,497
Reserves		**971,847**	1,196,650
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**3,384,344**	3,609,147
NON-CONTROLLING INTERESTS		**12,907**	4,413
TOTAL EQUITY		**3,397,251**	3,613,560

The consolidated financial statements on pages 101 to 244 were approved and authorised for issue by the Board of Directors on 8 June 2012 and are signed on its behalf by:

Cheung Ka Sing, Cassian
DIRECTOR

Ting Ka Yu, Stephen
DIRECTOR

STATEMENT OF FINANCIAL POSITION

At 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	20	**126,942**	130,846
Prepaid lease payments	21	**27,592**	28,397
Interests in subsidiaries	22	**2,638,596**	2,638,596
		2,793,130	2,797,839
CURRENT ASSETS			
Other receivables	30	**3,383**	3,548
Prepaid lease payments	21	**806**	806
Amounts due from subsidiaries	22	**972,705**	980,828
Tax recoverable		**67**	856
Restricted bank balances	31	**5,411**	5,411
Bank balances and cash	31	**33,046**	4,359
		1,015,418	995,808
CURRENT LIABILITIES			
Other payables	32	**25,451**	21,983
Amounts due to subsidiaries	22	**4,644**	1,029
		30,095	23,012
NET CURRENT ASSETS		**985,323**	972,796
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,778,453**	3,770,635

STATEMENT OF FINANCIAL POSITION

At 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT LIABILITY			
Deferred tax liabilities	38	**15,488**	14,738
NET ASSETS		**3,762,965**	3,755,897
CAPITAL AND RESERVES			
Share capital	35	**2,412,497**	2,412,497
Reserves	37	**1,350,468**	1,343,400
TOTAL EQUITY		**3,762,965**	3,755,897

Cheung Ka Sing, Cassian
DIRECTOR

Ting Ka Yu, Stephen
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2012

	Attributable to owners of the Company						Attributable to non-controlling interests			
	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Share-based payment reserve HK$'000	Accumulated profit (losses) HK$'000	Subtotal HK$'000	Share-based payment reserve of subsidiaries HK$'000	Share of net assets of subsidiaries HK$'000	Subtotal HK$'000	Total HK$'000
At 1 April 2010	2,412,497	918,712	(14,976)	58,774	139,466	3,514,473	–	3,338	3,338	3,517,811
Exchange differences arising on translation	–	–	110,595	–	–	110,595	–	164	164	110,759
Loss for the year	–	–	–	–	(19,730)	(19,730)	–	186	186	(19,544)
Total comprehensive income for the year	–	–	110,595	–	(19,730)	90,865	–	350	350	91,215
Recognition of equity-settled share-based payments	–	–	–	10,415	–	10,415	725	–	725	11,140
Lapse of share options	–	–	–	(23,138)	23,138	–	–	–	–	–
Acquisition of additional interest in a subsidiary (Note 1)	–	–	–	–	(6,606)	(6,606)	–	–	–	(6,606)
At 31 March 2011	2,412,497	918,712	95,619	46,051	136,268	3,609,147	725	3,688	4,413	3,613,560
Exchange differences arising on translation	–	–	(42,679)	–	–	(42,679)	6	322	328	(42,351)
Loss for the year	–	–	–	–	(188,631)	(188,631)	–	7,814	7,814	(180,817)
Total comprehensive expense for the year	–	–	(42,679)	–	(188,631)	(231,310)	6	8,136	8,142	(223,168)
Recognition of equity-settled share-based payments	–	–	–	10,781	–	10,781	352	–	352	11,133
Lapse of share options	–	–	–	(16,549)	16,549	–	–	–	–	–
Acquisition of additional interest in a subsidiary (Note 2)	–	–	–	–	(4,274)	(4,274)	–	–	–	(4,274)
At 31 March 2012	2,412,497	918,712	52,940	40,283	(40,088)	3,384,344	1,083	11,824	12,907	3,397,251

Notes:

(1) During the year ended 31 March 2011, the shareholding of the Group in a non wholly-owned subsidiary, Apple Daily Publication Development Limited ("ADPDL"), has increased from 93.05% to 93.79%.

(2) During the year ended 31 March 2012, the equity ownership in ADPDL held by the Group was increased from 93.79% to 94.2% (see note 45).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES			
(Loss) profit before tax		**(74,536)**	54,627
Adjustments for:			
Finance costs		**22,807**	9,318
Allowance for bad and doubtful debts		**12,725**	6,892
Depreciation of property, plant and equipment		**309,150**	179,094
Release of prepaid lease payments to profit or loss		**1,797**	1,797
Loss on disposal of property, plant and equipment		**1,806**	1,493
Share-based payment expense		**11,133**	11,140
Share of results of associates		**9,202**	–
Share of results of a jointly controlled entity		**1,172**	3,053
Gain on disposal of subsidiaries	42	**(848,251)**	–
Impairment loss of unlisted convertible note		**7,800**	–
Impairment loss recognised in respect of goodwill		**9,889**	–
Impairment loss recognised in respect of property, plant and equipment		**112,214**	–
Impairment loss recognised in respect of interest in associates		**105,505**	–
Impairment loss recognised in respect of programmes and film rights		**38,474**	–
Interest income		**(2,987)**	(1,529)
Operating cash flows before movements in working capital		**(282,100)**	265,885
Increase in programmes and film rights		**(140,630)**	(68,240)
Increase in inventories		**(20,083)**	(31,092)
Increase in trade and other receivables		**(74,882)**	(151,967)
Increase in amounts due to associates		**3,177**	–
Increase in trade and other payables		**71,290**	170,265
Increase in retirement benefits plans		**2,141**	4,537
Net cash (used in) generated from operations		**(441,087)**	189,388
Income tax paid		**(76,876)**	(79,983)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		**(517,963)**	109,405

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 March 2012

	Notes	**2012 HK$'000**	2011 HK$'000
INVESTING ACTIVITIES			
Disposal of subsidiaries	42	**763,195**	–
Acquisition of a subsidiary	26	**7,636**	–
Interest received		**2,791**	1,529
Proceeds from disposal of property, plant and equipment		**791**	3,070
Purchases of property, plant and equipment		**(453,784)**	(420,259)
Advances to associates		**(34,001)**	–
Deposit for acquisition of property, plant and equipment		**(22,308)**	(145,363)
Investment in an unlisted convertible note		**–**	(7,800)
Acquisition of interest in jointly controlled entity		**–**	(4,225)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**264,320**	(573,048)
FINANCING ACTIVITIES			
New loans raised		**263,019**	650,000
Repayment of bank loans		**(126,804)**	(126,475)
Interest paid		**(22,807)**	(9,318)
Acquisition of additional interest in subsidiaries		**(4,273)**	(6,606)
Repayment of obligations under finance leases		**(4)**	(26)
NET CASH FROM FINANCING ACTIVITIES		**109,131**	507,575
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(144,512)**	43,932
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**878,557**	794,527
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(8,261)**	40,098
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**725,784**	878,557

1. General

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Lai Chee Ying, Jimmy ("Mr. Lai"), is a controlling shareholder and the ultimate controlling party of the Company. The address of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 45.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group and the Company have applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The amendments to HKAS 1, as part of improvement to HKFRSs issued in 2010, clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. In the current year, for each component of equity, the Group has chosen to present such an analysis in the consolidated statement of changes in equity. Such amendments have been applied retrospectively, and hence the disclosures in these consolidated financial statements have been modified reflect the change.

The application of new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current year and prior years and/or on the disclosures set out in these consolidated financial statements.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle[1]
Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[2]
Amendments to HKFRS 1	Government Loans[1]
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[2]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
HKFRS 9	Financial Instruments[3]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

[1] Effective for annual periods beginning on or after 1 January 2013
[2] Effective for annual periods beginning on or after 1 July 2011
[3] Effective for annual periods beginning on or after 1 January 2015
[4] Effective for annual periods beginning on or after 1 January 2012
[5] Effective for annual periods beginning on or after 1 July 2012
[6] Effective for annual periods beginning on or after 1 January 2014

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

With regards to financial assets, the HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31 March 2016.

The Group is in the process of making an assessment of the impact of this standard and amendments to the Group's results and financial position in the period of initial application. So far it has concluded that the adoption of this standard and the related amendments is unlikely to have a significant impact on the Group's results of operations and financial positions.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

New and revised Standards on consolidation, joint arrangements, associates and disclosures (continued)

With regards to the consolidated financial statements, the key requirements of these standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC) – Int 12 Consolidation – Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These standards are effective to the Group for its annual period beginning on or after 1 April 2013. Earlier application is permitted provided that all of these standards are applied early at the same time.

The directors anticipate that these standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013.

However, the directors have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 April 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The directors anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

3. Significant Accounting Policies (continued)

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 April 2010 onwards).

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. Significant Accounting Policies (continued)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries (continued)

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

3. Significant Accounting Policies (continued)

Business combinations (continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held-for-sale in accordance with HKFRS 5 *Non-current Assets held-for-sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another Standard.

3. Significant Accounting Policies (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Interests in subsidiaries

Interests in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss. Results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable during the year.

3. Significant Accounting Policies (continued)

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. Significant Accounting Policies (continued)

Interests in associates (continued)

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

3. Significant Accounting Policies (continued)

Jointly controlled entities (continued)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of a jointly controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of a jointly controlled entity that results in the Group losing joint control over that jointly controlled entity, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the jointly controlled entity attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the jointly controlled entity. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that jointly controlled entity on the same basis as would be required if that jointly controlled entity had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that jointly controlled entity would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses joint control over that jointly controlled entity.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

3. Significant Accounting Policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents accounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognised when services are provided.

(i) Sales of magazines and newspapers are recognised on the date of delivery, net of allowances for unsold copies which may be returned.

(ii) Sales of books and other publications are recognised on the date of delivery to customers.

(iii) Books, magazines and newspapers advertising income is recognised upon the publication of the edition in which the advertisement is placed.

(iv) Revenue from the provision of printing, reprographic and internet content services is recognised upon the provision of the services.

3. Significant Accounting Policies (continued)

Revenue recognition (continued)

(v) Television and internet advertising income is recognised on a straight-line basis over the period during which the advertisement is displayed.

(vi) Sales of waste materials are recognised on the date of delivery of the waste materials.

(vii) Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rates applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(viii) Rental income is recognised on a straight line basis over the term of the lease.

(ix) Television and internet subscription income are recognised upon the provision of the services.

Masthead and publishing rights

On initial recognition, intangible assets (masthead and publishing rights of the Group's newspapers and magazines) acquired separately and from business combinations are recognised at cost and fair value respectively. Subsequent to initial recognition, the intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Intangible assets with indefinite useful lives are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as immediately in profit or loss.

3. Significant Accounting Policies (continued)

Masthead and publishing rights (continued)

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Property, plant and equipment

Property, plant and equipment other than freehold land are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial positions at cost less subsequent accumulated depreciation and any subsequent accumulated impairment losses. Freehold land is stated at cost less any subsequent accumulated impairment losses.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than freehold land less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimated accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

3. Significant Accounting Policies (continued)

Property, plant and equipment (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Programmes and film rights

Programmes and film rights are stated at cost less amounts amortised and any provision considered necessary by the management. Their costs are amortised over periods in which revenues are expected to be generated to the Group.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. Significant Accounting Policies (continued)

Leasing (continued)

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

3. Significant Accounting Policies (continued)

Foreign currencies (continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using the exchange rate prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. Significant Accounting Policies (continued)

Provisions

Provisions are recognised when the Group has a present obligation as a result of past events, and it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(ii) Profit sharing and bonus plans

The expected cost of profit sharing and bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

3. Significant Accounting Policies (continued)

Employee benefits (continued)

(iii) Retirement benefits obligations

The Group operates defined contribution retirement schemes in Hong Kong and Taiwan and a mandatory provident fund scheme for its eligible employees in Hong Kong, and defined benefits plans for its eligible employees in Taiwan, the assets of which are held in separate independent trustee-administered funds.

The Group's contributions to the defined contribution retirement schemes and the mandatory provident fund scheme are recognised as an expense when employees have rendered service entitling them to the contributions and, in respect of the non-mandatory provident fund schemes, such contributions are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the Group's contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of the reporting period. Actuarial gains and losses which exceed 10 per cent of the greater of the present value of the Group's defined benefit obligations and the fair value of plan assets at the end of the previous reporting period are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

3. Significant Accounting Policies (continued)

Employee benefits (continued)

(iv) Share options and share subscription rights granted to employees of the Group

The Group has applied HKFRS 2 *Share-based Payment* to share options granted on or after 1 April 2005 and those granted after 7 November 2002 that vested after 1 April 2005 and share subscription rights granted on 29 October 2007.

The fair value of services received determined by reference to the fair value of share options and share subscription rights granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share-based payment reserve).

At the end of reporting period, the Group revises its estimates of the number of options and share subscription rights that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payment reserve.

When the share options and share subscription rights are exercised, the amount previously recognised in share-based payment reserve will be transferred to share premium. When the share options/share subscription rights are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to accumulated profits.

Irrespective of any modifications to the terms and conditions on which the equity instruments were granted, or a cancellation or settlement of that grant of equity instruments, the Group recognises, as a minimum, the services received measured at the fair value of the equity instruments at the grant date, unless those equity instruments do not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at grant date. In addition, the Group recognises the effects of modifications that increase the total fair value of the share-based payment arrangement or are otherwise beneficial to the employee.

3. Significant Accounting Policies (continued)

Employee benefits (continued)

(iv) Share options and share subscription rights granted to employees of the Group (continued)

If the modification increases the fair value of the equity instruments granted (e.g. by reducing the exercise price), measured immediately before and after the modification, the Group includes the incremental fair value granted in the measurement of the amount recognised for services received as consideration for the equity instruments granted. The incremental fair value granted is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification.

If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognised for services received over the period from the modification date until the date when the modified equity instruments vest, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognised over the remainder of the original vesting period.

If the modification occurs after vesting date, the incremental fair value granted is recognised immediately, or over the vesting period if the employee is required to complete an additional period of service before becoming unconditionally entitled to those modified equity instruments.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. Significant Accounting Policies (continued)

Taxation (continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interest in jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. Significant Accounting Policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables and derivatives embedded in the investment in an unlisted convertible note (see below). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from subsidiaries, loans to associates, restricted bank balances and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss (continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Investment in unlisted convertible note

Investment in unlisted convertible notes that comprises a debt component and embedded derivatives that are not closely related to the debt host contract are accounted for separately. At the date of issue, the debt component and the embedded derivatives are recognised at fair value. At subsequent reporting periods, the debt component of the convertible note is carried at amortised cost using the effective interest method while the embedded derivatives are measured at fair value with changes in fair value recognised in profit and loss.

Impairment of loans and receivables

Financial assets classified as loans and receivables are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of loans and receivables (continued)

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments beyond the credit period of 7 to 120 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that from an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, amounts due to associates, amounts due to subsidiaries and borrowings are subsequently measured at amortised cost, using the effective interest method.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirely, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Impairment losses on tangible and intangible assets other than goodwill (see accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

3. Significant Accounting Policies (continued)

Impairment losses on tangible and intangible assets other than goodwill (see accounting policy in respect of goodwill above) (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the company are required to make the following estimates, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. In the current year, goodwill of HK$9,889,000 arising from the acquisition of a subsidiary, Anyplex Company Limited ("Anyplex") was fully impaired. Details are set out in note 26.

4. Key Sources of Estimation Uncertainty (continued)

Income taxes

As at 31 March 2012, the Group had estimated unused tax losses of approximately HK$1,016,388,000 (2011: HK$874,919,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$43,668,000 (2011: HK$12,147,000) of such losses. No deferred tax assets has been recognised on the tax losses of approximately HK$972,720,000 (2011: HK$862,772,000) due to the unpredictability of future profit streams. The reliability of the deferred tax asset mainly depends on whether sufficient future taxable profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are more than expected, a further recognition of deferred tax assets may arise. Details are set out in note 38.

Provision for litigation

The management of the Group monitor any litigation against the Group closely. Provision for the litigation is made based on the opinion of the legal advisers on the possible outcome and liability of the Group. As at 31 March 2012, an amount of approximately HK$71,425,000 (2011: HK$88,293,000) has been provided for outstanding litigations. Details are set out in note 39.

Impairment loss of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows to determine the amount of impairment loss. The amount of the impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. In the current year, an allowance for bad and doubtful debts of approximately HK$12,725,000 (2011: HK$6,892,000) is recognised in profit or loss. Details are set out in note 30.

4. Key Sources of Estimation Uncertainty (continued)

Impairment loss on intangible assets

Determining whether intangible asset is impaired requires an estimation of the value in use of the cash-generating units to which intangible asset has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2011 and 2012, the carrying amount of intangible asset is HK$1,300,881,000. No impairment loss has been recognised for both years. Details of the recoverable amount calculation are disclosed in note 19.

Impairment loss on property, plant and equipment, and programmes and film rights

One of the Group's cash generating units is engaged in "television and multi-media" business operation that consists of land and buildings, plant and equipment and programmes and film rights with carrying amounts (net of impairment losses) of HK$341,979,000, HK$699,760,000 and HK$181,288,000 respectively.

Determining whether assets of such a cash-generating unit are impaired requires an estimation of the value in use of the cash-generating unit. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. In the current year, impairment losses on plant and equipment, and programmes and film rights of approximately HK$112,214,000 and HK$38,474,000 respectively are recognised in profit and loss (2011: nil) (please see note 43 in details).

Impairment loss on interest in associates

In the current year, the carrying amount of interest in associates, Colored World Holdings Limited and its subsidiaries ("Colored World Group"), has been tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset. During the year ended 31 March 2012, the Group recognised an impairment loss of approximately HK$105,505,000 (2011: nil) in relation to the interest in Colored World Group.

Impairment loss on unlisted convertible notes

The Group reviews its investment in unlisted convertible notes for impairment to assess whether the carrying amount is recoverable. As at 31 March 2012, the carrying amount of unlisted convertible notes is fully impaired. The impairment loss recognised in the current year amounted to HK$7,800,000 (2011: nil), in view of the continuous loss and net liability of the investee company.

5. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years. The capital structure of the Group consists of debt, which includes bank borrowings disclosed in note 33, and equity attributable to owners of the Company, comprising share capital, share premium and reserves.

The Directors review the capital structure on a semi-annual basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

6. Financial Instruments

6a. Categories of financial instruments

	2012 HK$'000	2011 HK$'000
THE GROUP		
Financial assets		
Loans and receivables (including cash and cash equivalents)	**1,330,054**	1,411,773
Derivatives embedded in the investment in an unlisted convertible note	**–**	1,584
Financial liabilities		
Liabilities at amortised cost	**1,210,894**	1,078,873
THE COMPANY		
Financial assets		
Loans and receivables (including cash and cash equivalents)	**1,011,744**	991,205
Financial liabilities		
Liabilities at amortised cost	**4,644**	1,029

6. Financial Instruments (continued)

6b. Financial risk management objectives and policies

The Group's and the Company's major financial instruments include trade and other receivables, loans to associates, restricted bank balances, bank balances and cash, trade and other payables, amounts due to associates, amounts due from/to subsidiaries and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. The Directors believe that the Group does not have significant foreign exchange exposures and will consider the use of foreign exchange forward contracts to reduce the currency exposures in case the foreign exchange exposures become significant.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		Assets	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States Dollar ("USD")	**32,852**	31,563	**182,073**	109,196
Australian Dollar ("AUD")	**–**	–	**2,081**	2,015
Renminbi ("RMB")	**–**	–	**61**	9,099
Euro ("EUR")	**148**	3,323	**618**	1,211
Pound Sterling ("GBP")	**–**	–	**5**	506
New Taiwan Dollar ("NTD")				
– inter-company balances	**40,666**	61,500	**322,589**	453,164

6. Financial Instruments (continued)

6b. Financial risk management objectives and policies (continued)

Market risk (continued)

Currency risk (continued)

Sensitivity analysis

The Group is mainly exposed to the AUD, RMB, EUR, GBP and NTD. The Group does not have significant foreign currency exposure in relation to monetary items that are denominated in USD as HK$ is pegged to USD. The following table details the Group's sensitivity to a 5% (2011: 5%) increase and decrease in Hong Kong dollars against the relevant foreign currencies. 5% (2011: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items, including balances with foreign operations within the Group and adjusts their translation at the end of the reporting period for a 5% (2011: 5%) change in foreign currency rates. A negative number below indicates an increase in loss or decrease in profit where Hong Kong dollars strengthen against the relevant currency. For a 5% (2011: 5%) weakening of Hong Kong dollars against the relevant currency, there would be an equal and opposite impact on the profit or loss, and the balances shown as negative below would be positive.

	GBP Impact		**RMB Impact**		**EUR Impact**		**AUD Impact**		**NTD Impact**	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Profit or (loss)	**-**	(25)	**(3)**	(455)	**(24)**	106	**(104)**	(101)	**(14,096)**	(19,583)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

6. Financial Instruments (continued)

6b. Financial risk management objectives and policies (continued)

Market risk (continued)

Cash flow interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate bank borrowings (see note 33 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate and Primary Commercial Paper composite rate in Taiwan 51328. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

Fair value interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposits (see note 31 for details).

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to market interest rates for bank borrowings at the end of the reporting period. For variable-rate bank borrowings, the analysis is prepared assuming the amount outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis points (2011: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If the market interest rates had been increased/decreased by 50 basis points (2011: 50 basis points) and all other variables were held constant, the Group's loss would increase/decrease by approximately HK$5,070,000 for the year ended 31 March 2012 (2011: Group's profit would decrease/increase by HK$4,396,000).

6. Financial Instruments (continued)

6b. Financial risk management objectives and policies (continued)

Credit risk

The Company

As at 31 March 2012, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties is arising from (a) the carrying amount of the respective recognised financial assets as stated in the statement of financial position and (b) financial guarantees issued by the Company in relation to facilities granted to certain subsidiaries of the Company (please see note 39(c) for details).

The Company's concentration of credit risk is on amounts due from subsidiaries.

The Group

As at 31 March 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is represented by the carrying amount of the respective recognised financial assets as stated in the Group's consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The credit risk on the Group and the Company's bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group has concentration of credit risk as 28% (2011: 30%) of the total trade receivables was due from the Group's largest customer who is the sole distributor for the newspapers and magazines publication. This customer operates in Hong Kong and Taiwan.

6. Financial Instruments (continued)

6b. Financial risk management objectives and policies (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 March 2012, the Group has total available unutilised overdraft and short-term bank loan facilities of approximately HK$414,244,000 (2011: HK$499,748,000).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment term. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate as at the end of the reporting period.

6. Financial Instruments (continued)

6b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk tables

THE GROUP	Weighted average interest rate %	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2012 HK$'000
2012								
Non-derivative financial liabilities								
Trade payables	-	92,953	42,863	6,790	-	-	142,606	142,606
Amounts due to associates	-	2,981	-	-	-	-	2,981	2,981
Other payables	-	51,318	-	-	-	-	51,318	51,318
Borrowings – variable rate	2.32	26,071	52,142	234,638	621,820	140,170	1,074,841	1,013,989
		173,323	95,005	241,428	621,820	140,170	1,271,746	1,210,894

THE COMPANY	Weighted average interest rate %	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2012 HK$'000
2012								
Non-derivative financial liabilities								
Amounts due to subsidiaries	-	4,644	-	-	-	-	4,644	4,644
Financial guarantee contracts	-	35,957	71,914	323,611	863,282	136,989	1,431,753	-
		40,601	71,914	323,611	863,282	136,989	1,436,397	4,644

6. Financial Instruments (continued)

6b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk tables (continued)

THE GROUP	Weighted average interest rate %	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2011 HK$'000
2011							
Non-derivative financial liabilities							
Trade payables	–	98,066	59,759	5,795	–	163,620	163,620
Other payables	–	35,966	–	–	–	35,966	35,966
Borrowings – variable rate	2.21	12,212	24,423	109,904	780,267	926,806	879,283
Obligations under finance leases	3.32	–	–	4	–	4	4
		146,244	84,182	115,703	780,267	1,126,396	1,078,873

THE COMPANY	Weighted average interest rate %	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2011 HK$'000
2011							
Non-derivative financial liabilities							
Amounts due to subsidiaries	–	1,029	–	–	–	1,029	1,029
Financial guarantee contracts	–	43,964	87,929	395,678	856,950	1,384,521	–
		44,993	87,929	395,678	856,950	1,385,550	1,029

6. Financial Instruments (continued)

6b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The amounts included above for financial guarantee contracts are the maximum amounts the Company could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. As at 31 March 2012 and 2011, the Company considers that it is unlikely that any amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

6c. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of derivative instruments is determined based on the option pricing models for optional derivatives; and
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the consolidated financial statements approximates to their corresponding fair value.

6. Financial Instruments (continued)

6c. Fair value (continued)

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2011			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
Derivatives embedded in the investment in an unlisted note	–	–	1,584	1,584

Nil amount is noted as at 31 March 2012 as the embedded derivative was fully impaired during the current year. The impairment loss was recognised as expense and is detailed in note 27.

7. Revenue and Other Income

The Group's continuing operations comprise the publication of newspapers, books and magazines, the sales of advertising space in newspapers, books and magazines, the provision of printing and reprographic services, the sales of advertising space on television, websites, the television and internet subscription and the provision of internet content. Revenue recognised during the year from continuing operations is as follows:

	2012 HK$'000	2011 HK$'000 (Restated)
Continuing operations		
Revenue		
Sales of newspapers	**744,236**	782,952
Sales of books and magazines	**239,294**	259,890
Newspapers advertising income	**1,613,519**	1,533,407
Books and magazines advertising income	**724,242**	643,921
Printing and reprographic services income	**234,085**	240,305
Television advertising and subscription income	**31,992**	4,834
Internet advertising income, internet subscription and content provision ("Internet businesses")	**47,185**	11,696
	3,634,553	3,477,005
Other income		
Sales of waste materials	**28,791**	23,658
Interest income on bank deposits	**2,778**	1,518
Interest income on loans to associates	**196**	–
Rental income	**9,964**	1,725
Net exchange gain	**19,320**	13,833
Others	**15,922**	8,534
	76,971	49,268

8. Segment Information

Information reported to the Company's chief operating officer (who is the Group's chief operating decision maker, "CODM") for the purposes of resource allocation and assessment of performance focuses on types of goods delivered and services rendered. This is also the basis upon which the Group is organised and specifically focuses on the Group's operating divisions.

Specifically, the Group's reportable and operating segments from continuing operations under HKFRS 8 are as follows:

Operating segments	Principal activities
Newspapers publication and printing	Sales of newspapers and provision of newspapers printing and advertising services in Hong Kong and Taiwan
Books and magazines publication and printing	Sales of books and magazines and provision of books and magazines printing and advertising services in Hong Kong, Taiwan, North America, Europe and Australasia
Television and multi-media	Television broadcasting, programme production, advertising income, subscription income and other related activities in Taiwan
Internet businesses	Advertising income, internet subscription and content provision in Hong Kong and Taiwan

All transactions between different operating segments are charged at prevailing market rates.

Upon completion of the disposal of Colored World Group during the year, the animation production business that was previously included in the Internet businesses segment was discontinued. The segment information reported below does not include any amounts for this discontinued operation, which are described in more detail in note 12.

8. Segment Information (continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by operating segments.

For the year ended 31 March 2012

Continuing operations

	Newspapers publication and printing HK$'000	Books and magazines publication and printing HK$'000	Television and multi-media HK$'000	Internet businesses HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE						
External sales	2,499,252	1,056,124	31,992	47,185	–	3,634,553
Inter-segment sales	39,439	18,558	–	13,338	(71,335)	–
	2,538,691	1,074,682	31,992	60,523	(71,335)	3,634,553
Segment results	314,157	179,232	(1,168,054)	(36,956)	–	(711,621)
Unallocated expenses						(153,366)
Unallocated income						28,880
Finance costs						(22,807)
Loss before tax from continuing operations						(858,914)

8. Segment Information (continued)

Segment revenue and results (continued)

For the year ended 31 March 2011

Continuing operations

	Newspapers publication and printing HK$'000	Books and magazines publication and printing HK$'000	Television and multi-media HK$'000	Internet businesses HK$'000 (Restated)	Eliminations HK$'000 (Restated)	Consolidated HK$'000 (Restated)
REVENUE						
External sales	2,453,300	1,007,175	4,834	11,696	–	3,477,005
Inter-segment sales	6,640	19,617	22	25,136	(51,415)	–
	2,459,940	1,026,792	4,856	36,832	(51,415)	3,477,005
Segment results	471,589	129,819	(459,215)	(20,322)	–	121,871
Unallocated expenses						(40,101)
Unallocated income						11,503
Finance costs						(9,318)
Profit before tax from continuing operations						83,955

Segment profit/(loss) represents the profit/(loss) incurred by each segment without the allocation of income or expenses resulted from interest income, finance costs, impairment loss recognised in respect of unlisted convertible note and associates, share of results of associates, share of results of jointly controlled entity and certain corporate and administrative expenses. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

8. Segment Information (continued)

Segment assets and liabilities

As at 31 March 2012

	Newspapers publication and printing HK$'000	Books and magazines publication and printing HK$'000	Television and multi-media HK$'000	Internet businesses HK$'000	Eliminations HK$'000	Consolidated HK$'000
Segment assets	2,472,196	828,285	1,408,705	37,266	–	4,746,452
Unallocated assets						768,871
Total assets						5,515,323
Segment liabilities	(300,345)	(201,941)	(1,042,388)	(16,579)	–	(1,561,253)
Unallocated liabilities						(556,819)
Total liabilities						(2,118,072)

8. Segment Information (continued)

Segment assets and liabilities (continued)

As at 31 March 2011

	Newspapers publication and printing HK$'000	Books and magazines publication and printing HK$'000	Television and multi-media HK$'000	Internet businesses HK$'000 (Restated)	Eliminations HK$'000	Consolidated HK$'000 (Restated)
Segment assets	2,514,988	829,747	1,184,447	10,860	–	4,540,042
Unallocated assets						898,204
Assets relating to discontinued operation	–	–	–	50,838	–	50,838
Total assets						5,489,084
Segment liabilities	(276,666)	(232,619)	(1,005,827)	(12,969)	–	(1,528,081)
Unallocated liabilities						(340,006)
Liabilities relating to discontinued operation	–	–	–	(7,437)	–	(7,437)
Total liabilities						(1,875,524)

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than interest in associates, interest in a jointly controlled entity, investment in an unlisted convertible note, embedded derivatives, loans to associates, certain bank balances and cash and corporate assets that are not attributable to segments; and

- all liabilities are allocated to operating segments other than certain other payables, amounts due to associates, tax liabilities, certain bank borrowings, deferred tax liabilities and corporate liabilities that are not attributable to segments.

8. Segment Information (continued)

Other segment information

For the year ended 31 March 2012

Continuing operations

	Newspapers publication and printing HK$'000	Books and magazines publication and printing HK$'000	Television and multi-media HK$'000	Internet businesses HK$'000	Corporate HK$'000	Consolidated HK$'000
Addition to non-current assets	31,577	13,280	407,519	9,016	20	461,412
Depreciation of property, plant and equipment	103,157	21,637	161,732	5,139	3,923	295,588
Release of prepaid lease payments	991	–	–	–	806	1,797
Impairment loss recognised in respect of property, plant and equipment	–	–	112,214	–	–	112,214
Impairment loss recognised in respect of goodwill	–	–	9,889	–	–	9,889
Impairment loss recognised in respect of programmes & film rights	–	–	38,474	–	–	38,474
Allowance for bad and doubtful debts	7,652	4,586	391	96	–	12,725
Share-based payment expense	–	–	154	–	10,781	10,935
(Gain) loss on disposal of property, plant and equipment	(12)	(113)	1,930	1	–	1,806

8. Segment Information (continued)

Other segment information (continued)

For the year ended 31 March 2011

Continuing operations

	Newspapers publication and printing HK$'000	Books and magazines publication and printing HK$'000	Television and multi-media HK$'000	Internet businesses HK$'000 (Restated)	Corporate HK$'000	Consolidated HK$'000 (Restated)
Addition to non-current assets	13,993	54,386	454,957	2,917	12	526,265
Depreciation of property, plant and equipment	97,197	18,755	37,914	5,871	4,136	163,873
Release of prepaid lease payments	991	–	–	–	806	1,797
(Reversal of) allowance for bad and doubtful debts	6,519	2,339	–	(1,966)	–	6,892
Share-based payment expense	–	–	595	–	10,415	11,010
Loss on disposal of property, plant and equipment	39	522	91	14	–	666

The major operating expenses included in the measure of segment loss of the Television and multi-media segment are staff costs of HK$272,601,000 (2011: HK$214,968,000), film production costs and other overheads of HK$502,607,000 (2011: HK$145,207,000), promotional expenses of HK$54,079,000 (2011: HK$17,941,000) and rental expenses of HK$18,584,000 (2011: HK$9,103,000).

8. Segment Information (continued)

Geographical information

Information about the Group's revenue from continuing operations from external customers is presented based on the location of the operations and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers (Note 1)		Non-current assets (Note 2)	
	2012	2011	**2012**	2011
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000
Hong Kong (country of domicile)	**2,011,536**	1,966,704	**1,933,293**	1,946,818
Taiwan	**1,570,705**	1,458,825	**1,921,942**	1,693,815
North America	**28,775**	25,232	**1,044**	1,148
Europe	**9,958**	14,194	**–**	–
Australasia	**12,949**	11,048	**–**	–
Others	**630**	1,002	**–**	–
	3,634,553	3,477,005	**3,856,279**	3,641,781

Note 1: The Group's revenue by geographical market is based on location of operations, irrespectively of the origins of the goods and services.

Note 2: Non-current assets excluded interest in a jointly controlled entity and financial instruments.

8. Segment Information (continued)

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2012 **HK$'000**	2011 HK$'000
Customer A (Note)	**983,530**	1,042,842

Note: Revenue from this customer comprised revenue earned in newspapers and magazines publication amounting to HK$744,236,000 (2011: HK$782,952,000) and HK$239,294,000 (2011: HK$259,890,000), respectively.

9. Finance Costs

Continuing operations

	2012 **HK$'000**	2011 HK$'000
Interest expense on bank borrowings wholly repayable within five years	**19,164**	9,317
Interest expense on bank borrowing not wholly repayable within five years	**3,643**	–
Interest expense on finance leases wholly repayable within five years	**–**	1
	22,807	9,318

10. Income Tax Expense

Continuing operations

	2012 HK$'000	2011 HK$'000
Current tax:		
Hong Kong	**77,800**	67,074
Taiwan and other jurisdiction	**32,711**	6,373
Under(over)provision in prior years	**5**	(28)
	110,516	73,419
Deferred tax (note 38):		
Current year	**(4,235)**	752
	106,281	74,171

Hong Kong Profits Tax is calculated at 16.5% for both years.

Taiwan Profits Tax is calculated at 17% for both years of the estimated assessable profits.

10. Income Tax Expense (continued)

Continuing operations (continued)

The tax charge for the year can be reconciled to the (loss) profit before tax from continuing operations as follows:

	2012 HK$'000	2011 HK$'000 (Restated)
(Loss) profit before tax from continuing operations	**(858,914)**	83,955
Tax at Hong Kong Profits Tax rate of 16.5%	**(141,721)**	13,852
Tax effect of expenses not deductible for tax purpose	**59,445**	19,967
Tax effect of income not taxable for tax purpose	**(5,285)**	(6,096)
Under(over)provision in prior years	**5**	(28)
Tax effect of tax losses not recognised	**50,570**	7,960
Tax effect of tax losses not recognised by Taiwan tax authority and not recognised	**155,685**	68,954
Utilisation of tax losses previously not recognised	**(16,064)**	(32,933)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**3,790**	2,495
Tax effect of tax exemption granted	**(144)**	–
Tax charge for the year	**106,281**	74,171

11. (Loss) Profit for the Year from Continuing Operations

	2012 HK$'000	2011 HK$'000 (Restated)
(Loss) profit for the year from continuing operations has been arrived at after charging:		
Continuing operations		
Allowance for bad and doubtful debts	**12,725**	6,892
Auditor's remuneration	**3,680**	3,212
Amortisation of programmes and film rights (included in film production cost)	**96,631**	34,095
Operating lease expenses on:		
Properties	**21,989**	12,212
Plant and equipment	**49,787**	28,493
Provision for legal and professional fees included in other expenses (net of reversal of HK$10,308,000 (2011: net of reversal of HK$1,838,000))	**18,917**	72,585
Staff costs (note 16)	**1,539,117**	1,403,342
Loss on disposal of property, plant and equipment	**1,806**	666
Promotion expenses (included in other expenses)	**55,996**	17,894
Rent and rates (included in other expenses)	**28,998**	18,726

12. Discontinued Operation

Disposal of subsidiaries

On 10 June 2011, the Group entered into a sale and purchase agreement (the "S&P Agreement") with Sum Tat Ventures Limited ("STV"), which is 100% beneficially owned by Mr. Lai, Chairman and controlling shareholder of the Company, to dispose of the 70% equity interest in Colored World Group for a cash consideration of US$100 million (equivalent to approximately HK$776 million). In the opinion of the Directors, this transaction was carried out on arm-length basis with the transaction price being determined with reference to the fair value of the Colored World Group determined using a market approach by an independent valuer. Under the market approach, the guideline companies method computes a price multiple for publicly listed comparable companies and then applied the result to a base of the subject asset; and the sales comparison method computes a price multiple using recent sales and purchase transactions of comparable assets and then applied the result to a base of the subject asset.

The details of this transaction are set out in announcement dated 10 June 2011. The transaction was approved by independent shareholders at an extraordinary general meeting of the Company held on 2 September 2011 and was completed on 31 October 2011.

After the completion of the disposal on 31 October 2011, the Group lost control over the financial and operating policies of Colored World Group. The Group now holds 30% equity interest in Colored World Group and has accounted for the investment as an associate since 31 October 2011. Colored World Group was principally engaged in the animation production in Hong Kong and Taiwan as at the date of disposal and as at 31 March 2012.

The business of the Group's animation production, which was solely carried out by Colored World Group, was considered as a discontinued operation of the Group as a result of the disposal. The comparative figures for the year ended 31 March 2011 have been restated to present the animation production business as a discontinued operation.

12. Discontinued Operation (continued)

Disposal of subsidiaries (continued)

The profit (loss) for the year from discontinued operation is analysed as follows:

	Year ended 31.03.2012 HK$'000	Year ended 31.03.2011 HK$'000
Loss of animation operation for the year	**(63,873)**	(29,328)
Gain on disposal of animation production business	**848,251**	–
Profit (loss) for the year from discontinued operation	**784,378**	(29,328)

Analysis of profit (loss) for the year from discontinued operation

The loss from discontinued operation relating to animation production business for the period ended 31 October 2011 (previously included in the Internet businesses segment), which have been included in the consolidated statement of comprehensive income, were as follows:

	Period ended 31.10.2011 HK$'000	Year ended 31.03.2011 HK$'000
Revenue	**38,309**	70,774
Production costs	**(76,169)**	(56,222)
Other income	**8,954**	319
Personnel costs excluding direct production staff costs	**(10,464)**	(14,631)
Depreciation of property, plant and equipment	**(13,562)**	(15,221)
Other expenses	**(10,941)**	(14,347)
Loss for the period/year from discontinued operation	**(63,873)**	(29,328)

12. Discontinued Operation (continued)

Analysis of profit (loss) for the year from discontinued operation (continued)

Profit (loss) for the year from discontinued operation has been arrived at after (crediting) charging:

	Period ended 31.10.2011 HK$'000	Year ended 31.03.2011 HK$'000
Auditor remuneration	**82**	55
Operating lease expense on rental properties	**375**	615
Legal and professional fees included in other expenses	**288**	518
Share-based payment (included in personnel cost)	**198**	130
Net exchange gain	**(8,933)**	(44)
Interest income	**(13)**	(11)
Loss on disposal of property, plant and equipment	**–**	827

The gain on disposal of Colored World Group is calculated as follows:

	HK$'000
Cash received	776,680
Fair value of 30% residual interests in Colored World Group at 31 October 2011 (note 24)	114,707
Less: net assets attributable to Colored World Group (note 42)	(43,136)
Gain on disposal of subsidiaries	848,251

12. Discontinued Operation (continued)

Analysis of profit (loss) for the year from discontinued operation (continued)

In the opinion of the Directors of the Company, the acquirer in the transactions, STV, identified the growing demand from the internet technology industry which will boost the demand for animation. Due to animation application in many more avenues, the market is likely to develop even further. Furthermore, towards leveraging from the animation boom, the international animation movie releases changes the revenue equation and is likely to be profitable in the future.

The carrying amounts of the assets and liabilities of Colored World Group at the date of disposal are disclosed in note 42.

Cash flows for the year from Colored World Group were as follows:

	1.4.2011 to 31.10.2011 HK$'000	1.4.2010 to 31.3.2011 HK$'000
Net cash outflows from operating activities	**(38,137)**	(12,359)
Net cash outflows from investing activities	**(2,723)**	(112,300)
Net cash inflows from financing activities	**44,180**	130,664
Net cash inflows	**3,320**	6,005

13. Directors' and Senior Management's Emoluments

(a) Directors' emoluments

The emoluments paid or payable to each of the 8 (2011: 8) Directors were as follows:

2012

	Lai Chee Ying, Jimmy HK$'000	Cheung Ka Sing, Cassian HK$'000	Ting Ka Yu, Stephen HK$'000	Ip Yut Kin HK$'000	Fok Kwong Hang, Terry HK$'000	Wong Chi Hong, Frank HK$'000	Lee Ka Yam, Danny HK$'000	Chu Wah Hui HK$'000	Total HK$'000
Fees	200	200	200	200	300	300	300	–	1,700
Other emoluments									
Salaries and other benefits	4,333	3,952	2,793	2,657	–	–	–	2,471	16,206
Performance related incentive payments (Note 1)	–	2,180	1,169	780	–	–	–	–	4,129
Share-based payment	–	2,684	–	–	–	–	–	–	2,684
Pension costs – defined contribution plans	–	162	119	113	–	–	–	81	475
Total emoluments	4,533	9,178	4,281	3,750	300	300	300	2,552	25,194

13. Directors' and Senior Management's Emoluments (continued)

(a) Directors' emoluments (continued)

2011

	Lai Chee Ying, Jimmy HK$'000	Cheung Ka Sing, Cassian HK$'000	Ting Ka Yu, Stephen HK$'000	Ip Yut Kin HK$'000	Fok Kwong Hang, Terry HK$'000	Wong Chi Hong, Frank HK$'000	Lee Ka Yam, Danny HK$'000	Chu Wah Hui HK$'000	Total HK$'000
Fees	200	200	200	200	300	300	300	200	1,900
Other emoluments									
Salaries and other benefits	4,100	4,807	2,697	3,173	–	–	–	5,613	20,390
Performance related incentive payments (Note 1)	–	2,198	857	895	–	–	–	2,472	6,422
Share-based payment	–	2,447	175	58	35	35	35	3,142	5,927
Pension costs – defined contribution plans	–	150	114	102	–	–	–	155	521
Total emoluments	4,300	9,802	4,043	4,428	335	335	335	11,582	35,160

Note 1: The performance related incentive payment is determined as a percentage of profit for the year of the respective business unit for both years.

The emoluments disclosed above include expenses of HK$3,490,000 (2011: HK$3,947,000) paid by the Group under three operating leases (2011: four) in respect of residential accommodation provided to two (2011: three) Executive Directors.

During the years ended 31 March 2012 and 2011, no Director waived or agreed to waive any emoluments.

13. Directors' and Senior Management's Emoluments (continued)

(b) Senior management's emoluments

The emoluments paid or payable to each of senior management of the Group is within the following bands:

	Number of individuals	
Emoluments Bands	**2012**	2011
HK$4,000,001 to HK$4,500,000	**1**	1
HK$3,500,001 to HK$4,000,000	**–**	–
HK$3,000,001 to HK$3,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**2**	1
HK$1,000,001 to HK$1,500,000	**4**	4

14. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, four (2011: four) were Directors of the Company whose emoluments are included in the disclosure in note 13(a) above. The emoluments of the remaining individual were as follows:

	2012 **HK$'000**	2011 HK$'000
Salaries and other benefits	**3,503**	2,837
Share-based payment	**–**	159
	3,503	2,996

15. Dividends

No dividend was paid or declared during the years ended 31 March 2011 and 2012, nor has any dividend been proposed since the end of the reporting period.

16. Staff Costs

Continuing operations

	2012 HK$'000	2011 HK$'000 (Restated)
Wages, salaries and other benefits	**1,461,186**	1,334,834
Pension costs – defined contribution plans, net of forfeited contributions (note 34(a) and (b))	**63,864**	54,788
Pension costs – defined benefits plans (note 34(c))	**3,132**	2,710
Share-based payment	**10,935**	11,010
	1,539,117	1,403,342

The staff costs for the year ended 31 March 2012 included Directors' emoluments of HK$25,194,000 (2011: HK$35,160,000) as set out in note 13.

17. (Loss) Earnings Per Share

From continuing and discontinued operations

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

Loss

	2012 HK$'000	2011 HK$'000
Loss for the year attributable to owners of the Company and loss for the purposes of basic and diluted loss per share	**(188,631)**	(19,730)

17. (Loss) Earnings Per Share (continued)

From continuing and discontinued operations (continued)

Number of shares

	2012	2011
Number of ordinary shares in issue during the year for the purpose of basic loss per share	**2,412,496,881**	2,412,496,881
Effect of dilutive potential ordinary shares: Share options and share subscription and financing plan (Note)	**–**	–
Number of ordinary shares for the purpose of diluted loss per share	**2,412,496,881**	2,412,496,881

Note: The computation of diluted loss per share for the both years does not assume the conversion of the Company's outstanding share options and share subscription and financing plan as their exercise would result in a decrease in loss per share.

From continuing operations

The calculation of basic and diluted (loss) earnings per share from continuing operations attributable to the owners of the Company is based on the following data:

	2012 **HK$'000**	2011 HK$'000 (Restated)
Loss figures are calculated as follows:		
Loss for the year attributable to the owners of the Company	**(188,631)**	(19,730)
Less: Profit (loss) for the year from discontinued operation	**784,378**	(29,328)
(Loss) profit for the purposes of basic and diluted (loss) earnings per share from continuing operations	**(973,009)**	9,598

The denominators used are the same as those detailed above for both basic and diluted (loss) earnings per share.

17. (Loss) Earnings Per Share (continued)

From discontinued operation

Basic earnings per share for the discontinued operation is HK32.5 cents per share (2011: loss per share HK1.2 cents) and diluted earnings per share for the discontinued operation is HK32.5 cents per share (2011: loss per share HK1.2 cents), based on the profit for the year from the discontinued operation of HK$784,378,000 (2011: loss for the year from the discontinued operation HK$29,328,000) and the denominators detailed above for both basic and diluted earnings (loss) per share.

18. Intangible Assets

	Masthead and publishing rights HK$'000
THE GROUP	
COST	
At 1 April 2010, 31 March 2011 and 31 March 2012	1,482,799
ACCUMULATED IMPAIRMENT	
At 1 April 2010, 31 March 2011 and 31 March 2012	181,918
CARRYING VALUES	
At 31 March 2012 and 31 March 2011	1,300,881

The masthead and publishing rights are considered by the management of the Group as having an indefinite useful life because they are expected to contribute net cash inflows to the Group indefinitely. It has been tested for impairment annually and whenever there is an indication that it may be impaired. Particulars of the impairment testing are disclosed in note 19.

19. Impairment Testing on Intangible Assets with Indefinite-useful Lives

For the purposes of impairment testing, the carrying amounts of masthead and publishing rights with indefinite useful lives set out in note 18 have been allocated to two individual cash generating units ("CGUs"), represented by one subsidiary in newspapers publication and printing segment and one subsidiary in books and magazines publication and printing segment. The carrying amounts of masthead and publishing rights (net of accumulated impairment losses) allocated to these units are as follows:

	Masthead and publishing rights	
	2012	2011
	HK$'000	HK$'000
Newspaper publication and printing		
– Apple Daily I.P. Limited ("Apple Daily")	**1,020,299**	1,020,299
Books and magazines publication and printing		
– Next Media I.P. Limited ("Next Media")	**280,582**	280,582
	1,300,881	1,300,881

The recoverable amounts of masthead and publishing rights have been determined on the basis of the value in use of the respective CGUs to which the assets have been allocated. The recoverable amounts are based on certain similar key assumptions. Value in use calculations of these two CGUs use cash flow projections based on financial budgets approved by management covering a 5-year period with an annual growth rate of 3.6% (2011: 3%) for Next Media and 3% (2011: 3%) for Apple Daily, and a pre-tax discount rate of 11.6% (2011: 12%). Cash flow projections beyond the 5-year period are extrapolated using a steady 3% (2011: 3%) growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Cash flow projections during the budget period for CGUs are also based on the expected gross margins during the budget period. Budgeted gross margins have been determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of each CGU to exceed the recoverable amount of the relevant CGUs.

20. Property, Plant and Equipment

	Freehold land HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
THE GROUP								
COST								
At 1 April 2010	277,199	645,952	68,651	1,186,238	315,011	10,082	371,542	2,874,675
Exchange difference	23,540	18,322	2,436	42,186	15,159	312	31,380	133,335
Additions	–	–	32,718	186,459	89,928	9,143	103,556	421,804
Transfer	–	211,832	28,512	162,578	–	–	(402,922)	–
Disposals	–	–	(2,445)	(26,520)	(13,375)	(83)	–	(42,423)
At 31 March 2011	300,739	876,106	129,872	1,550,941	406,723	19,454	103,556	3,387,391
Exchange difference	(1,988)	(2,981)	(602)	(5,630)	(2,878)	(114)	(681)	(14,874)
Additions	–	506	32,066	311,896	123,587	446	130,646	599,147
Acquisition of a subsidiary	–	–	–	–	638	–	–	638
Transfer	–	21,922	43,396	147,936	–	–	(213,254)	–
Disposals	–	–	(1,422)	(1,538)	(26,265)	(1,630)	–	(30,855)
Disposal of subsidiaries	–	–	–	–	(79,565)	(794)	–	(80,359)
At 31 March 2012	298,751	895,553	203,310	2,003,605	422,240	17,362	20,267	3,861,088

20. Property, Plant and Equipment (continued)

	Freehold land HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
At 1 April 2010	–	79,516	30,702	708,057	252,988	5,600	–	1,076,863
Exchange difference	–	2,079	793	20,555	13,519	163	–	37,109
Charge for the year	–	18,818	7,711	107,975	42,663	1,927	–	179,094
Eliminated on disposals	–	–	(1,579)	(23,041)	(13,169)	(71)	–	(37,860)
At 31 March 2011	–	100,413	37,627	813,546	296,001	7,619	–	1,255,206
Exchange difference	–	(276)	(115)	(2,710)	(2,163)	(41)	–	(5,305)
Charge for the year	–	23,677	18,829	199,770	64,712	2,162	–	309,150
Eliminated on disposals	–	–	(716)	(362)	(25,899)	(1,281)	–	(28,258)
Eliminated on disposal of subsidiaries	–	–	–	–	(38,616)	(265)	–	(38,881)
Impairment loss recognised in profit or loss (Note)	–	–	–	112,214	–	–	–	112,214
At 31 March 2012	–	123,814	55,625	1,122,458	294,035	8,194	–	1,604,126
CARRYING VALUES								
At 31 March 2012	298,751	771,739	147,685	881,147	128,205	9,168	20,267	2,256,962
At 31 March 2011	300,739	775,693	92,245	737,395	110,722	11,835	103,556	2,132,185

20. Property, Plant and Equipment (continued)

Note:

An impairment loss on plant and machinery of HK$112,214,000 that was recognised in the current year relates to the television and multi-media segment. Such an impairment loss includes the write off of television set-top boxes with the aggregate carrying amount of approximately HK$42,748,000, and an additional impairment loss of HK$22,790,000 was recognised as a whole of impairment assessment for television and multi-media segment.

The Group's television set-top boxes are recognised as the Group's property, plant and equipment and are depreciated over 3 years on a straight-line basis. For television set-top boxes that were delivered to customers but not yet activated and used by customers for the year ended 31 March 2012, the directors of the Company are in the opinion that it will be unlikely to recover the carrying amount of these set-top boxes in view of the fact that the audiences have not used these set-top boxes to watch any television programmes and the audiences may not return the boxes. Accordingly, these set-top boxes with the aggregate carrying amount of HK$42,748,000 (2011: Nil) were fully impaired and was recognised in profit and loss for the year ended 31 March 2012.

In addition, during the year, the management conducted an impairment assessment of the Group's television and multi-media segment and determined that the recoverable amount of the cash-generating unit that is determined based on its value in use is less than the carrying amount of the cash generating unit. An additional impairment loss is recognised in respect of the television set-top boxes and plant and machinery of HK$22,790,000 and HK$46,676,000 respectively in the profit and loss for the year ended 31 March 2012. Details of the impairment assessment are set out in note 43.

20. Property, Plant and Equipment (continued)

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
THE COMPANY				
COST				
At 1 April 2010	145,032	14,925	6	159,963
Additions	–	–	12	12
At 31 March 2011	145,032	14,925	18	159,975
Additions	–	–	20	20
At 31 March 2012	145,032	14,925	38	159,995
ACCUMULATED DEPRECIATION				
At 1 April 2010	20,140	4,849	4	24,993
Charge for the year	3,352	781	3	4,136
At 31 March 2011	23,492	5,630	7	29,129
Charge for the year	3,353	568	3	3,924
At 31 March 2012	26,845	6,198	10	33,053
CARRYING VALUES				
At 31 March 2012	118,187	8,727	28	126,942
At 31 March 2011	121,540	9,295	11	130,846

20. Property, Plant and Equipment (continued)

As at 31 March 2012, the carrying value of the Group's and the Company's land and buildings comprised the following:

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Buildings situated in Hong Kong under medium term lease	**349,248**	359,134	**118,187**	121,540
Buildings situated outside Hong Kong on freehold land	**422,491**	416,559	**–**	–
Freehold land situated outside Hong Kong	**298,751**	300,739	**–**	–
	1,070,490	1,076,432	**118,187**	121,540

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the shorter of the term of lease or useful lives of twenty-five to fifty years
Leasehold improvements	Over the shorter of the term of lease or estimated useful lives of five years
Plant and machinery	6.67%–33.33%
Furniture, fixtures and equipment	20%–33.33%
Motor vehicles	20%

20. Property, Plant and Equipment (continued)

Notes:

(a) At 31 March 2012, certain of the Group's, freehold land and buildings with the carrying values of HK$292,995,000 (2011: HK$171,991,000) and HK$747,465,000 (2011: HK$564,680,000), respectively were pledged as security for the Group's banking facilities (note 33).

(b) At 31 March, 2012, certain of the Group's plant and machinery with an aggregate carrying value of HK$246,089,000 (2011: HK$310,507,000) were pledged as security for the Group's banking facilities (note 33).

21. Prepaid Lease Payments

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
The prepaid lease payments comprise of medium-term leasehold land in Hong Kong	**63,352**	65,149	**28,398**	29,203
Analysed of reporting purposes as:				
Current asset	**1,797**	1,797	**806**	806
Non-current asset	**61,555**	63,352	**27,592**	28,397
	63,352	65,149	**28,398**	29,203

At 31 March 2012, the prepaid lease of the Group with a carrying value of HK$63,352,000 (2011: HK$65,149,000) were pledged as security for the Group's banking facilities (note 33).

22. Interests in Subsidiaries/Amounts Due from (to) Subsidiaries

	THE COMPANY	
	2012	2011
	HK$'000	HK$'000
Unlisted shares, at cost less impairment	**2,620,000**	2,620,000
Deemed capital contribution (Note 1)	**18,596**	18,596
	2,638,596	2,638,596
Amounts due from subsidiaries (Note 2)	**1,601,181**	1,668,863
Less: allowance for amounts due from subsidiaries	**(628,476)**	(688,035)
	972,705	980,828
Amounts due to subsidiaries (Note 2)	**(4,644)**	(1,029)

Note 1: Included in the deemed capital contribution is fair value of financial guarantee provided by the Company to banks in relation to for banking facilities granted by the banks to the subsidiaries.

Note 2: The amounts due from (to) subsidiaries are unsecured, interest-free and repayable on demand.

22. Interests in Subsidiaries/Amounts Due from (to) Subsidiaries (continued)

Movement in the allowance for amounts due from subsidiaries

	2012 HK$'000	2011 HK$'000
Balance at beginning of the year	**688,035**	688,035
Amounts written off as uncollectible (Note)	**(59,559)**	–
Balance at end of the year	**628,476**	688,035

Note: The amount represented the amounts written off against the subsidiaries which have been deregistered during the year.

23. Deposit for Acquisition of Property, Plant and Equipment

The balance represents the deposits paid for acquisition of property, plant and equipment mainly for the Group's television operation for the year ended 31 March 2012 and 2011.

24. Interest in Associates/Loans to Associates/Amounts Due to Associates

	2012 HK$'000
Cost of interest in associates (see note 12 and 42)	**114,707**
Share of post acquisition loss	**(9,202)**
Impairment loss recognised in profit or loss (Note)	**(105,505)**
	–

The summarised financial information below shows assets, liabilities, income and expenses of the associates:

	2012 HK$'000
Total assets	**123,935**
Total liabilities	**(111,470)**
Net assets	**12,465**
Group's share of net assets of associates	**3,740**
Revenue	**21,100**
Loss for the year	**(30,672)**
Group's share of loss of associates for the year	**(9,202)**

24. Interest in Associates/Loans to Associates/Amounts Due to Associates (continued)

Note:

As disclosed in note 12, the Group disposed of 70% equity interest in the Colored World Group in the current year. After the disposal, the Group lost control over the financial and operating policies of the Colored World Group and Colored World Group has become an associate of the Group thereafter.

As at the date of disposal of Colored World Group in October 2011, Colored World Group planned to enter into Japan and the USA markets with its own innovated characters. Cost advantage, synergy coupled with a high demand in Japan's and the USA's market was expected to have a potential growth in revenue.

However, as at 31 March 2012, due to tremendous changes in animation business regarding advance technology and requirements from customers, Colored World Group has suspended the expansion plan in Japan and USA markets near the end of financial year 2011/12. The Directors of the Company reviews the recoverability of the carrying amount of the Group's interest in the associates and noted that there is no objective evidence of implementation of the expansion plans as expected and there is uncertainty when Colored World Group can enter into Japan and USA markets, and considers that the carrying amount of interest in associates is fully impaired.

In determining that the interest in associates is fully impaired, the Group has estimated the value in use of the interest in associates for impairment purpose, based on the present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal. For the year ended 31 March 2012, an impairment loss of HK$105,505,000 (2011: Nil) was recognised in profit and loss after sharing the loss of the associates of HK$9,202,000 (2011: Nil) for the year and the entire interest in associates amounted to HK$Nil as at 31 March 2012.

24. Interest in Associates/Loans to Associates/Amounts Due to Associates (continued)

As at 31 March 2012, the Group had interests in the following associates:

Name	Place of incorporation	Paid up issued share capital	Proportion of nominal value of issued capital indirectly held by the Company	Principal activities
Colored World Holdings Limited	BVI	100 ordinary shares of US$1.00 each	30%	Holding of animation investment
Next Media Animation Limited	Hong Kong	10,000,000 ordinary shares of HK$0.01 each	30%	Animation production (Note 1)

Note 1: It is wholly owned by Colored World Holdings Limited and operates in Taiwan.

Amounts due to associates are unsecured, non-interest bearing and nature in trade with repayment terms of 30 days.

The loans to associates with principal amount of HK$34,001,000 are unsecured, carry interest at Hong Kong Interbank Offered Rate ("HIBOR") plus 2.584% per annum, repayable on demand and in any event no later than 31 October 2013. In the opinion of the directors of the Company, it is not expected that the amount will be recovered within 1 year from the end of the reporting period and hence the amount is classified as a non-current asset as at 31 March 2012. Mr. Lai, a Director and the controlling shareholder of the Company, has stated that he will provide personal financial support to the associate to enable the associate to meet its financial obligations to repay the loan.

25. Interest in a Jointly Controlled Entity

	2012 HK$'000	2011 HK$'000
Cost of unlisted investment	**1,172**	4,225
Share of post-acquisition loss	**(1,172)**	(3,053)
	–	1,172

As at 31 March 2011, the Group had 36.22% equity interest in Orbit-Media Limited ("OML"), a company incorporated in Hong Kong which was engaged in development of video distribution and streaming technology, for a consideration of HK$4,225,000. OML was jointly controlled by the Group and the other shareholders, independent third parties of the Group. The Group did not have full control of the board of OML as the Group can nominate only 2 out of 5 directors in OML. Pursuant to a shareholders' agreement, any financial and operating decisions relating to the economic activities of OML require the approval of all the directors. Therefore, the investment in OML was classified as interest in jointly controlled entity of the Group as at 31 March 2011 since the Group can exercise joint control over OML.

On 15 September 2011, the Group disposed of its entire 36.22% equity interest, details of which are as set out in note 26.

25. Interest in a Jointly Controlled Entity (continued)

	2012 **HK$'000**	2011 HK$'000
Non-current assets	**–**	2,642
Current assets	**–**	4,449
Non-current liabilities	**–**	(4,346)
Current liabilities	**–**	(5,091)
Income recognised in profit or loss	**4,476**	3,993
Expenses recognised in profit or loss	**(8,892)**	(7,046)
Loss attributed to the Group	**(1,172)**	(3,053)
Unrecognised share of loss by the Group	**(3,244)**	–
	(4,416)	(3,053)

26. Disposal of a Jointly Controlled Entity and Acquisition of a Subsidiary

On 15 September 2011, the Group disposed of its entire 36.22% equity interest in OML to a shareholder of OML ("the OML shareholder") in exchange for 100% equity interest in Anyplex, a video-on-demand service and movie content provider in Taiwan, which was held by the OML shareholder at the time of acquisition.

Anyplex became a wholly-owned subsidiary of the Group on the completion date of the share exchange. The acquisition was accounted for using the acquisition method. The amount of goodwill arising from the acquisition of Anyplex was approximately HK$9,889,000. Anyplex was acquired so as to continue the expansion of the Group's television and multi-media operations.

The fair values of the identifiable assets and liabilities of Anyplex acquired during the year ended 31 March 2012 are not significantly different from their respective carrying amounts determined in accordance with HKFRSs immediately before the acquisition. The effect of the acquisition is summarised below:

	HK$'000
Net liabilities of Anyplex recognised at the date of acquisition:	
Property, plant and equipment	**638**
Programmes and film rights	**11,315**
Trade and other receivables	**4,540**
Bank balances and cash	**7,636**
Trade and other payables	**(34,018)**
	(9,889)
Goodwill	**9,889**
	–

26. Disposal of a Jointly Controlled Entity and Acquisition of a Subsidiary (continued)

The fair value of trade and other receivables at the date of acquisition amounted to HK$4,540,000. The gross contractual amounts of those trade and other receivables acquired amounted to HK$4,540,000 at the date of acquisition. The Group expects that the contractual cash flows will be recoverable.

	HK$'000
Satisfied by:	
Fair value of equity interest of 36.22% in OML (Note)	–
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	**7,636**

Note: The carrying amount of interest in OML at the date of disposal amounted to nil. The fair value of the interest in OML approximates to its carrying amount.

	HK$'000
Goodwill	**9,889**
Impairment loss recognised in profit or loss	**(9,889)**
	–

26. Disposal of a Jointly Controlled Entity and Acquisition of a Subsidiary (continued)

For the purposes of impairment testing on goodwill from Anyplex, the recoverable amount of Anyplex has been determined on the basis of value in use calculations. The recoverable amount is based on certain key assumptions. In view of net loss and net liabilities noted from Anyplex since it was established, the directors of the Company considers that the value in use of Anyplex is lower than its carrying amount. Hence, for the year ended 31 March 2012, the goodwill of HK$9,889,000 is impaired in full and recognised in profit or loss.

The acquisition of Anyplex during the year ended 31 March 2012 contributed approximately HK$29,967,000 to the Group's revenue and a loss of approximately HK$13,796,000 to the Group's loss before tax for the year between the date of acquisition and the end of the reporting period.

Had the acquisition been completed on 1 April 2011, total group revenue for the year would have been HK$3,655,533,000, and loss for the year would have been HK$189,342,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2011, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and loss of the Group had Anyplex been acquired at the beginning of the current year, the directors have calculated depreciation of plant and equipment acquired based on the carrying amounts recognised in the pre-acquisition financial statements, which approximates to their fair values arising in the initial accounting for the business combination.

27. Investment in an Unlisted Convertible Note

	2012 **HK$'000**	2011 HK$'000
Unlisted convertible note due from OML	–	6,216

The convertible note with an aggregate principal amount of HK$7,800,000 was issued on 21 July 2010 by OML, a jointly controlled entity of the Group. The convertible note bears interest at a contractual interest rate of 4% per annum for the period commencing on 21 January 2012 till 20 July 2012. The convertible note is due for payment on 20 July 2012. The Group is entitled at any time commencing on the date falling on the expiry of 18 months from the issue date of the convertible note to the maturity date to convert the convertible note into ordinary shares of OML at an initial conversion price of HK$127.45 per share. The conversion price is subject to adjustments to reflect any share split, share consolidation, share dividend, share reclassification, reorganisation, capitalisation issuance or similar transaction affecting the share capital of OML. The Group has requested to redeem all outstanding convertible note at an amount equal to 100% of the outstanding principal amount at any time before the maturity date of the convertible note together with interest accrued to the date of redemption. After the Group disposed of its 36.22% equity interest in OML in September 2011, the Group has given the notice to OML to require OML to redeem all the outstanding convertible note. As no redemption application is noted by the Group, the chance of redemption is considered to be remote by the management.

The amount of unlisted note due from OML represented the liability component of the convertible note. The effective interest rate of the debt component was 13.15% per annum.

In view of continuous loss and net liabilities noted from OML, the directors of the Group consider the investment in the unlisted convertible note is not recoverable and the carrying amounts of the debt component and derivative embedded in the convertible note have been fully impaired for the year ended 31 March 2012.

28. Programmes and Film Rights

The Group's programmes and film rights comprise acquired and self-produced video programmes and film rights licenses granted by third parties for broadcasting on the Group's television channels. The Group's programmes and film rights are expected to be used for two to three years and hence they are classified as non-current assets as at 31 March 2012.

During the year, the management conducted an impairment assessment on the recoverable amount of a cash generating unit that engages in the television and multi-media business. An impairment loss of HK$38,474,000 (2011: nil) is allocated to the programmes and film rights and is recognised in the profit and loss. Details of the impairment assessment are set out in note 43.

29. Inventories

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
Raw materials	**185,811**	165,941
Work in progress	**2,607**	3,366
Finished goods	**2,093**	1,693
	190,511	171,000

30. Trade and Other Receivables

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**654,119**	588,504	**–**	–
Less: allowance for doubtful debts	**(116,162)**	(104,547)	**–**	–
	537,957	483,957	**–**	–
Prepayments (Note)	**135,269**	166,219	**–**	–
Rental and other deposits	**35,120**	17,586	**101**	241
Others	**26,901**	43,848	**3,282**	3,307
Trade and other receivables	**735,247**	711,610	**3,383**	3,548

Note: Included in the balance are mainly prepayments for programmes and film rights of HK$56,581,000 (2011: HK$79,931,000), value-added tax receivable in Taiwan of HK$32,676,000 (2011: HK$17,656,000) and the remaining balances are rental and utilities prepayment of HK$46,012,000 (2011: HK$68,632,000).

30. Trade and Other Receivables (continued)

The Group allows credit terms of 7 to 120 days to its trade customers. The following is an aged analysis of the trade receivables after deducting the allowance for doubtful debts presented based on invoice date at end of the reporting period:

	2012 HK$'000	2011 HK$'000
0 – 1 month	**282,953**	250,644
1 – 3 months	**227,673**	227,767
3 – 4 months	**23,010**	5,121
Over 4 months	**4,321**	425
	537,957	483,957

Before accepting any new customer, the management of the Group estimates the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed twice a year. Trade receivables that are neither past due nor impaired have no default payment record.

Included in the Group's trade receivable balances are debtors with an aggregate carrying amount of HK$4,321,000 (2011: HK$425,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as the directors assessed that the balances will be recovered base on their settlement records. The Group does not hold any collateral over these balances.

30. Trade and Other Receivables (continued)

The following is an aged analysis of trade receivables which are past due but not impaired:

	2012 **HK$'000**	2011 HK$'000
Over 4 months	**4,321**	425

The Group does not hold any collateral over other receivables. The Group has not provided for impairment loss as the directors assessed that the balances will be recovered based on their settlement records.

Movement in the allowance for doubtful debts

	2012 **HK$'000**	2011 HK$'000
Balance at beginning of the year	**104,547**	96,449
Allowance for bad and doubtful debts	**12,725**	6,892
Exchange difference	**(157)**	3,264
Amounts written off as uncollectible	**(953)**	(2,058)
Balance at end of the year	**116,162**	104,547

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$116,162,000 (2011: HK$104,547,000) which have delayed payments with poor settlement record. The Group does not hold any collateral over these balances.

30. Trade and Other Receivables (continued)

The Group's trade receivables that are denominated in currencies other than functional currencies of the respective group companies are set out below:

	2012		2011	
	Denominated currency $'000	**Equivalent to HK$'000**	Denominated currency $'000	Equivalent to HK$'000
USD	**774**	**6,007**	691	5,374
AUD	**203**	**1,629**	251	2,015
GBP	**–**	**–**	41	506

31. Restricted Bank Balances/Bank Balances and Cash

THE GROUP AND THE COMPANY

As at 31 March 2012 and 2011, bank balances amounting to HK$5,411,000 were restricted for the use of settling certain potential debts and claims as stipulated as part of a share capital reduction exercise carried out during the year ended 31 March 2003. The restricted bank balances carry fixed interest rate at 1.60% per annum for the year (2011: 0.80% per annum).

Included in bank balances and cash is an amount of approximately HK$552,706,000 (2011: HK$660,105,000) placed in time deposits for periods from 1 day to 3 months. Such deposits bear fixed interest between 0.42% and 1.60% (2011: 0.11% and 1.10%) per annum.

The remaining bank balances are placed in current and saving accounts, the former bears no interest and the latter bears market interest at a rate of 0.17% (2011: 0.13%) per annum.

32. Trade and Other Payables

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**142,606**	163,620	**–**	–
Accrued charges and other payables (Note)	**585,743**	489,974	**25,451**	21,983
Trade and other payables	**728,349**	653,594	**25,451**	21,983

Note: The accrued charges include an amount of HK$71,425,000 (2011: HK$88,293,000) as provision mainly for legal and professional expenses relating to a number of legal proceedings disclosed in note 39(a). An additional provision of HK$29,513,000 (2011: HK$74,941,000) and reversal of over-provision due to the finalisation of a numbers of court cases in the current year of HK$10,308,000 (2011: HK$1,838,000) as suggested by legal counsel were made by the Group in the current year. Utilisation of such provision amounted to HK$36,073,000 (2011: HK$36,010,000) during the year ended 31 March 2012.

The remaining amount include deposit received for subscription of and advertisement in newspaper, magazine and television channels of HK$68,372,000 (2011: HK$18,794,000) and temporary receipt from customers of newspaper publication of HK$27,145,000 (2011: HK$15,060,000) and the other accrued operating expenses (e.g. accrued staff cost and utilities expenses) of HK$418,801,000 (2011: HK$367,827,000).

32. Trade and Other Payables (continued)

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2012 HK$'000	2011 HK$'000
0–1 month	**88,997**	128,910
1–3 months	**45,798**	28,733
Over 3 months	**7,811**	5,977
	142,606	163,620

The Group's trade payables that are denominated in currencies other than functional currencies of the respective group companies are set out below:

	2012 Denominated currency $'000	2011 Denominated currency $'000
USD	**4,235**	4,034
Equivalent to	**HK$32,852**	HK$31,563

33. Borrowings

An analysis of the secured bank loans of the Group is as follows:

	2012 HK$'000	2011 HK$'000
Carrying amount repayable		
– within one year	**289,305**	127,107
– in the second year	**397,953**	370,857
– in the third year	**78,432**	289,607
– in the fourth year	**78,432**	45,856
– in the fifth year	**32,878**	45,856
– more than five years	**136,989**	–
	1,013,989	879,283
Less: Amount due within one year shown under current liabilities	**(289,305)**	(127,107)
Non-current portion	**724,684**	752,176

Bank loans balances of HK$445,239,000 carry interests at Primary Commercial Paper composite rate in Taiwan 51328 plus 0.495% to 0.75% per annum and balance of HK$568,750,000 at HIBOR plus 2% per annum (2011: bank loans of HK$229,283,000 carry interests at Primary Commercial Paper composite rate in Taiwan 51328 plus 0.75% per annum and bank loans of HK$650,000,000 at HIBOR plus 2% per annum).

The weighted average effective interest rates (which are equal to contractual interest rates) of borrowings is 2.32% (2011: 2.21%) per annum.

All the Group's borrowings are denominated in NTD and HK$, the functional currencies of the relevant group entities.

34. Retirement Benefits Plans

	2012 **HK$'000**	2011 HK$'000
Obligations on:		
Pensions – defined contribution plans (notes (a)&(b))	**14,752**	5,552
Defined benefit plans obligations (note (c))	**29,204**	27,242
	43,956	32,794

Notes:

Hong Kong

Defined contribution plan

(a) The Group operates two (2011: two) Occupational Retirement Schemes Ordinance schemes (the "HK Scheme") and a mandatory provident fund scheme (the "MPF Scheme") for eligible employees in Hong Kong.

The Group's and the employees' contributions to the MPF Scheme are each set at 5% of the employees' salaries up to a maximum of HK$1,000 per employee per month. The Group's contributions to the MPF Scheme are fully and immediately vested to the employees once they are paid.

The Group's and the employees' contributions to the HK Scheme are each set at 5% after deducting the MPF contribution of the employees' salaries including basic salaries, commission and certain bonuses.

The HK Scheme and the MPF Scheme were established under trust with the assets of the funds held separately from those of the Group by independent trustees.

In 2012, forfeited contributions totalling HK$1,220,000 were utilised during the year (2011: HK$1,022,000). At 31 March 2012 and 2011, the Group has no balance available to reduce future contributions in respect of the HK Scheme.

As at 31 March 2012, the Group had no contributions payable under the HK Scheme and the MPF Scheme (2011: Nil).

34. Retirement Benefits Plans (continued)

Notes: (continued)

Taiwan

Defined contribution plan

(b) Starting from 1 July 2005, employees may choose a scheme where the rate of contribution by an employer should not be less than 6% of the employees' monthly salaries and the employees may also voluntarily contribute up to 6% of the monthly salaries to the provision fund account under the Labor Pension Act of Taiwan.

The Taiwan defined contribution scheme was established under trust with the assets of the funds held separately from those of the Group by independent trustees.

There were no forfeited contributions for the years ended 31 March 2012 and 31 March 2011.

As at 31 March 2012, the Group had contributions payable under the Taiwan defined contribution scheme totalling HK$14,752,000 (2011: HK$5,552,000) which is included in trade and other payables under current liabilities in the consolidated statement of financial position.

Defined benefit plans

(c) The Group also operates three (2011: three) defined benefit retirement schemes for its eligible employees in Taiwan (the "Taiwan Schemes"). Under the schemes, the employees are entitled to retirement benefits varying between 50% to 75% of final salary on the attainment of a retirement age of 60. The assets of the Taiwan Schemes are held under a government-run trust separate from those of the Group. As at 31 March 2012, an actuarial valuations of plan assets and the present value of the defined benefits obligations were carried out and valued by a qualified actuary, Client View Management Consulting Co., Ltd.. The present value of the defined benefit obligation and the related current service cost were measured using the projected unit credit method.

34. Retirement Benefits Plans (continued)

The principal actuarial assumptions used for the purposes of the actuarial valuations were as follows:

	2012 %	2011 %
Discount rate	**1.75**	2.25
Expected rate of return on plan assets	**2.00**	2.00
Expected rate of future salary increases	**4.50**	3.00

The actuarial valuation showed that the market value of plan assets was HK$16,792,000 (2011: HK$15,722,000) and that the actuarial value of these assets represented 36.5% (2011: 36.6%) of the benefits that had accrued to members.

Amounts recognised in profit or loss in respect of these defined benefit plans are as follows:

	2012 HK$'000	2011 HK$'000
Current service cost and transitional liabilities	**1,227**	1,061
Interest on obligation	**1,467**	1,285
Expected return on plan assets	**(315)**	(282)
Actuarial losses recognised in the year	**753**	646
	3,132	2,710

34. Retirement Benefits Plans (continued)

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plans is as follows:

	2012 HK$'000	2011 HK$'000
Present value of funded defined benefit obligations	**99,871**	65,365
Fair value of plan assets	**(16,792)**	(15,722)
	83,079	49,643
Net actuarial losses not recognised	**(53,875)**	(22,401)
Net liability arising from defined benefit obligation	**29,204**	27,242

Movements in the present value of the defined benefit obligations in the current year were as follows:

	2012 HK$'000	2011 HK$'000
At 1 April	**65,365**	55,941
Current service cost	**1,227**	1,042
Interest cost	**1,467**	1,285
Actuarial losses	**32,256**	2,247
Exchange differences on foreign plans	**(444)**	4,850
At 31 March	**99,871**	65,365

34. Retirement Benefits Plans (continued)

Movements in the fair value of the plan assets in the current year were as follows:

	2012 HK$'000	2011 HK$'000
At 1 April	**15,722**	14,048
Actual return on plan assets	**198**	252
Exchange differences on foreign plans	**(104)**	1,186
Contributions from the employer	**976**	236
At 31 March	**16,792**	15,722

The major categories of plan assets, and the expected rate of return at the end of the reporting period for each category, is as follows:

	Expected return		Fair value of plan assets	
	2012 %	2011 %	2012 HK$'000	2011 HK$'000
Equity instruments	**2.73**	2.72	**6,013**	4,791
Debt instruments	**1.70**	2.04	**6,838**	6,318
Bank deposits	**1.40**	1.20	**3,941**	4,613
Weighted average expected return	**2.00**	2.00	**16,792**	15,722

34. Retirement Benefits Plans (continued)

The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. The directors' assessment of the expected returns is based on historical return trends and analysts' predictions of the market for the asset in the next twelve months.

The actual return on plan assets was HK$198,000 (2011: HK$252,000).

The plan assets include equity instruments and others with a fair value of HK$6,013,000 (2011: HK$4,791,000).

The history of experience adjustments is as follows:

	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
Present value of defined benefit obligations	**(99,871)**	(65,365)	(55,941)	(44,019)
Fair value of plan assets	**16,792**	15,722	14,048	12,851
Deficit	**(83,079)**	(49,643)	(41,893)	(31,168)

35. Share Capital

	Authorised Ordinary shares No. of shares	**HK$'000**
At 31 March 2010, 31 March 2011 and 31 March 2012	4,600,000,000	4,600,000

	Issued and fully paid Ordinary shares No. of shares	**HK$'000**
At 31 March 2010, 31 March 2011 and 31 March 2012	2,412,496,881	2,412,497

36. Share Incentive Schemes

Share Option Schemes adopted by the Company

The Company's share option schemes (the "Schemes") were adopted pursuant to resolutions passed on 29 December 2000 and 30 July 2007 for the primary purpose of providing incentives to the Directors, full time employees and eligible persons (as defined under the Schemes). Under the Schemes, the Board may grant options to eligible participants to subscribe for Shares in the Company.

At 31 March 2012, the number of shares in respect of which options had been granted and remained outstanding under the Schemes was 45,864,000 (2011: 73,964,000), representing 1.9% (2011: 3.07%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Schemes is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Shareholders.

Options granted must be taken up within 14 days from the date of grant, upon payment of HK$10. Subject to the respective terms of issue, options may be exercised at any time from the vesting date to the expiry date. The exercise price is determined by the Directors of the Company, and will not be less than the higher of (i) the closing price of the Shares on the date of grant, (ii) the average closing price of the Shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Share.

36. Share Incentive Schemes (continued)

Share Option Schemes adopted by the Company (continued)

(a) 2000 Share Option Scheme

Details of the terms and movements of the options granted pursuant to the 2000 Share Option Scheme are as follows:

2011

				Number of options					
Category of grantee	Date of grant	Exercise price per share	Expiry date	Balance as at 01.04.2010	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31.03.2011
Director	18.03.2002	HK$1.670	28.12.2010	1,618,000	–	–	(1,618,000)	–	–
Employees	18.03.2002	HK$1.670	28.12.2010	656,000	–	–	(656,000)	–	–
	24.08.2005	HK$3.325	28.12.2010	1,000,000	–	–	(1,000,000)	–	–
	06.12.2006	HK$3.102	28.12.2010	14,600,000	–	–	(14,600,000)	–	–
	08.01.2007	HK$2.784	28.12.2010	600,000	–	–	(600,000)	–	–
	09.03.2007	HK$2.760	28.12.2010	400,000	–	–	(400,000)	–	–
				18,874,000	–	–	(18,874,000)	–	–
Exercisable at the end of the year									–
Weighted average exercise price				HK$2.924	–	–	HK$2.924	–	–

36. Share Incentive Schemes (continued)

Share Option Schemes adopted by the Company (continued)

(a) 2000 Share Option Scheme (continued)

The options granted under the 2000 Share Option Scheme (except the 1,000,000 options granted on 6 December 2006) vest as follows:

On 1st anniversary of the date of grant	30% vest
On 2nd anniversary of the date of grant	further 30% vest
On 3rd anniversary of the date of grant	remaining 40% vest

The 1,000,000 options granted under the 2000 Share Option Scheme on 6 December 2006 vest as follows:

On 1st anniversary of the date of grant	20% vest
On 2nd anniversary of the date of grant	further 20% vest
On 3rd anniversary of the date of grant	further 20% vest
The seven-month period after the 3rd anniversary of the date of grant	remaining 40% vest

The 2000 share option scheme expired on 28 December 2010. As at 31 March 2012 and 2011, there are no outstanding options granted under such scheme.

(b) 2007 Share Option Scheme

On 30 July 2007, the Company adopted another share option scheme. Upon adoption of the 2007 Share Option Scheme, the operation of the 2000 Share Option Scheme was terminated. However, share options granted under the 2000 Share Option Scheme continue to be exercisable in accordance with their terms of issue until the expiry of such scheme on 28 December 2010.

36. Share Incentive Schemes (continued)

Share Option Schemes adopted by the Company (continued)

(b) 2007 Share Option Scheme (continued)

Details of the terms and movements of the options granted pursuant to the 2007 Option Scheme are as follows:

2012

Category of grantee	Date of grant	Exercise price per share	Expiry date	Number of options: Balance as at 01.04.2011	Granted during the year	Exercised during the year	Lapsed during the year	Modified during the year	Cancelled during the year	Balance as at 31.03.2012
Directors	02.10.2008	HK$1.880	01.10.2013	10,000,000	–	–	(10,000,000)	–	–	–
	02.10.2009	HK$1.000	01.10.2014	10,000,000	–	–	(10,000,000)	–	–	–
	01.02.2010 (Note 1)	HK$1.064	31.01.2013	9,000,000	–	–	–	(9,000,000)	–	–
	04.10.2010	HK$1.100	03.10.2015	10,000,000	–	–	(10,000,000)	–	–	–
	10.12.2010	HK$1.050	29.07.2017	3,148,000	–	–	–	–	–	3,148,000
	01.02.2011 (Note 2)	HK$1.150	31.01.2014	9,000,000	–	–	–	(6,000,000)	–	3,000,000
	03.10.2011 (Note 1)	HK$1.064	29.07.2017	–	–	–	–	9,000,000	–	9,000,000
	03.10.2011 (Note 2)	HK$1.150	29.07.2017	–	–	–	–	6,000,000	–	6,000,000
	08.07.2011	HK$1.000	29.07.2017	–	680,000	–	–	–	–	680,000
	01.02.2012	HK$1.000	29.07.2017	–	9,000,000	–	–	–	–	9,000,000
Employees and Advisor	20.01.2009	HK$1.000	04.01.2014	400,000	–	–	(400,000)	–	–	–
	05.01.2010	HK$1.070	04.01.2015	400,000	–	–	(400,000)	–	–	–
	01.03.2010	HK$1.110	29.07.2017	4,000,000	–	–	–	–	(4,000,000)	–
	15.04.2010	HK$1.370	29.07.2017	650,000	–	–	–	–	–	650,000
	10.12.2010	HK$1.050	29.07.2017	16,966,000	–	–	(4,000,000)	–	–	12,966,000
	05.01.2011	HK$1.090	04.01.2016	400,000	–	–	(400,000)	–	–	–
	01.02.2012	HK$1.050	29.07.2017	–	1,000,000	–	–	–	–	1,000,000
	01.02.2012	HK$2.120	07.11.2012	–	420,000	–	–	–	–	420,000
				73,964,000	11,100,000	–	(35,200,000)	–	(4,000,000)	45,864,000
Exercisable at the end of the year										27,236,667
Weighted average exercise price				HK$1.182	HK$1.009	–	HK$1.286	–	HK$1.110	HK$1.067

36. Share Incentive Schemes (continued)

Share Option Schemes adopted by the Company (continued)

(b) 2007 Share Option Scheme (continued)

2011

				Number of options					
Category of grantee	Date of grant	Exercise price per share	Expiry date	Balance as at 01.04.2010	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31.03.2011
Directors	02.10.2008	HK$1.880	01.10.2013	10,000,000	–	–	–	–	10,000,000
	02.10.2009	HK$1.000	01.10.2014	10,000,000	–	–	–	–	10,000,000
	01.02.2010	HK$1.064	31.01.2013	9,000,000	–	–	–	–	9,000,000
	04.10.2010	HK$1.100	03.10.2015	–	10,000,000	–	–	–	10,000,000
	10.12.2010	HK$1.050	29.07.2017	–	3,148,000	–	–	–	3,148,000
	01.02.2011	HK$1.150	31.01.2014	–	9,000,000	–	–	–	9,000,000
Employees and Advisor	20.01.2009	HK$1.000	04.01.2014	400,000	–	–	–	–	400,000
	05.01.2010	HK$1.070	04.01.2015	400,000	–	–	–	–	400,000
	01.03.2010	HK$1.110	28.02.2015	500,000	–	–	(500,000)	–	–
	01.03.2010	HK$1.110	29.07.2017	4,000,000	–	–	–	–	4,000,000
	15.04.2010	HK$1.370	29.07.2017	–	650,000	–	–	–	650,000
	10.12.2010	HK$1.050	29.07.2017	–	16,966,000	–	–	–	16,966,000
	05.01.2011	HK$1.090	04.01.2016	–	400,000	–	–	–	400,000
				34,300,000	40,164,000	–	(500,000)	–	73,964,000
Exercisable at the end of the year									31,800,000
Weighted average exercise price				HK$1.289	HK$1.090	–	HK$1.110	–	HK$1.182

36. Share Incentive Schemes (continued)

Share Option Schemes adopted by the Company (continued)

(b) 2007 Share Option Scheme (continued)

The options granted under the 2007 Share Option Scheme fully vested on the first anniversary of the respective dates of grant except for the followings grant of options:

The 420,000 options granted to employees on 1 February 2012 fully vested immediately.

The 4,000,000 options granted on 1 March 2010 and the 1,000,000 options granted on 1 February 2012 vested as follows:

On 1st anniversary of the date of grant	50% vest
On 2nd anniversary of the date of grant	remaining 50% vest

The 650,000 options granted on 15 April 2010, the 16,114,000 options granted on 10 December 2010 and the 680,000 options granted on 8 July 2011 vest as follows:

On 1st anniversary of the date of grant	30% vest
On 2nd anniversary of the date of grant	further 30% vest
On 3rd anniversary of the date of grant	remaining 40% vest

No options were exercised under the 2007 Share Option Scheme during either the 2011 or the 2012.

During the year ended 31 March 2012, share options were granted on 8 July 2011 and 1 February 2012 respectively. The estimated fair values of the shares covered by the respective share options issued on those dates are HK$250,000 and HK$2,324,000.

During the year ended 31 March 2012, share options which granted on 1 February 2010 and 1 February 2011 were modified on 3 October 2011.

36. Share Incentive Schemes (continued)

Share Option Schemes adopted by the Company (continued)

(b) 2007 Share Option Scheme (continued)

These fair values were calculated by using the binomial model based on each tranche of the 2007 Share Option Scheme with reference to the vesting period respectively. The inputs into the model with different issue dates were as follows:

Grant date	15 April 2010	4 October 2010	10 December 2010	5 January 2011	1 February 2011 (Note 2)
Valuation date	15 April 2010	4 October 2010	10 December 2010	5 January 2011	1 February 2011
Share price	HK$1.37	HK$1.10	HK$1.05	HK$1.09	HK$1.15
Exercise price	HK$1.37	HK$1.10	HK$1.05	HK$1.09	HK$1.15
Expected volatility	45.69%	50.97%	47.55%	50.34%	58.39%
Risk-free rate	2.556%	1.18%	2.21%	1.65%	0.94%
Expected dividend yield	0%	0%	0%	0%	0%
Exercisable period	7.29 years	2 to 5 years	2 to 7 years	2 to 5 years	2 to 3 years
Vesting period	1 to 3 years	1 year	1 to 3 years	1 year	1 year
Fair value per option	HK$0.4612	HK$0.3668	HK$0.3057	HK$0.3630	HK$0.0640

Grant date	8 July 2011	3 October 2011 (Note 1)	3 October 2011 (Note 2)	1 February 2012	1 February 2012	1 February 2012
Valuation date	8 July 2011	3 October 2011	3 October 2011	1 February 2012	1 February 2012	1 February 2012
Share price	HK$0.91	HK$0.67	HK$0.67	HK$0.70	HK$0.70	HK$0.70
Exercise price	HK$1.00	HK$1.06	HK$1.15	HK$1.00	HK$1.05	HK$2.12
Expected volatility	47.72%	48.93%	48.93%	50.07%	50.07%	50.07%
Risk-free rate	1.71%	0.92%	0.92%	0.69%	0.69%	0.69%
Expected dividend yield	0%	0%	0%	0%	0%	0%
Exercisable period	2-6 years	6 years	6 years	5 years	2-5 years	5 years
Vesting period	1 to 3 years	0 to 1 year	0 to 1 year	1 year	1 to 2 years	immediate
Fair value per option	HK$0.3779	HK$0.2099	HK$0.1991	HK$0.2330	HK$0.2263	HK$0.0010

36. Share Incentive Schemes (continued)

Share Option Schemes adopted by the Company (continued)

(b) 2007 Share Option Scheme (continued)

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 5 years as of the respective valuation date and to match the expected life of the option.

Note 1: On 3 October 2011, the Company modified its 9,000,000 outstanding options which were granted on 1 February 2010 with one year vesting period. The terms of the options granted remained unchanged, except the exercisable period was extended to July 2017 from January 2013. The Company measures the fair value of the share options before and after modification, with an incremental fair value of HK$1,578,000. As the modification occurred after vesting date of the option (1 February 2011), the incremental fair value of HK$1,578,000 was recognised immediately in profit or loss in the current year.

Note 2: On 3 October 2011, the Company modified the 6,000,000 outstanding options granted on 1 February 2011 with an one year vesting period. The terms of the option granted remained constant, except for the exercisable period which was extended to July 2017 from January 2014. The Company measured the fair value of the share options before and after modification, with an incremental fair value of was calculated to have HK$811,000. As the modification occurred before vesting date of this option (1 February 2012), the incremental fair value of HK$811,000 has been fully recognised in current year.

36. Share Incentive Schemes (continued)

Share Option Schemes adopted by the Company (continued)

(c) Share Subscription and Financing Plan adopted by the Company

The Company adopted a Share Subscription and Financing Plan (the "Share Subscription Plan") on 29 October 2007. Under the Share Subscription Plan, the Company may issue share invitations to any of their employees and Directors or employees and Directors of any of its subsidiaries and eligible persons as defined therein. The number of shares which may be issued upon exercise of all outstanding share invitations issued under the Share Subscription Plan is limited to 70,000,000 shares, representing 2.9% of the issued shares of the Company as at 29 October 2007.

2012

				Number of subscription right					
Category of grantee	Date of grant	Subscription price per share	Expiry date	Balance as at 01.04.2011	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31.03.2012
Directors	08.11.2007	HK$2.12	07.11.2012	2,254,000	–	–	–	–	2,254,000
Employees	08.11.2007	HK$2.12	07.11.2012	37,514,000	–	–	(5,574,000)	–	31,940,000
	25.02.2008	HK$2.49	24.02.2013	1,000,000	–	–	–	–	1,000,000
				40,768,000	–	–	(5,574,000)	–	35,194,000
Eligible for subscription at the end of the year									35,194,000
Weighted average subscription price				HK$2.129	–	–	HK$2.120	–	H$2.131

36. Share Incentive Schemes (continued)

Share Option Schemes adopted by the Company (continued)

(c) Share Subscription and Financing Plan adopted by the Company (continued)

2011

Category of grantee	Date of grant	Subscription price per share	Expiry date	Number of subscription right					
				Balance as at 01.04.2010	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31.03.2011
Directors	08.11.2007	HK$2.12	07.11.2012	2,254,000	–	–	–	–	2,254,000
Employees	08.11.2007	HK$2.12	07.11.2012	38,934,000	–	–	(1,420,000)	–	37,514,000
	25.02.2008	HK$2.49	24.02.2013	1,000,000	–	–	–	–	1,000,000
				42,188,000	–	–	(1,420,000)	–	40,768,000
Eligible for subscription at the end of the year									40,768,000
Weighted average subscription price				HK$2.129	–	–	HK$2.120	–	HK$2.129

The invitations issued under the Share Subscription Plan vest as follows:

On 1st anniversary of the date of grant	$33^1/_3$% vest
On 2nd anniversary of the date of grant	further $33^1/_3$% vest
On 3rd anniversary of the date of grant	remaining $33^1/_3$% vest

No share invitations were issued, exercised and cancelled under the Share Subscription Plan during both years.

36. Share Incentive Schemes (continued)

Share Option Schemes adopted by the Company (continued)

(d) Share option schemes adopted by certain subsidiaries

On 20 February 2008, each of Apple Community Infonet Limited ("ACIL"), Next Media Animation Limited ("NMAL") and Next Media Webcast Limited ("NMWL") (collectively the "Other Subsidiaries") adopted share option schemes (the "2008 Subsidiary Share Option Schemes"). On 12 June 2009, Aim High Investments Limited ("AHIL") adopted a share option scheme (the "2009 AHIL Share Option Scheme"). Under the 2008 Subsidiary Share Option Schemes and the 2009 AHIL Share Option Scheme, the Other Subsidiaries and AHIL may grant options to any of their full-time employees and directors or employees and Directors of any of their subsidiaries and any eligible persons as defined therein to subscribe for the respective ordinary shares of ACIL, NMAL, NMWL and AHIL. The number of shares which may be issued upon exercise of all outstanding options granted under the 2008 Subsidiary Share Option Schemes and 2009 AHIL Share Option Scheme and any other share option scheme of the Subsidiaries is limited to 30% of the respective subsidiaries' shares in issue from time to time.

On 16 September 2010, each of Next TV Broadcasting Limited ("Next TV"), Next Mulit-media Entertainment Services Limited ("NMES") and Next Media Lifestyle Entertainment Service Limited ("NMLE") (collectively the "Taiwan Subsidiaries") adopted share option schemes (the "2010 Subsidiary Share Option Schemes"). Under the 2010 Subsidiary Share Option Schemes, the Taiwan Subsidiaries may grant to any of their employees options to subscribe for the respective ordinary shares of Next TV, NMES and NMLE. The number of shares which may be issued upon exercise of all outstanding options granted under the 2010 Subsidiaries Share Option Schemes and any other share option scheme of the Subsidiaries is limited to 30% of the respective Taiwan Subsidiaries' shares in issue from time to time.

36. Share Incentive Schemes (continued)

Share Option Schemes adopted by the Company (continued)

(d) Share option schemes adopted by certain subsidiaries (continued)

(i) 2008 Subsidiary Share Option Schemes

Details of the terms and movements of the share options granted pursuant to the 2008 Subsidiary Share Option Schemes are as follows:

2012

				Number of options					
Category of grantee	Date of grant	Exercise price per share	Expiry date	Balance as at 01.04.2011	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31.03.2012
NMAL									
Employees	14.10.2009	Not yet determined	Not yet determined	637,000	–	–	(47,000)	–	590,000
	04.01.2010	Not yet determined	Not yet determined	35,000	–	–	–	–	35,000
	15.10.2010	Not yet determined	Not yet determined	70,000	–	–	–	–	70,000
	15.12.2010	Not yet determined	Not yet determined	200,000	–	–	–	–	200,000
	03.10.2011	Not yet determined	Not yet determined	–	10,000	–	–	–	10,000
				942,000	10,000	–	(47,000)	–	905,000
Exercisable at the end of the year									654,900
Weighted average exercise price				HK$0.01	HK$0.01	–	HK$0.01	–	HK$0.01

Note: NMAL ceased to be a subsidiary of the Group with effect from 31 October 2011 (see note 42).

36. Share Incentive Schemes (continued)

Share Option Schemes adopted by the Company (continued)

(d) Share option schemes adopted by certain subsidiaries (continued)

(i) 2008 Subsidiary Share Option Schemes (continued)

2011

				Number of options					
Category of grantee	Date of grant	Exercise price per share	Expiry date	Balance as at 01.04.2010	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31.03.2011
NMAL Employees	14.10.2009	Not yet determined	Not yet determined	687,500	–	–	(50,500)	–	637,000
	04.01.2010	Not yet determined	Not yet determined	35,000	–	–	–	–	35,000
	15.10.2010	Not yet determined	Not yet determined	–	70,000	–	–	–	70,000
	15.12.2010	Not yet determined	Not yet determined	–	200,000	–	–	–	200,000
				722,500	270,000	–	(50,500)	–	942,000
Exercisable at the end of the year									205,650
Weighted average exercise price				HK$0.01	HK$0.01	–	HK$0.01	–	HK$0.01

During the year ended 31 March 2012, there were no outstanding options exercised or cancelled under the 2008 Share Option Scheme of NMAL and no options were granted, exercised, lapsed or cancelled under the 2008 Share Option Schemes of ACIL and NMWL.

36. Share Incentive Schemes (continued)

Share Option Schemes adopted by the Company (continued)

(d) Share option schemes adopted by certain subsidiaries (continued)

(ii) *2009 AHIL Share Option Schemes*

No options were granted, exercised, lapsed or cancelled under the 2009 AHIL Subsidiary Share Option Schemes during the years ended 31 March 2011 and 2012.

(iii) *2010 Subsidiary Share Option Schemes*

Details of the terms and movements of the share options granted pursuant to the 2010 Subsidiary Share Option Schemes are as follows:

2012

				Number of options					
Category of grantee	Date of grant	Exercise price per share (Note)	Expiry date	Balance as at 01.04.2011	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31.03.2012
Next TV									
Employees	15.12.2010	Not yet determined	Not yet determined	291,600	–	–	(82,500)	–	209,100
	19.03.2012	Not yet determined	Not yet determined	–	50,000	–	–	–	50,000
				291,600	50,000	–	(82,500)	–	259,100
Exercisable at the end of the year									–
Weighted average exercise price				NT$10.00	NT$10.00	–	NT$10.00	–	NT$10.00

36. Share Incentive Schemes (continued)

Share Option Schemes adopted by the Company (continued)

(d) Share option schemes adopted by certain subsidiaries (continued)

(iii) 2010 Subsidiary Share Option Schemes (continued)

2011

Category of grantee	Date of grant	Exercise price per share (Note)	Expiry date	Number of options Balance as at 01.04.2010	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31.03.2011
Next TV Employees	15.12.2010	Not yet determined	Not yet determined	–	294,000	–	(2,400)	–	291,600
Exercisable at the end of the year									–
Weighted average exercise price				–	NT$10.00	–	NT$10.00	–	NT$10.00

2012

Category of grantee	Date of grant	Exercise price per share (Note)	Expiry date	Number of options Balance as at 01.04.2011	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31.03.2012
NMES Employees	15.12.2010	Not yet determined	Not yet determined	6,000	–	–	–	–	6,000
	08.07.2011	Not yet determined	Not yet determined	–	3,500	–	–	–	3,500
				6,000	3,500	–	–	–	9,500
Exercisable at the end of the year									–
Weighted average exercise price				NT$10.00	NT$14.99	–	–	–	NT$15.52

36. Share Incentive Schemes (continued)

Share Option Schemes adopted by the Company (continued)

(d) Share option schemes adopted by certain subsidiaries (continued)

(iii) 2010 Subsidiary Share Option Schemes (continued)

2011

				Number of options					
Category of grantee	Date of grant	Exercise price per share (Note)	Expiry date	Balance as at 01.04.2010	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31.03.2011
NMES Employees	15.12.2010	Not yet determined	Not yet determined	–	6,000	–	–	–	6,000
Exercisable at the end of the year									–
Weighted average exercise price				–	NT$10.00	–	–	–	NT$10.00

2012

				Number of options					
Category of grantee	Date of grant	Exercise price per share (Note)	Expiry date	Balance as at 01.04.2011	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31.03.2012
NMLE Employees	08.07.2011	Not yet determined	Not yet determined	–	5,000	–	(3,000)	–	2,000
Exercisable at the end of the year									–
Weighted average exercise price			–	–	NT$114.93	–	NT$114.93	–	NT$114.93

Note: On 5 April 2012, the exercise price of the share options granted under the 2010 Subsidiary Share Option Schemes, which remain unexercised and outstanding, has been determined by the respective boards of directors of the subsidiaries at NT$10.0 per share, being the par value of a share of each of the Taiwan Subsidiaries.

36. Share Incentive Schemes (continued)

Share Option Schemes adopted by the Company (continued)

(d) Share option schemes adopted by certain subsidiaries (continued)

(iii) 2010 Subsidiary Share Option Schemes (continued)

The options granted under the 2010 Subsidiary Share Option Schemes vest as follows:

On 1st anniversary of the date of grant	30% vest
On 2nd anniversary of the date of grant	further 30% vest
On 3rd anniversary of the date of grant	remaining 40% vest

The Binomial Model has been used for assessing the fair values of the options granted under the 2008 and 2010 Subsidiary Share Option Schemes during the years ended 31 March 2011 and 2012. During the year, the Group recognised the total expense of HK$352,000 for the year ended 31 March 2012 (2011: HK$725,000) in relation to share options granted by the Subsidiaries.

Grant date	15 December 2010	15 December 2010	15 December 2010
Subsidiary scheme	NMAL	Next TV	NMES
Valuation date	15 December 2010	15 December 2010	15 December 2010
Share price	HK$3.80	NTD13.45	NTD12.38
Exercise price	HK$3.80	NTD13.45	NTD12.375
Expected volatility	63.16% (Note 1)	65.23% (Note 1)	63.49% (Note 1)
Risk-free rate	1.220%	1.477%	1.477%
Expected dividend yield	0%	0%	0%
Exercisable period	–	–	–
Vesting period	1 to 3 years	1 to 3 years	1 to 3 years
Fair value per option	HK$2.050	NTD7.728 (equivalent to HK$2.033)	NTD6.167 (equivalent to HK$1.622)

36. Share Incentive Schemes (continued)

Share Option Schemes adopted by the Company (continued)

(d) Share option schemes adopted by certain subsidiaries (continued)

(iii) 2010 Subsidiary Share Option Schemes (continued)

Grant date	8 July 2011	8 July 2011	19 March 2012
Subsidiary scheme	NMES	NMLE	NMES
Valuation date	8 July 2011	8 July 2011	19 March 2012
Share price	NTD24.97	NTD114.93	HK$2.63
Exercise price	NTD24.97	NTD114.93	HK$2.63
Expected volatility	70.77% (Note 1)	70.77% (Note 1)	70.77% (Note 1)
Risk-free rate	1.42%	1.42%	1.20%
Expected dividend yield	0%	0%	0%
Exercisable period	–	–	–
Vesting period	3 years	3 years	3 years
Fair value per option	NTD14.86 (equivalent to HK$3.900)	NTD69.00 (equivalent to HK$18.148)	HK$1.02

Note 1: Expected volatility was determined by using the historical volatility of comparable companies' share prices corresponding to the terms of options from their respective Valuation Dates.

The Group and the Company recognised the total expense of HK$11,133,000 and HK$10,781,000, respectively, for the year ended 31 March 2012 (2011: HK$11,140,000 and HK$10,415,000) in relation to options granted under the share option schemes of the Groups and invitations issued under the Share Subscription Plan.

37. Reserves

	Share premium HK$'000	Share-based payment reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
THE COMPANY				
At 1 April 2010	918,712	58,774	357,318	1,334,804
Loss for the year	–	–	(1,819)	(1,819)
Recognition of equity-settled share-based payment	–	10,415	–	10,415
Lapse of share options	–	(23,138)	23,138	–
At 31 March 2011	918,712	46,051	378,637	1,343,400
Loss for the year	–	–	(3,713)	(3,713)
Recognition of equity-settled share-based payment	–	10,781	–	10,781
Lapse of share options	–	(16,549)	16,549	–
At 31 March 2012	918,712	40,283	391,473	1,350,468

38. Deferred Tax

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the current and prior year is as follows:

THE GROUP

Deferred tax liabilities	Accelerated tax depreciation		Intangible assets		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At beginning of the year	**70,399**	69,162	**223,386**	223,386	**293,785**	292,548
Exchange difference	**(4)**	–	**–**	–	**(4)**	–
Charge to profit or loss	**966**	1,237	**–**	–	**966**	1,237
At end of the year	**71,361**	70,399	**223,386**	223,386	**294,747**	293,785

Deferred tax assets	Tax losses	
	2012	2011
	HK$'000	HK$'000
At beginning of the year	**(2,004)**	(1,519)
Credit to profit or loss	**(5,201)**	(485)
At end of the year	**(7,205)**	(2,004)

For the purpose of statement of financial position presentation, deferred tax assets and liabilities have been offset.

38. Deferred Tax (continued)

THE GROUP (continued)

The movement on the deferred tax liabilities (assets) account is as follows:

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
At beginning of the year	**291,781**	291,029	**14,738**	13,984
Exchange difference	**(4)**	–	**–**	–
(Credit) charge to profit or loss	**(4,235)**	752	**750**	754
At end of the year (shown as non-current liabilities)	**287,542**	291,781	**15,488**	14,738

As at 31 March 2012, the Group had estimated unused tax losses of approximately HK$1,016,388,000 (2011: HK$874,919,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$43,668,000 (2011: HK$12,147,000) of such loss. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$972,720,000 (2011: HK$862,772,000) due to the unpredictability of future profits streams. In addition, tax losses of HK$1,361,450,000 (2011: HK$417,905,000) have not been approved by Taiwan tax authority and no deferred tax assets have been recognised. During the year ended 31 March 2012, subsidiaries with unused tax losses of approximately HK$99,182,000 were disposed of. The expiry dates of these tax losses are as follows:

	2012	2011
	HK$'000	HK$'000
Indefinite	**942,235**	644,665
Expiry in:		
2013	**65,345**	65,345
2014	**8,808**	147,874
2015	**–**	17,035
	1,016,388	874,919

38. Deferred Tax (continued)

THE COMPANY

Deferred tax liabilities	Accelerated tax depreciation	
	2012	2011
	HK$'000	HK$'000
At beginning of the year	**14,738**	13,984
Charge to profit or loss	**750**	754
At end of the year	**15,488**	14,738

As at 31 March 2011 and 2012, the Company had no unused tax losses available for offset against future profits.

39. Contingent Liabilities

THE GROUP

(a) Pending litigations

(i) As at 31 March 2012, the Group had contingent liabilities in respect of a number of legal proceedings in Hong Kong and Taiwan arising in the normal course of its publishing business.

The Group has accrued for approximately HK$71,425,000 in legal and professional expenses in trade and other payables as at 31 March 2012 (2011: HK$88,293,000). This provision was recognised in respect of the outstanding legal proceedings based on advice obtained from legal counsel.

(ii) In addition, the Group had a dispute with UDL Contracting Limited ("UDL") as the contractor for the construction of a printing facility of a subsidiary of the Company, Apple Daily Printing Limited, over amounts payable in respect of the construction of the facility. As the aforesaid dispute is now under arbitration, the final outcome remains uncertain.

The Directors are of the opinion that it is unlikely that the Group would have any liability if UDL pursues its various claims to their ultimate conclusion.

39. Contingent Liabilities (continued)

THE GROUP (continued)

(b) Guarantees

In connection with the acquisition of Database Gateway Limited ("DGL") and its subsidiaries (the "Acquired Group") on 26 October 2001, Mr. Lai Chee Ying, Jimmy, Chairman and a substantial shareholder of the Company, has undertaken to provide unlimited personal indemnities to the Acquired Group against all payments, claims, suits, damages and settlement payments and any associated costs and expenses arising, made or incurred after 26 October 2001 arising out of or in connection with (1) any third party claims made against the Acquired Group on and before 26 October 2001, (2) defamation claims, claims for infringement of intellectual property rights and other proceedings and claims which may in the future arise from the content of the newspaper and magazines published by the Acquired Group on and at any time before 26 October 2001 and (3) the contractor dispute with UDL (the "Indemnity"). In relation to the Indemnity, Mr. Lai also procured a bank guarantee of HK$60,000,000 for a term of three years from 26 October 2010 in favour of the Company and the Acquired Group in respect of his obligations under the Indemnity.

(c) Guarantees given

As at 31 March 2012, the Company provided various corporate guarantees to financial institutions for facilities granted to its subsidiaries. The aggregate amounts that could be required to be paid if the guarantees are called upon in their entirety amounted to HK$1,431,753,000 (31 March 2011: HK$1,384,521,000), of which HK$1,017,509,000 (31 March 2011: HK$879,283,000) has been utilised by its subsidiaries. In the opinion of the directors, the fair value of financial guarantee contracts is insignificant at initial recognition. Also, no provision for the guarantee contracts as at 31 March 2012 and 2011 is recognised as the default risk is low.

40. Commitments

(a) Capital commitments in respect of acquisition of property, plant and equipment

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
Authorised but not contracted for	**491**	3,831
Contracted but not provided for	**32,729**	140,832
	33,220	144,663

The Company did not have any capital commitment at the end of the reporting period.

(b) Commitments under operating leases

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2012			2011		
	Properties	**Plant and equipment**	**Total**	Properties	Plant and equipment	Total
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Within one year	**22,682**	**21,440**	**44,122**	8,300	53,713	62,013
In the second to fifth years inclusive	**18,226**	**10,654**	**28,880**	1,377	76,301	77,678
	40,908	**32,094**	**73,002**	9,677	130,014	139,691

40. Commitments (continued)

(b) Commitments under operating leases (continued)

The Group as lessee (continued)

Operating lease payments included rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 2 years and rentals are fixed during the lease period.

Operating lease payments included rental payable by the Group for certain of its plant and equipment. Leases are negotiated for an average term of 3 years.

The Group as lessor

Rental income earned during the year was HK$9,964,000 (2011: HK$1,725,000).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases:

	2012 **HK$'000**	2011 HK$'000
Within one year	**8,805**	1,470
In the second to fifth years inclusive	**2,654**	234
	11,459	1,704

41. Related Party Disclosure

Details of related party transactions are as follows:

(a) Compensation of key management personnel

The remuneration of Directors and other members of key management during the year was as follows:

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
Short-term benefits	**28,770**	32,070
Share-based payments	**2,684**	6,086
	31,454	38,156

(b) Related party transactions

Nature of transaction	Name of related company/ person	Relationship with the Group	2012 HK$'000	2011 HK$'000
Office rental income received by the Group in Taiwan	Absolute Ace Limited – Taiwan Branch	100% beneficially owned by Mr. Lai Chee Ying, Jimmy, a Director and controlling shareholder of the Company	**(9)**	–
Development & support service fee for OTT Video System paid by the Group	Beijing Ao Shi Huan Qiu Technology Limited	An associate of the jointly controlled entity of the Group	**682**	–

41. Related Party Disclosure (continued)

(b) Related party transactions (continued)

Nature of transaction	Name of related company/ person	Relationship with the Group	2012 HK$'000	2011 HK$'000
Car park rental paid by the Group in Taiwan – Apple Daily Publication Development Limited, Taiwan Branch (Note 1)	Best Combo Limited – Taiwan Branch	100% beneficially owned by Mr. Lai Chee Ying, Jimmy, a Director and controlling shareholder of the Company	**604**	596
Office rental paid by the Group in Taiwan – Next TV Broadcasting Limited (Note 2)	Best Combo Limited – Taiwan Branch	100% beneficially owned by Mr. Lai Chee Ying, Jimmy, a Director and controlling shareholder of the Company	**8,562**	–
Office rental paid by the Group in Taiwan – Next Multi-media Entertainment Services Limited (Note 3)	Best Combo Limited – Taiwan Branch	100% beneficially owned by Mr. Lai Chee Ying, Jimmy, a Director and controlling shareholder of the Company	**1,130**	–
Consultation Fee paid by the Group in Taiwan	Best Combo Limited – Taiwan Branch	100% beneficially owned by Mr. Lai Chee Ying, Jimmy, a Director and controlling shareholder of the Company	**1,059**	115
Office rental and advertising income received by the Group in Taiwan	Best Combo Limited – Taiwan Branch	100% beneficially owned by Mr. Lai Chee Ying, Jimmy, a Director and controlling shareholder of the Company	**(29)**	–

41. Related Party Disclosure (continued)

(b) Related party transactions (continued)

Nature of transaction	Name of related company/ person	Relationship with the Group	2012 HK$'000	2011 HK$'000
Office rental income received by the Group in Taiwan	Chartwell Holding Limited – Taiwan Branch	100% beneficially owned by Mr. Lai Chee Ying, Jimmy, a Director and controlling shareholder of the Company	**(9)**	–
Office rental income received by the Group	Dico Consultants Limited	100% beneficially owned by Mr. Lai Chee Ying, Jimmy, a Director and controlling shareholder of the Company	**(71)**	–
Office rental income received by the Group in Taiwan	Sino Focus Group Limited – Taiwan Branch	100% beneficially owned by Mr. Lai Chee Ying, Jimmy, a Director and controlling shareholder of the Company	**(9)**	–
Software license fee paid by the Group	Orbit-Media Limited	Jointly controlled entity of the Group	**–**	250
Payment by the Group for a non-exclusive licence to install a program in the set top boxes for television broadcasting activities	Orbit-Media Limited	Jointly controlled entity of the Group	**–**	3,000
Consultancy fee paid by the Group	Orbit-Media Limited	Jointly controlled entity of the Group	**–**	180

41. Related Party Disclosure (continued)

(b) Related party transactions (continued)

Nature of transaction	Name of related company/ person	Relationship with the Group	2012 HK$'000	2011 HK$'000
Consultancy fee paid by the Group	Young Bright Technology Limited	An associate of the jointly controlled entity of the Group	**360**	480
Consideration for non-compete agreement paid by the Group	Chu Wah Hui	Ex-director of the Group	**1,000**	–
Animation production service charge paid by the Group (Note 4)	Next Media Animation Limited – Taiwan Branch	An associate of the Group	**19,356**	–
Production cost received by the Group	Next Media Animation Limited – Taiwan Branch	An associate of the Group	**(42)**	–
Office rental received by the Group (Note 5)	Next Media Animation Limited – Taiwan Branch	An associate of the Group	**(869)**	–
Supporting services fee received by the Group (Note 4)	Next Media Animation Limited – Taiwan Branch	An associate of the Group	**(964)**	–
Supporting services cost recharged by the Group	Next Media Animation Limited – Taiwan Branch	An associate of the Group	**(432)**	–
Interest for shareholder's loans	Colored World Holdings Limited	An associate of the Group	**(196)**	–

41. Related Party Disclosure (continued)

(b) Related party transactions (continued)

Notes:

(1) On 21 February 2011, the Taiwan Branch of Apple Daily Publication Development Limited ("ADPDL"), an indirectly wholly owned subsidiary of the Company entered into a lease agreement with the Taiwan Branch of Best Combo Limited ("BCL"), a company 100% beneficially owned by Mr. Lai, an executive Director, the Chairman and the controlling shareholder of the Company in respect of lease of car parking spaces to Taiwan Branch of ADPDL for a term of one year from 15 April 2011 to 14 April 2012.

The extent of these continuing connected transactions did not exceed the limit as set out in the announcement of the Company dated 21 February 2011.

(2) On 29 April 2011, Next TV Broadcasting Limited ("Next TV"), an indirectly wholly owned subsidiary of the Company entered into a lease agreement with the Taiwan Branch of BCL in respect of lease of office premises to Next TV for a term of 35 months from 1 May 2011 to 31 March 2014.

The extent of these continuing connected transactions did not exceed the limit as set out in the announcement of the Company dated 29 April 2011.

On 7 June 2011, Next TV entered into an agreement with the Taiwan Branch of BCL in respect of lease of office premises to Next TV for a term of 30 months from 1 October 2011 to 31 March 2014. On 30 September 2011, an addendum to the aforesaid lease agreement has been entered into between Next TV and the Taiwan Branch of BCL, the commencement date of the lease term was amended from 1 October 2011 to 17 November 2011, the date on which the occupation permit was granted, to 31 March 2014.

The extent of these continuing connected transactions did not exceed the limit as set out in the announcements of the Company dated 7 June 2011 and 30 September 2011.

41. Related Party Disclosure (continued)

(b) Related party transactions (continued)

Notes: (continued)

(3) On 7 June 2011, the Next Multi-media Entertainment Services Limited ("NMESL"), an indirectly wholly owned subsidiary of the Company entered into an agreement with the Taiwan Branch of BCL in respect of lease of office premises for a term of 30 months from 1 October 2011 to 31 March 2014. The lease term was amended in an agreement dated 30 September 2011, the new term of lease is from 17 November 2011, the date on which the occupation permit is granted, to 31 March 2014.

The extent of these continuing connected transactions did not exceed the limit as set out in the announcements of the Company dated 7 June 2011 and 30 September 2011.

(4) On 31 October 2011, the Company entered into a Business Framework Agreement with Next Media Animation Limited ("NMAL"), a company 70% beneficially owned by Mr. Lai, an executive Director, the Chairman and the controlling shareholder of the Company, in respect of the animation services to be rendered by NMAL and its subsidiaries (collectively as "NMAL Group") to the Group and the advertising services and the supporting services to be rendered by the Group to the NMAL Group for a term of 29 months from 31 October 2011 to 31 March 2014.

The extent of these continuing connected transactions did not exceed the limit as set out in the announcement of the Company dated 10 June 2011.

(5) On 31 October 2011, Next TV entered into a lease agreement with the Taiwan Branch of NMAL, in respect of the lease of office premises to the Taiwan Branch of NMAL for a term of 29 months from 1 November 2011 to 31 March 2014.

The extent of these continuing connected transactions did not exceed the limit as set out in the announcement of the Company dated 10 June 2011.

42. Disposal of Subsidiaries

Disposal of Colored World Group

On 31 October 2011, the Group discontinued its animation production operation by disposing of its 70% equity interest in subsidiaries, Colored World Group. The net assets of Colored World Group at the date of disposal were as follows:

	31.10.2011 HK$'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	41,478
Trade and other receivables	16,694
Cash and bank balance	13,485
Amounts due from group companies of the Company	4,399
Trade and other payable	(32,920)
Net assets disposed of	43,136
Gain on disposal of a subsidiary:	
Cash consideration received	776,680
Fair value of 30% residual interest in Colored World Group	114,707
Less: net asset disposed of	(43,136)
Gain on disposal	848,251
Net cash inflow arising on disposal:	
Cash consideration	776,680
Cash and bank balance disposed of	(13,485)
	763,195

The impact of Colored World Group on the Group's results and cash flows in the current and prior periods is disclosed in note 12.

43. Impairment Loss on Television and Multi-Media Segment

The television and multi-media segment is a cash generating unit ("CGU") for the purpose of impairment testing of the tangible assets. A CGU is considered to be impaired when its recoverable amount declines below its carrying amount.

The recoverable amount of television and multi-media segment as at 31 March 2012 was determined based on value in use calculation and based on certain key assumptions. Value in use calculations use cash flow projections based on financial budgets approved by the management of the Group covering a three-year period, which is taking into account the useful lives of plant and machinery. The discount rate used for the value in use calculations is at 15.8%. Cash flow beyond the three-year period were extrapolated using a 3% steady growth rate. This growth rate was based on the relevant growth forecasts and does not exceed the average long term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include number of subscribers, gross rating points, gross budgeted sales and gross margin, such estimation is based on the television and multi-media segment and management's expectations for the market development.

As mentioned in note 20 to the financial statements, an impairment loss of HK$42,748,000 was made on television set top box.

In addition, during the year ended 31 March 2012, an impairment loss of HK$107,940,000 was recognised in the profit or loss which HK$38,474,000, HK$22,790,000 and HK$46,676,000 were allocated to programmes and film rights, television set top box and plant and machinery respectively on a pro rata basis on the respective carrying amounts of the assets before impairment.

44. Major Non Cash Transactions

During the year, a deposit for acquisition of property, plant and equipment amounting to HK$145,363,000 has been transferred to plant and machinery.

45. Particulars of Principal Subsidiaries

Particulars of the principal subsidiaries of the Company as at 31 March 2012 and 2011 are as follows:

Name	Place of incorporation	Paid up issued share capital	Proportion of nominal value of issued capital indirectly held by the Company 2012 %	2011 %	Principal activities
Anyplex Company Limited	Hong Kong	10,000,000 ordinary shares of HK$0.01 each	**100**	–	Provision of video-on-demand services and movie content provider (Note e)
Apple Daily I. P. Limited	British Virgin Islands	1 ordinary share of US$1	**100**	100	Holding of masthead and publishing rights of newspaper (Note c)
Apple Daily Limited	Hong Kong	200,000,000 ordinary shares of HK$0.01 each	**100**	100	Publication and selling of newspaper and selling of newspaper advertising space (Note c)
Apple Daily Printing Limited	Hong Kong	100,000,000 ordinary shares of HK$1 each	**100**	100	Printing of newspaper (Note c)
Apple Daily Publication Development Limited	Hong Kong	10,834,250 ordinary shares of HK$0.01 each	**94.2** (Note a)	93.79	Publication and selling of newspaper and selling of newspaper advertising space (Note e)
Database Gateway Limited	British Virgin Islands	739,001,531 ordinary shares of HK$1 each	**100** (Note b)	100	Investment holding (Note c)

45. Particulars of Principal Subsidiaries (continued)

Name	Place of incorporation	Paid up issued share capital	Proportion of nominal value of issued capital indirectly held by the Company 2012 %	2011 %	Principal activities
Easy Finder I.P. Limited	British Virgin Islands	11,000 ordinary shares of US$1 each	**100**	100	Holding of masthead and publishing rights of magazines (Note c)
FACE Magazine Limited	Hong Kong	10,000 ordinary shares of HK$1 each	**100**	100	Publication and selling of magazines (Note c)
FACE Magazine Marketing Limited	Hong Kong	20,000,000 ordinary shares of HK$1 each and 4,000,000,000 ordinary shares of HK$0.01 each	**95.17**	95.17	Selling of magazines advertising spaces (Note c)
Eat and Travel Weekly Company Limited	Hong Kong	2 ordinary shares of HK$1 each	**100**	100	Publication and selling of magazines and selling of magazines advertising space (Note c)
ME! Publishing Limited	Hong Kong	1 ordinary share of HK$1 each	**100**	100	Publication and selling of magazines and selling of magazines advertising space (Note c)
Next Magazine Advertising Limited	Hong Kong	1,000 ordinary shares of HK$1 each	**100**	100	Selling of magazines advertising space (Note c)
Next Media Animation Limited	Hong Kong	10,000,000 ordinary shares of HK$0.01 each	**30**	100	Animation production (Notes d and f)

45. Particulars of Principal Subsidiaries (continued)

Name	Place of incorporation	Paid up issued share capital	Proportion of nominal value of issued capital indirectly held by the Company 2012 %	2011 %	Principal activities
Next Magazine Publishing Limited	Hong Kong	1,000 ordinary shares of HK$1 each	**100**	100	Publication and selling of magazines (Note c)
Next Media Broadcasting Limited	Taiwan	106,300,000 ordinary shares of NT$10 each	**100**	100	Holding of television investments (Note d)
Next Media Distribution Service Limited	Taiwan	500,000 ordinary shares of NT$10 each	**100**	100	Distribution and marketing of television productions (Note d)
Next Media I. P. Limited	British Virgin Islands	1,000 ordinary shares of HK$1 each	**100**	100	Holding of masthead and publishing rights of magazines (Note c)
Next Media Interactive Limited	British Virgin Islands	10,001 ordinary shares of US$1 each	**100**	100	Provision of internet subscription, contents and selling of advertising space (Note e)
Next Media Management Services Limited	Hong Kong	2 ordinary shares of HK$1 each	**100**	100	Provision of management services (Note c)
Next Media Publishing Limited	Hong Kong	10,282,778 ordinary shares of HK$0.01 each	**97.50**	97.50	Publication and selling of magazines and selling of magazines advertising space (Note e)

45. Particulars of Principal Subsidiaries (continued)

Name	Place of incorporation	Paid up issued share capital	Proportion of nominal value of issued capital indirectly held by the Company 2012 %	2011 %	Principal activities
Next Mobile Limited	Hong Kong	10,000,000 ordinary shares of HK$0.01 each	**100**	–	Mobile business and platform development, mobile commerce, mobile game, community services, mobile messenger/communication, mobile dating and advertising, etc (Note e)
Next TV Broadcasting Limited	Taiwan	5,000,000 ordinary shares of NT$10 each	**100**	100	Television licences holder and operator (Note d)
Paramount Printing Company Limited	Hong Kong	15,000 ordinary shares of HK$100 each	**100**	100	Provision of printing services (Note c)
Sharp Daily Limited	Hong Kong	10,000,000 ordinary shares of HK$0.01 each	**100**	–	Newspaper publication and selling of advertising space in newspaper (Note c)
Sudden Weekly Limited	Hong Kong	2 ordinary shares of HK$1 each	**100**	100	Publication and selling of magazines and selling of magazines advertising space (Note c)

The above table includes the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

45. Particulars of Principal Subsidiaries (continued)

Note (a): The Group acquired additional interest of 0.41% equity interest of the subsidiary during the current year.

Note (b): The subsidiary was directly held by the Company.

Note (c): The subsidiary operates in Hong Kong.

Note (d): The subsidiary operates in Taiwan.

Note (e): The subsidiary operates in both Hong Kong and Taiwan.

Note (f): The subsidiary becomes an associated company with effect from 31 October 2011.

FIVE YEARS FINANCIAL SUMMARY

For the year ended 31 March 2012

	Year ended 31 March				
	2008 HK$'000 (Restated)	2009 HK$'000 (Restated)	2010 HK$'000 (Restated)	2011 HK$'000 (Restated)	**2012** **HK$'000**
RESULTS					
Continuing operations					
Revenue	3,483,794	3,291,501	3,126,199	3,477,005	**3,634,553**
Profit (loss) from continuing operations	531,122	296,278	370,023	9,784	**(965,195)**
Discontinued operation					
(Loss) profit for the year from discontinued operation	(9,799)	(38,794)	(49,266)	(29,328)	**784,378**
Profit (loss) for the year	521,323	257,484	320,757	(19,544)	**(180,817)**
Profit (loss) attributable to equity holders of the parent	521,323	257,484	317,876	(19,730)	**(188,631)**
Non-controlling interests	–	–	2,881	186	**7,814**
Profit (loss) for the year	521,323	257,484	320,757	(19,544)	**(180,817)**

	As at 31 March				
	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000	**2012** **HK$'000**
ASSETS AND LIABILITIES					
Total assets	4,598,314	4,333,297	4,645,486	5,489,084	**5,515,323**
Total liabilities	(1,188,775)	(1,215,879)	(1,127,675)	(1,875,524)	**(2,118,072)**
	3,409,539	3,117,418	3,517,811	3,613,560	**3,397,251**
Equity attributable to equity holders of parent	3,409,496	3,117,375	3,514,473	3,609,147	**3,384,344**
Non-controlling interests	43	43	3,338	4,413	**12,907**
	3,409,539	3,117,418	3,517,811	3,613,560	**3,397,251**

GLOSSARY

2007 AGM	The Company's Annual General Meeting held on 30 July 2007
2009 AGM	The Company's Annual General Meeting held on 20 July 2009
2010 AGM	The Company's Annual General Meeting held on 19 July 2010
2011 AGM	The Company's Annual General Meeting held on 18 July 2011
2012 AGM	The Company's Annual General Meeting to be held on 30 July 2012
2007 ADPDL Share Option Scheme	The share option scheme of ADPDL adopted by the Company on 30 July 2007
2000 Share Option Scheme	The share option scheme adopted by the Company on 29 December 2000 and amended to comply with the requirements of Chapter 17 of the Listing Rules on 31 July 2002
2007 Share Option Scheme	The share option scheme adopted by the Company with terms complied with the requirements of Chapter 17 of the Listing Rules on 30 July 2007
ADPL	Apple Daily Printing Limited, an indirect wholly owned subsidiary of the Company
ADPDL	Apple Daily Publication Development Limited, an indirect non wholly owned subsidiary of the Company
AGM	The Company's Annual General Meeting
Articles of Association	The Company's Articles of Association
Board	The Board of Directors of the Company

CEO	The Chief Executive Officer of the Group
CFO	The Chief Financial Officer of the Group
CG Code	The Corporate Governance Code and Corporate Governance Report Practices, Appendix 14 to the Listing Rules
Co-CEO	The Co-Chief Executive Officer of the Group
Colored World	Colored World Holdings Limited, an associated company of the Company and the intermediate holding company of NMAL
Company or Next Media	Next Media Limited
COO	The Chief Operating Officer of the Group
Deloitte	Deloitte Touche Tohmatsu, the external auditor of the Group
Director(s)	Director(s) of the Company
ED(s)	Executive director(s) of the Company
EGM	Extraordinary general meeting of the Company
Financial Statements	The audited consolidated financial statements for the year ended 31 March 2012
Foundation	Apple Daily Charitable Foundation, a charitable institution founded in 1995 with an initial endowment from *Apply Daily* and was recognised under section 88 of the Inland Revenue Ordinance (Cap. 112) of the laws of Hong Kong
Group	Next Media Limited and its subsidiaries

HKAS(s)	Hong Kong Accounting Standard(s)
HKFRS(s)	Hong Kong Financial Reporting Standard(s)
HKICPA	Hong Kong Institute of Certified Public Accountants
HK$	Hong Kong dollars
Hong Kong Subsidiary Share Option Schemes	The share option schemes adopted by Aim High Investments Limited, Apple Community Infonet Limited, Apple Daily Publication Development Limited, Next Media Animation Limited, Next Media Publishing Limited and Next Media Webcast Limited
INED(s)	Independent non-executive director(s) of the Company
Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange
Model Code	The Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Listing Rules
Mr. Lai	Mr. Lai Chee Ying, Jimmy, the Chairman and controlling shareholder of the Company
NED	Non-executive Director of the Company
NMAL	Next Media Animation Limited, an associated company of the Company
NT$	New Taiwan dollars
RSM	RSM Nelson Wheeler Consulting Limited, an independent professional firm engaged by the Group to carry out internal audit services for the Group

Subscription Plan	The share subscription and financing plan adopted by the Board on 29 October 2007
SFO	Securities and Futures Ordinance
Share(s)	Ordinary share(s) of HK$1.00 each of the Company
Shareholder(s)	Holder(s) of the Share(s)
Stock Exchange	The Stock Exchange of Hong Kong Limited
STV	Sum Tat Ventures Limited, a company 100 % beneficially owned by Mr. Lai
Taiwan Subsidiary Share Option Schemes	The share option schemes adopted by Next TV Broadcasting Limited, Next Multi-media Entertainment Services Limited and Next Media Lifestyle Entertainment Services Limited

Concept & Design: iOne Financial Press Limited   Website: www.ione.com.hk

Stock Code: 00282