
NEXT DIGITAL

Stock Code : 00282

# 2015 / 16
# ANNUAL REPORT


## GLOBAL MEDIUM

Next Digital has clearly established its position as a leader and trend setter in driving reading habits on digital platforms.

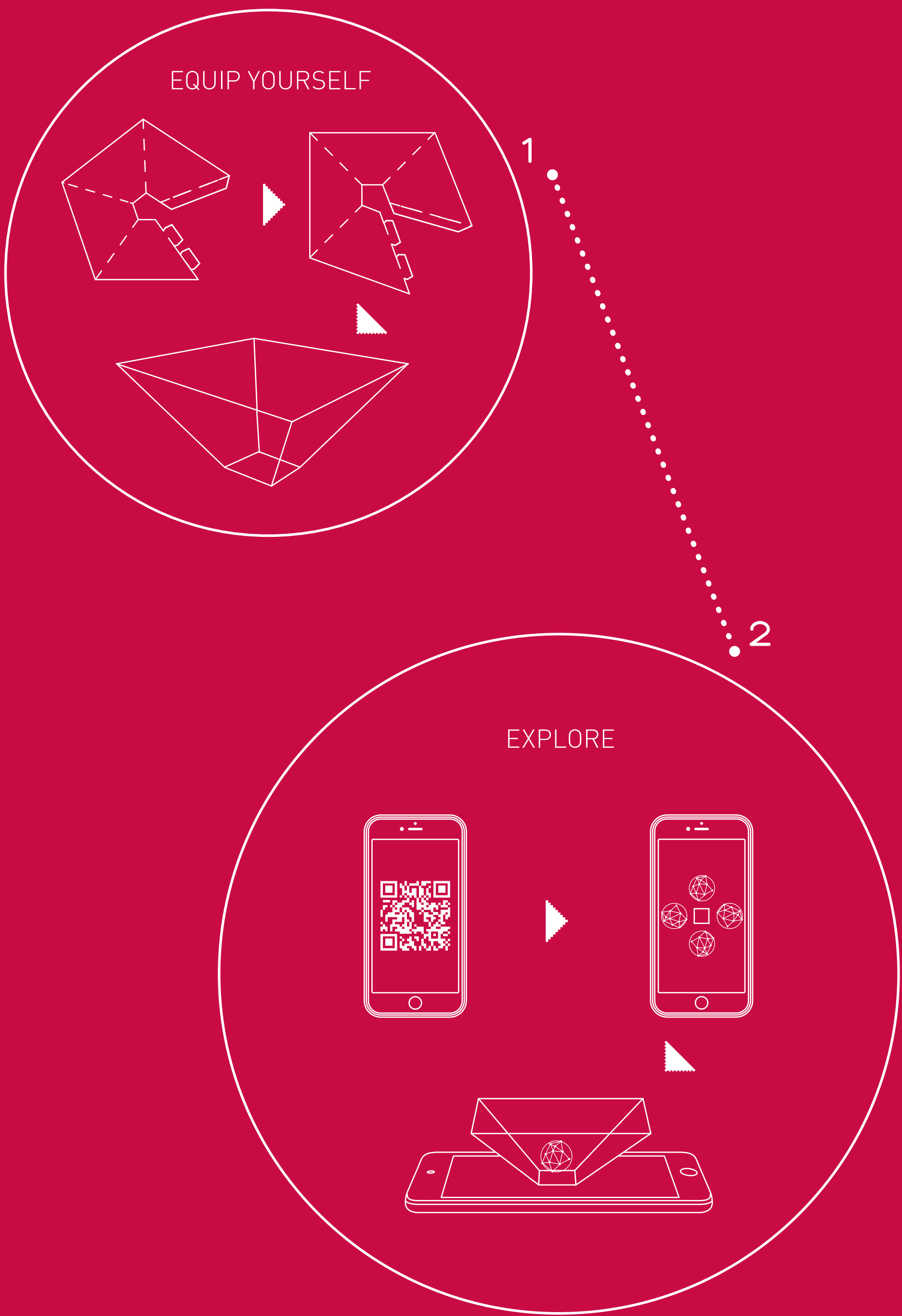
# CONTENTS

## BUSINESS REVIEW

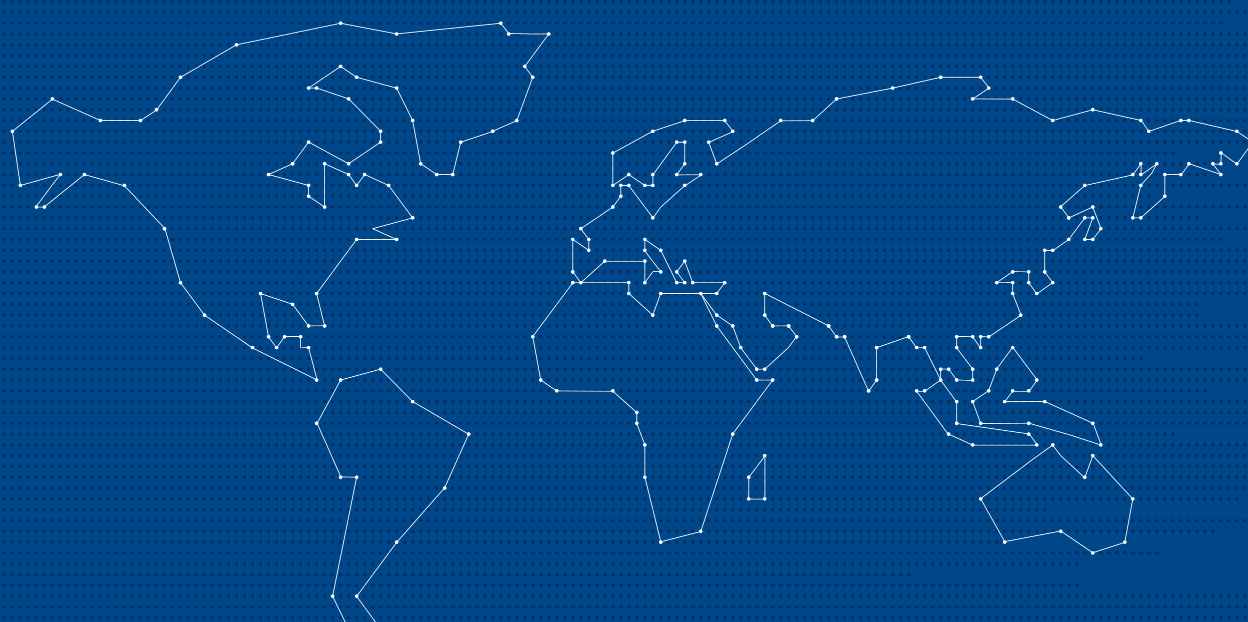


## FINANCIAL REPORT

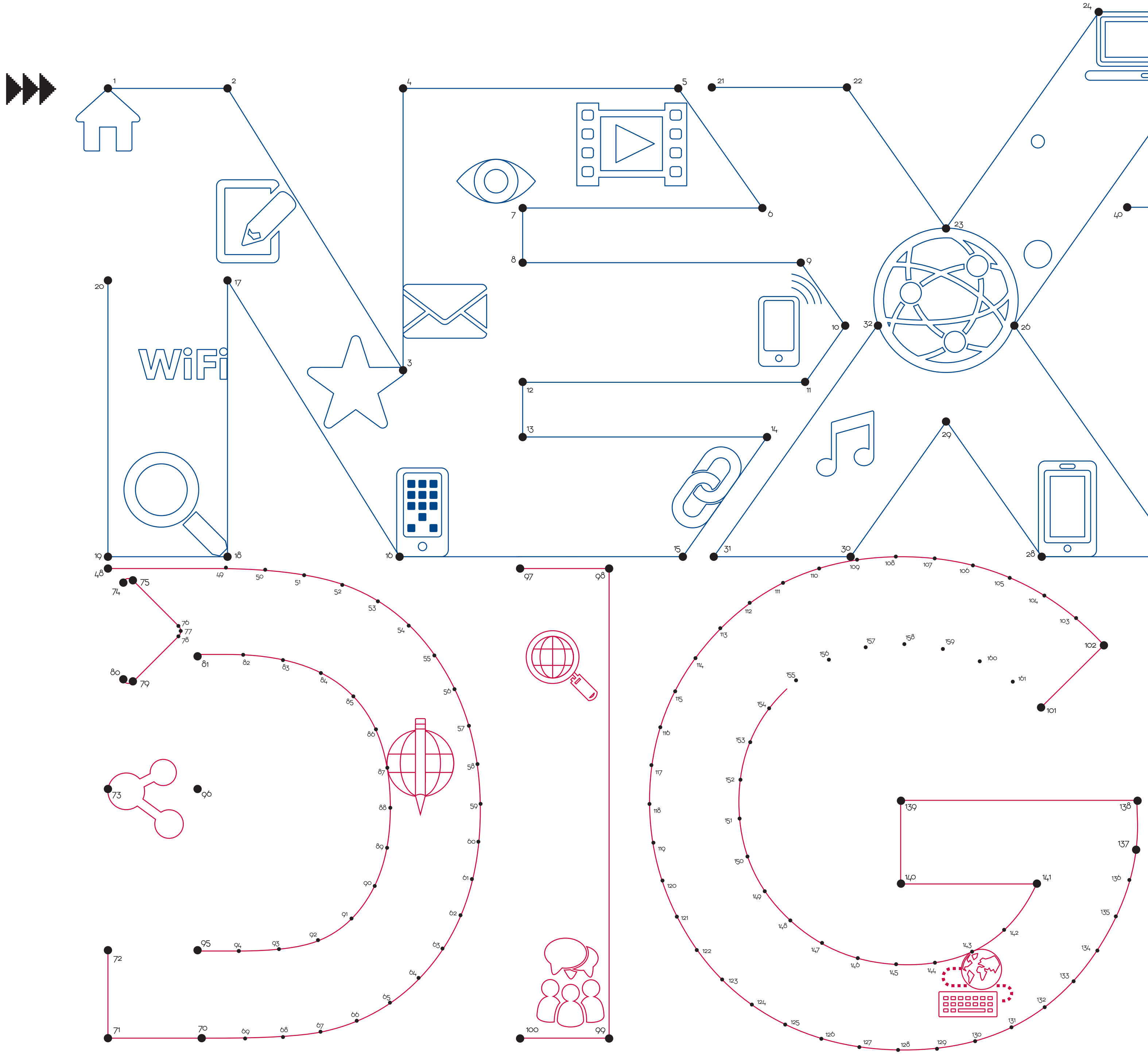
# INSTRUCTION

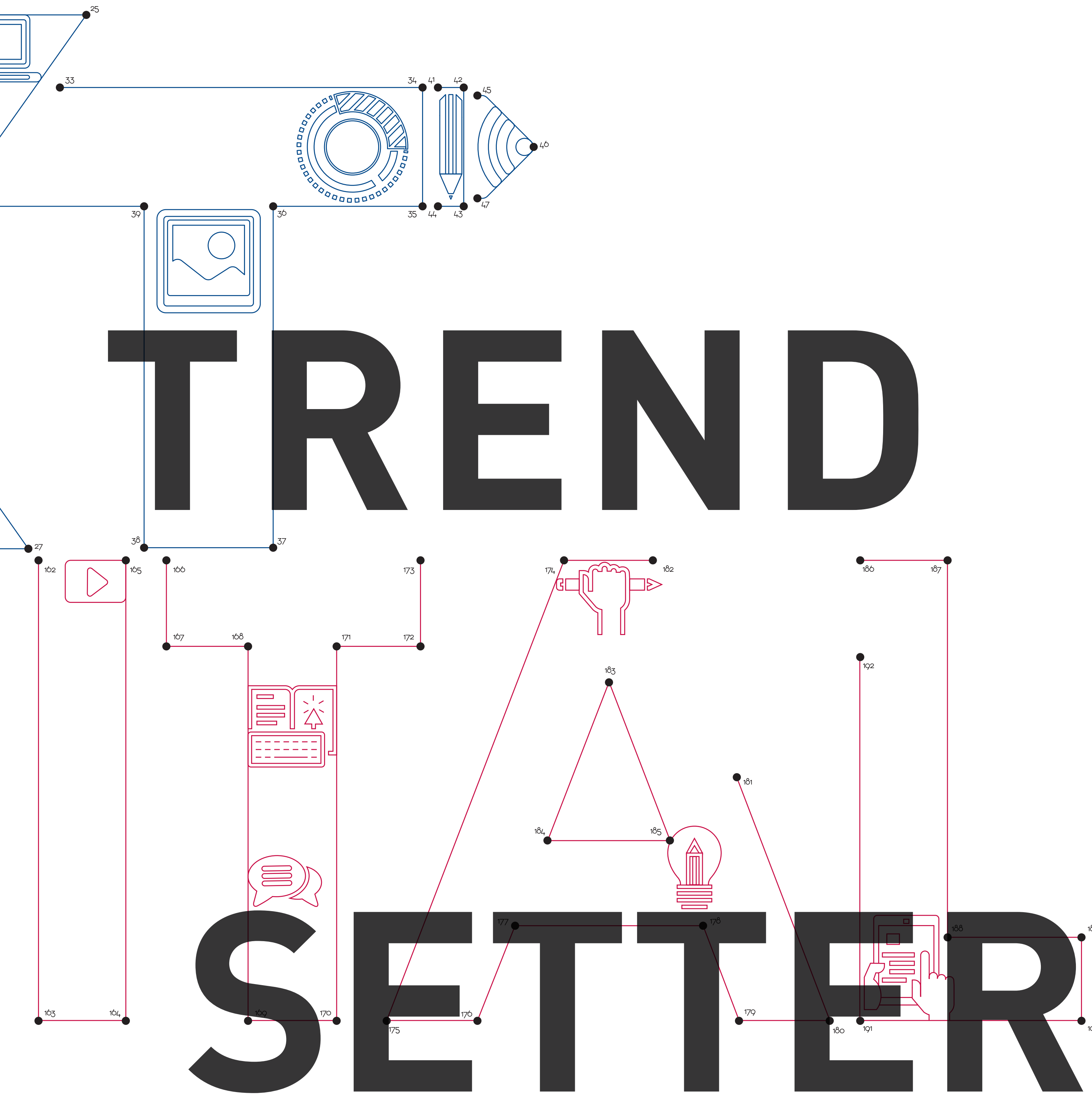


# FROM DOTS to LINES



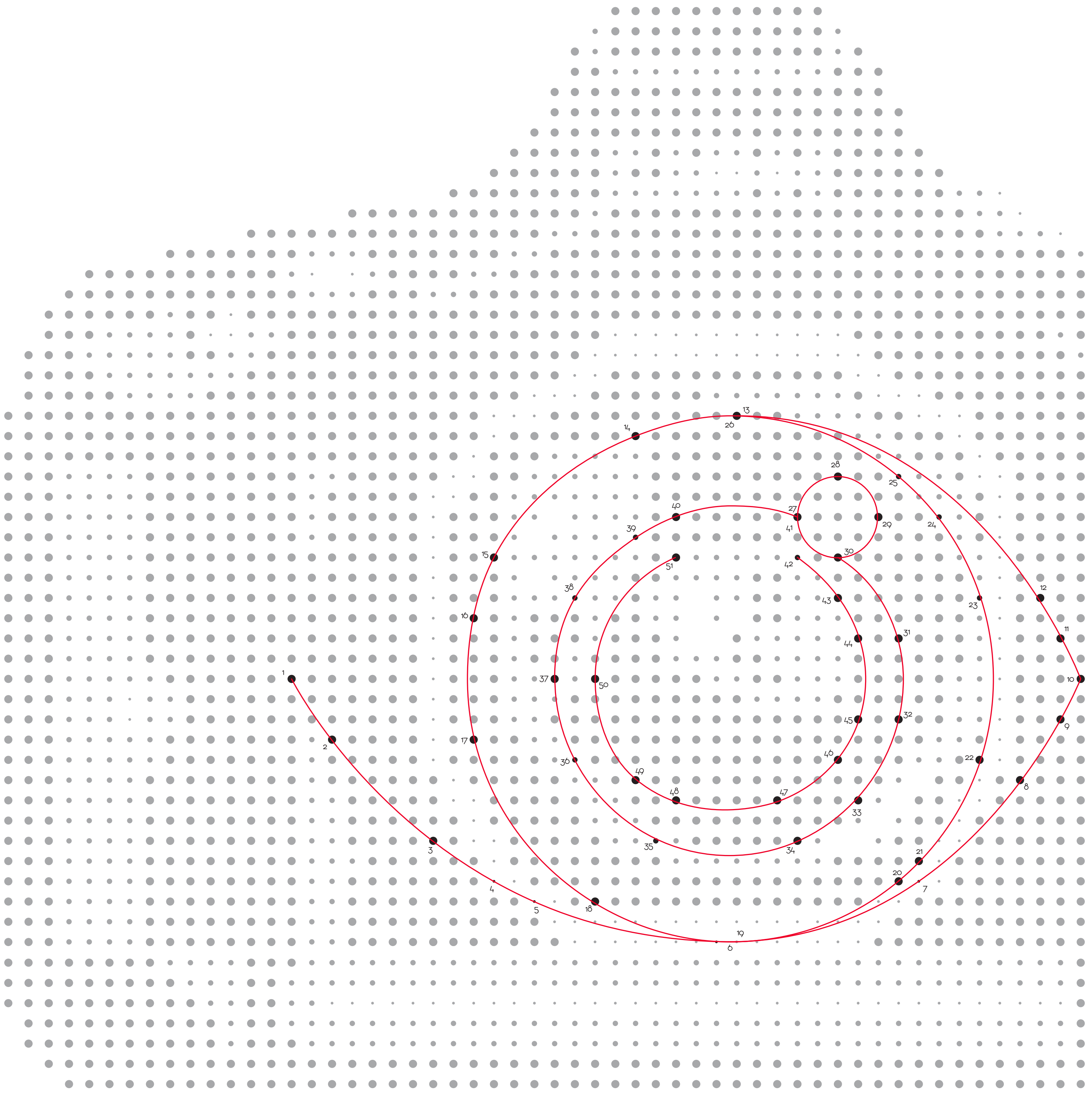
# LINKING UP the WORLD


WiFi


TREND
SETTER

# SEE THE WORLD

**THROUGH OUR CAMERA, YOU SEE THE WORLD AT LARGE.**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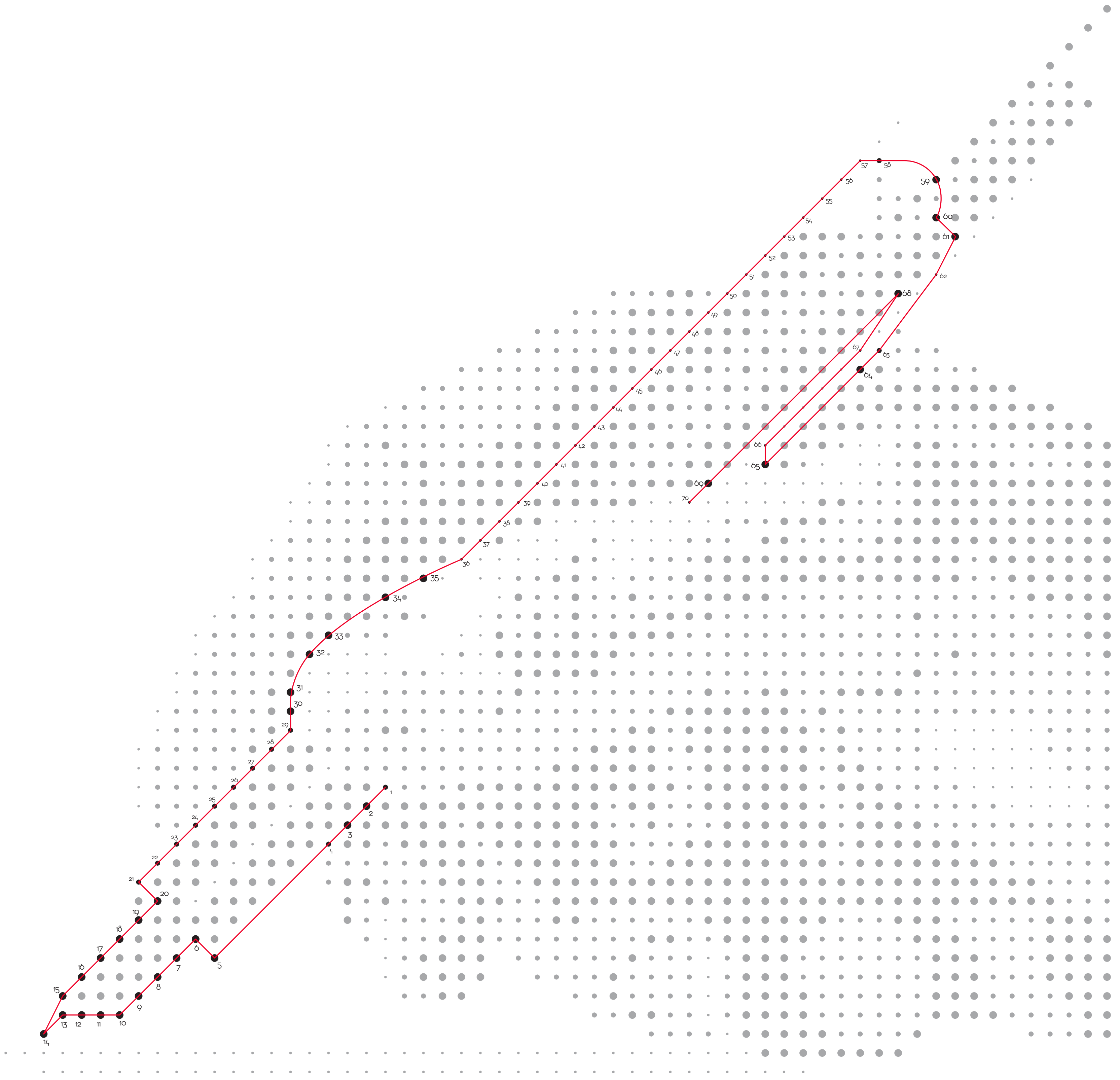
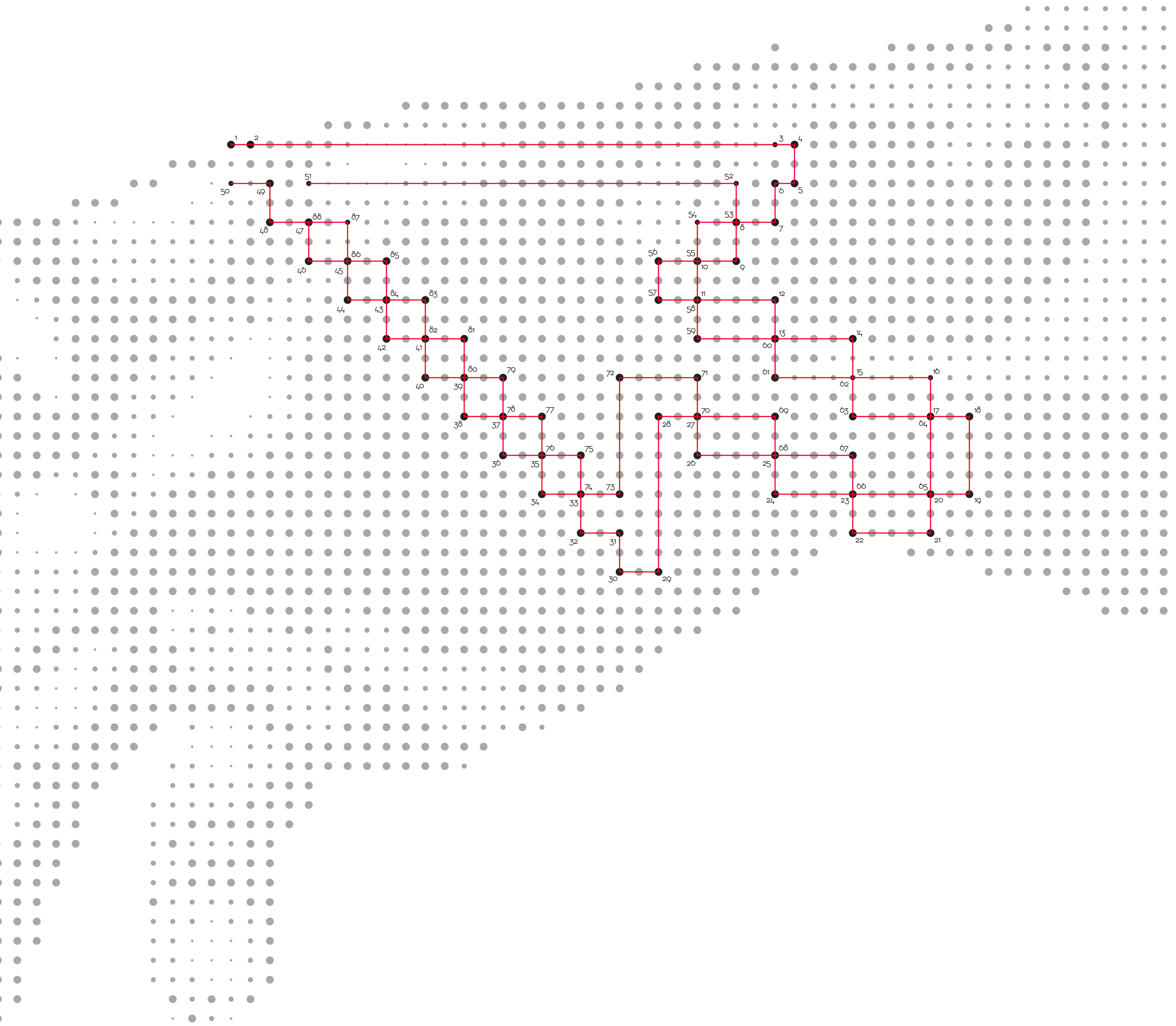


# READ THE WORLD

FROM OUR NEWS STORIES, YOU LEARN THE FACTS AND TRUTHS.

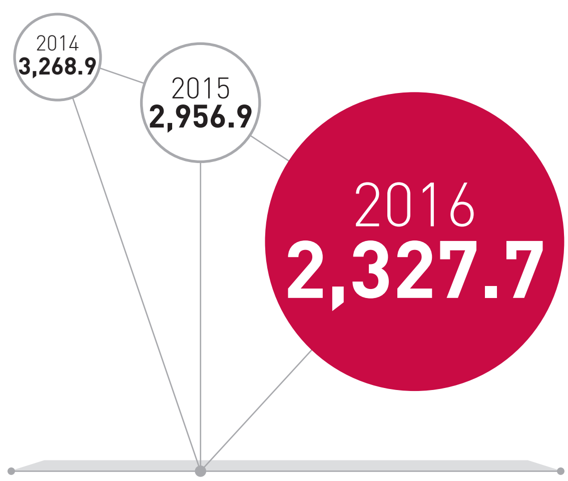
# TOUCH
# THE WORLD

**IN OUR WEBSITE, YOU REACH THE WORLD BY A CLICK.**

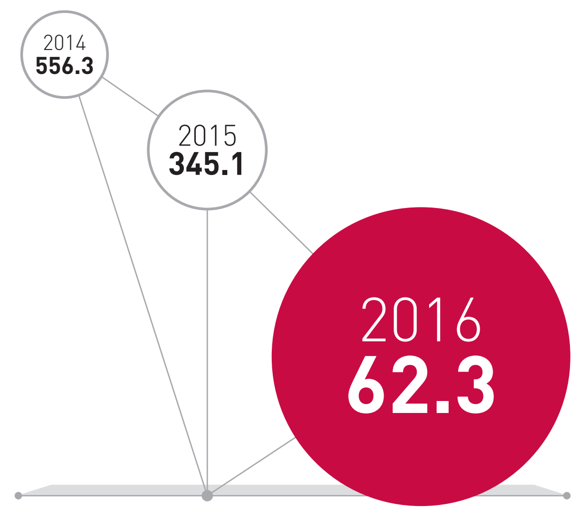


# FINANCIAL HIGHLIGHTS

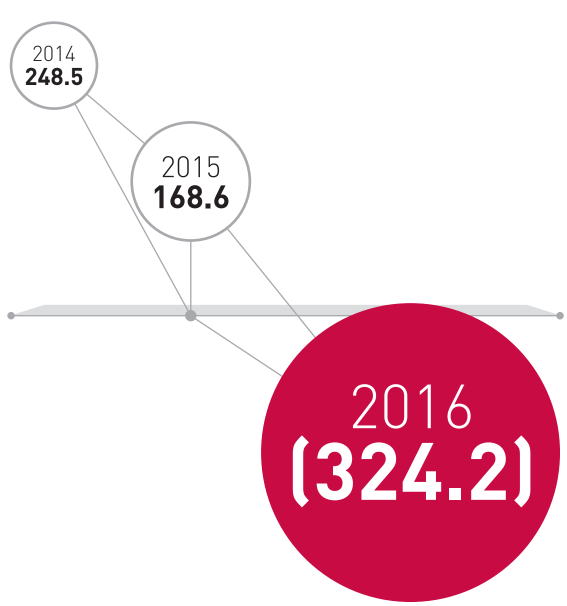
**REVENUE**
(HK$ Million)



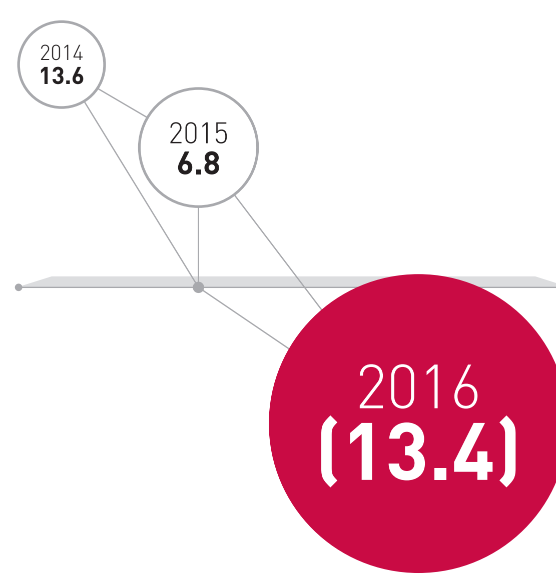

**EBITDA BEFORE IMPAIRMENTS AFTER NON-CONTROLLING INTERESTS**
(HK$ Million)



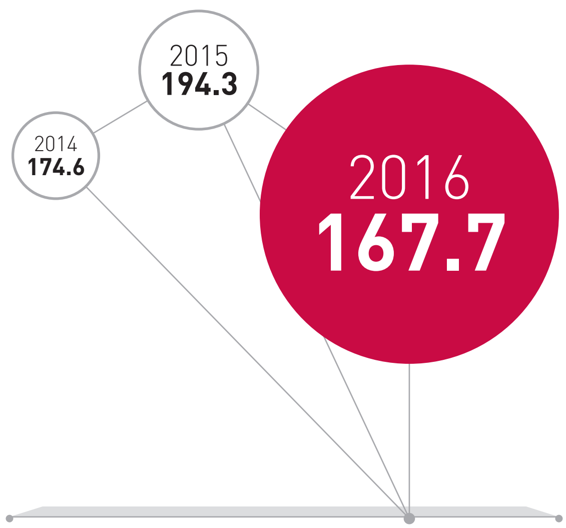

**(LOSS) PROFIT FOR THE YEAR**
(HK$ Million)



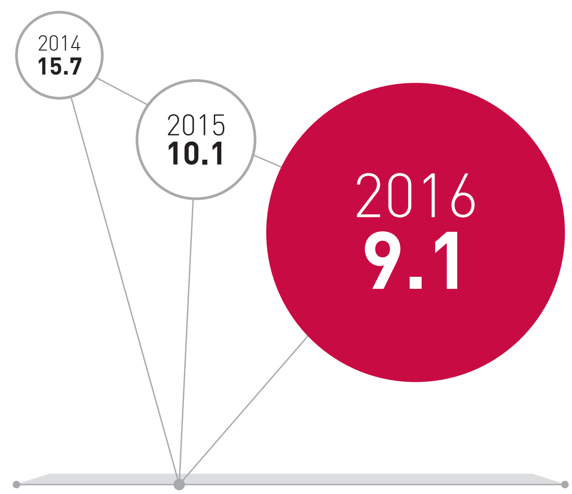

**BASIC (LOSS) EARNINGS PER SHARE**
(HK Cents)



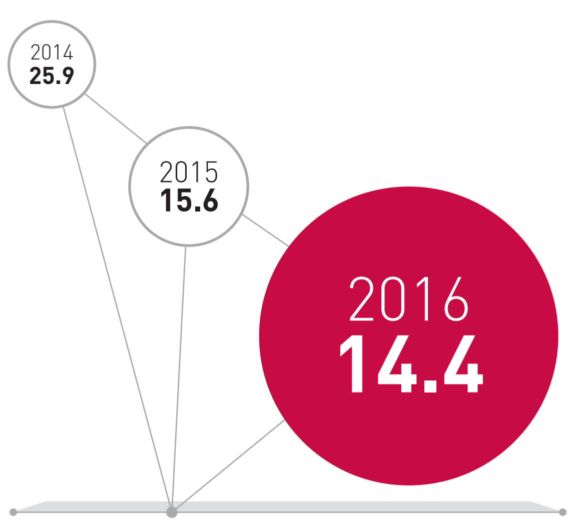
**CURRENT RATIO**
(%)

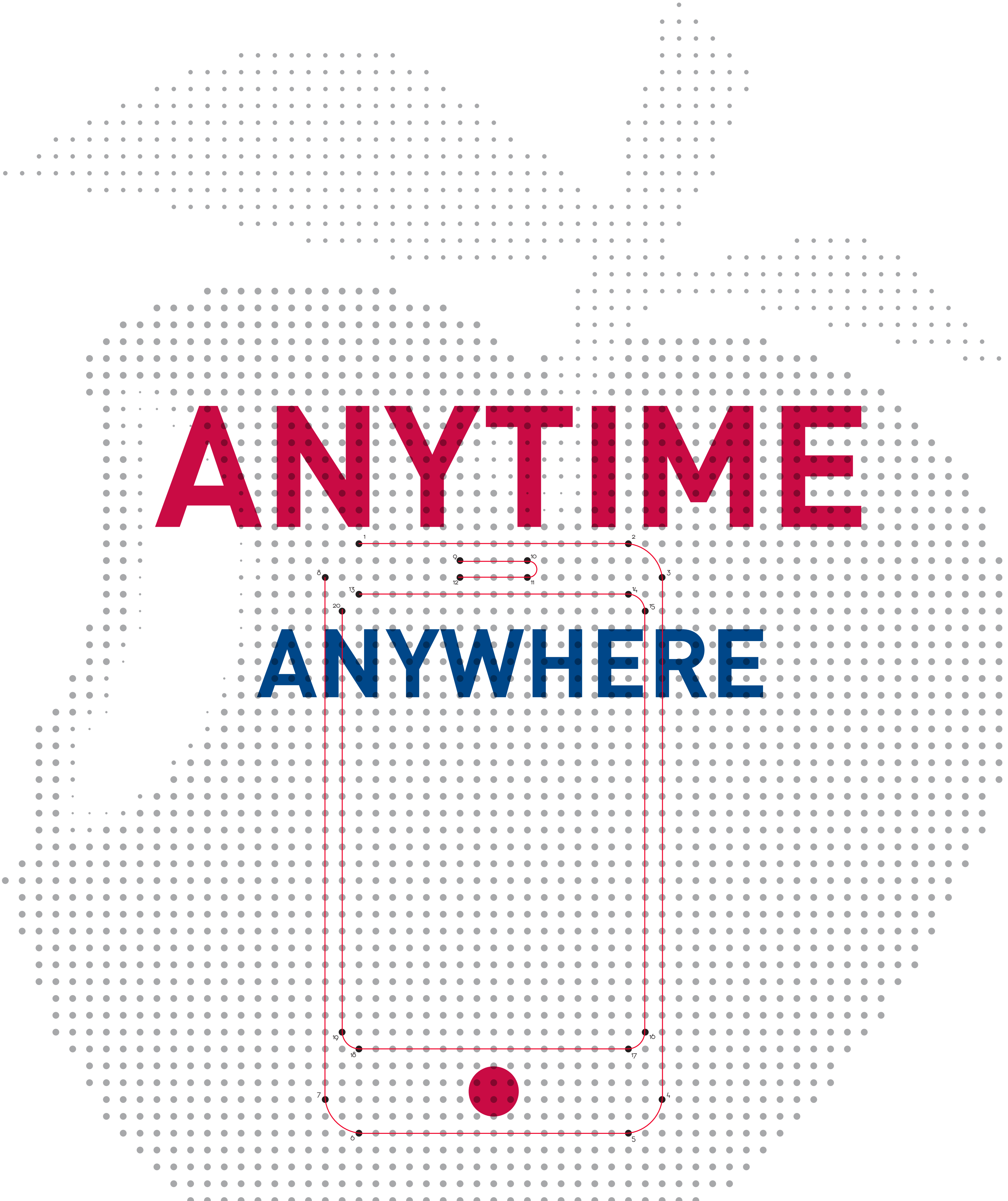



**GEARING RATIO**
(%)




**DEBT TO EQUITY RATIO**
(%)




ANYTIME
ANYWHERE

# CHIEF EXECUTIVE OFFICER'S STATEMENT

## FY2016 WAS A CHALLENGING YEAR!

The continuing shift from an offline to online world has adversely impacted the print media industry. Our business is undergoing a major transformation period. As such, we have further adjusted our resources, and rationalised the Group's print operation while accelerating it towards digital media during the year.

We are mindful of the rapid development in the digital world, and have focused on delivering an inspiring and innovative range of information and entertainment products to the consumers. We also aim at creating value for advertisers through our online properties and services to connect them with our popular base of targeted audiences.

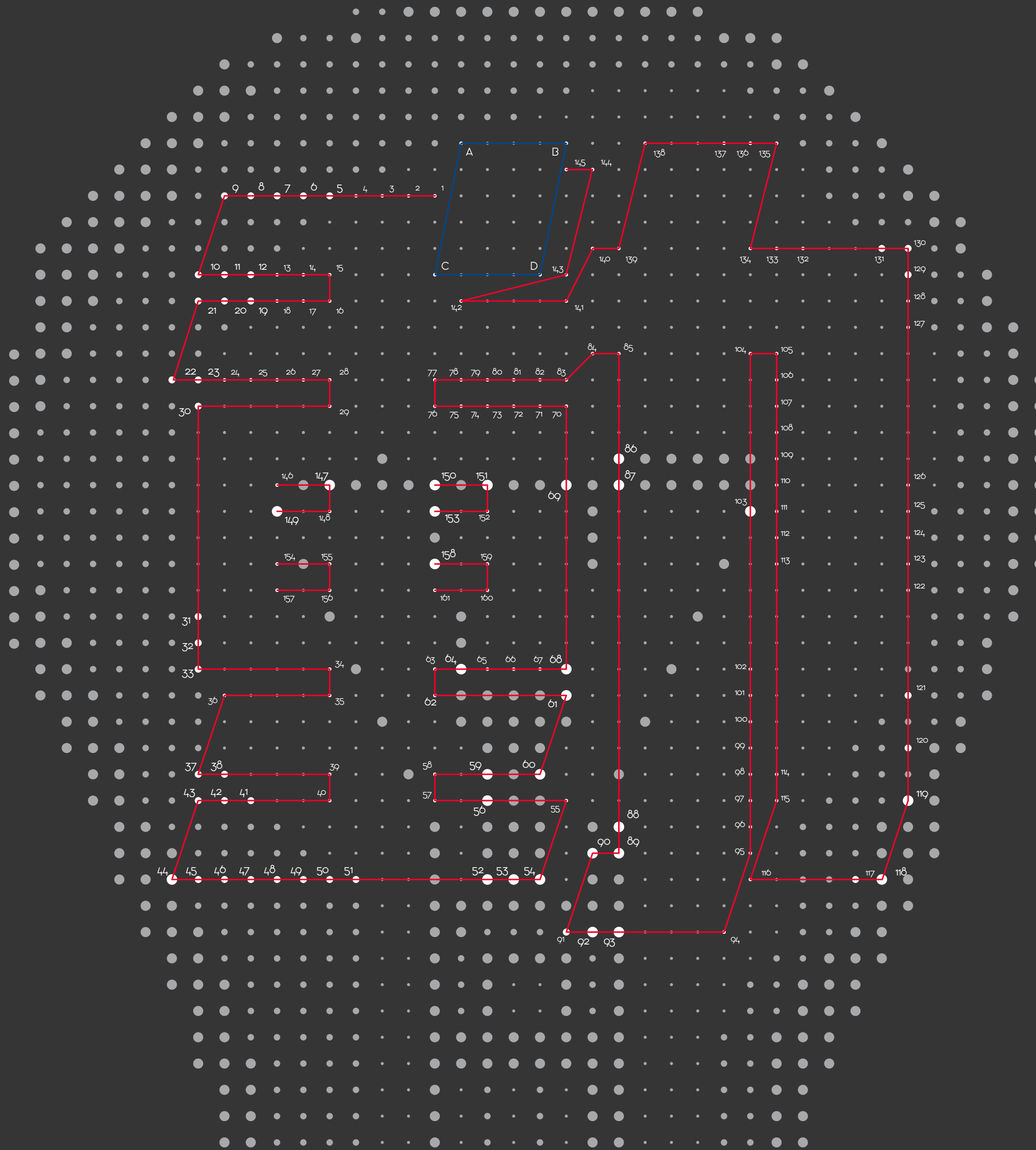
During the year, we continued to lead the industry in improving our information technology infrastructure and launching new offerings and digital contents, such as 360 degree and Virtual Reality videos, to consolidate our market leadership position. Today, our digital platform, with *Apple Daily's* flagship *Apple Action News*, is the undisputed leader in digital news in both Hong Kong and Taiwan. As a result, our digital advertising business has experienced significant revenue growth despite the depressed market condition.

The Group's print media is now undergoing a strategic transition which will enable us to capitalise its enriched contents more efficiently to achieve viewer growth and robust digital advertising revenue increase in coming years.

On behalf of the Board, I would like to thank our shareholders and stakeholders for their full support throughout the year. I would also extend my appreciation to our committed staff and management team for their dedication and professionalism during this difficult time. Last but not least, I would like to congratulate Mr. Ip Yut Kin on his well earned retirement as Chief Executive Officer of our print business and as an Executive Director, while welcoming him as the incoming Non-executive Chairman of the Group!

**Cassian Cheung**

Chief Executive Officer
Hong Kong, 13 June 2016



# TRAILBLAZING

# IDEAS*

# MANAGEMENT DISCUSSION & ANALYSIS

## OVERVIEW OF MAJOR MARKETS

### Hong Kong

Growth in the Hong Kong economy faced a downward trend during the first half of the year 2015, and it became dampened during the second half, with a modest real GDP growth by only 2.4%. The Chinese economy is also undergoing a structural transformation which has continued to drive down its growth figures; the economic growth in the United States has been losing its momentum since the last quarter of 2015 when the Federal Reserve raised the interest rate for the first time in nine years. As for Europe and Japan, their governments have adopted the unorthodox policy of negative interest rates with a view to stimulating their financial markets and economies. These were all closely related to Hong Kong economy which did not bode well for Hong Kong.

Against the backdrop of uncertain global economy, the domestic consumer spending has turned sluggish, and the cooling economy of the Mainland China further slackened its tourist spending in Hong Kong, in particularly, the luxury sector. Unemployment rate in Hong Kong was recorded at 3.3% during the 3-month period to February 2016, and remained broadly stable in overall terms though a slight increase in unemployment rate was mainly seen in decoration and building maintenance services and accommodation sectors. The consumer prices recorded a year-on-year increase of 2.7% during the 12-month period ended 31 March 2016.

Overall, the city's total advertising spending rose 2.4% to HK$46.0 billion in 2015, as compared with HK$44.9 billion in 2014, this suggested that the advertisers were more cautious about their ad spend and the advertising industry lacked strong drive by retail sector, in particular, luxury products. This has impacted on traditional print media, the ad spend in magazines significantly dropped by 15.0% and paid papers decreased by 6.0%. The biggest fall happened in the 4th quarter in 2015 which the ad spend of magazines marked a record of year-on-year drop of 22.0%. Digital advertising continued on a growth spree with a 51.0% increase in the mobile sector and 31.0% on interactive platforms as the advertisers shifted their advertising campaigns from traditional print media to digital platforms.

### Taiwan

Taiwan's economy is heavily driven by its exports, and this was affected by weak global markets during 2015 and its real GDP growth rate was 0.75%. Its domestic consumption was slack due to the lower-than-expected exports and political issues. The consumer prices for 2015 grew 1.1% as compared to 1.4% recorded in 2014 whilst the 2015 average unemployment rate stood at 4.0%, a slight increase of 0.2% against the figure of the last year.

The total advertising expenditure of Taiwan for 2015 rose 4.4% to NT$1,251.2 billion, as compared with NT$1,198.1 billion in 2014, of which the growth rate for mobile and internet advertising were 10.0% and 15.0% respectively, however, the traditional print media advertising expenditure recorded a decline, in particularly, the decline rate for newspapers and magazines advertising was 10.0%.

## OPERATIONAL REVIEW

### Business Performance

In light of the dampened economy and continuing shift from print to digital advertising during the year, the Group has been rationalising the print operation which has undergone a series of downsizing and consolidation exercises for its publication and printing operations in Hong Kong. During the year under review, the Group has ceased the publication of *Sudden Weekly*, *Next+ONe* and *FACE* and streamlined *Next Magazine*'s structure with an aim to reducing its operating costs. These efforts, which has a negative impact on the Group's performance in short term, would enable the Group to focus its resources on future growth opportunities.

The shift to digital, as well as the advent of the multi-device world has brought business opportunities with potentially new revenue streams, the Group has capitalised on this growth trend and is well positioned to expand our products and services to stay in front of this change.

During the year under review, the Company has changed its name from "Next Media Limited" to "Next Digital Limited" in order to reflect the strategic move of the Group to focus towards digital business and align with its business nature and growth objectives.

Next Digital's total revenue amounted to HK$2,327.7 million during the year ended 31 March 2016, a decrease of HK$629.2 million or 21.3% against the figure of HK$2,956.9 million earned in the previous 12 months. This was primarily attributable to a significant decline in print advertising revenue in both markets; the expenses incurred for the downsizing and consolidation of the Group's Books and Magazines Publication and Printing Division resulting from the cessation of publication of *Sudden Weekly*, *Next+ONe* and *FACE* as well as the restructuring of *Next Magazine* in Hong Kong; and the impairment of the mastheads and publishing rights of *Sudden Weekly*, *Next Magazine* and *Eat & Travel Weekly*. Also closely associated to this decrease was the drop in circulation income of the Group's publications due to the evolution of the readers' preference from print properties to free online media.

### Digital Businesses Division

With the rapid growth of digital media, our Digital Businesses Division's contribution to the Group has taken on increasing importance during the year under review.

The Division's external revenues, consisting of subscription fees, online advertising revenue, content licensing payments, games and content sponsorship and in-app purchase of virtual products, amounted to HK$659.7 million during the year under review, an increase of 1.9% on the previous year's figure of HK$647.6 million, of which, around 76.4% was generated in Hong Kong and others while the remaining was from Taiwan.

The Division recorded a segment profit of HK$35.2 million, a dip of 5.9% from a segment profit of HK$37.4 million in the previous 12 months. This was mainly attributable to a decrease in revenue contribution from the mobile games business unit, resulting from delays in launching of new mobile games. On the other hand, the digital versions of *Apple Daily* experienced a significant revenue growth of 20.1%, thus further establishing it as the key growth driver for the Group.

# HONG KONG

## APPLE DAILY
## ONLINE TRAFFIC

As at 31 March 2016

**Daily Total Views**
39,192,093

**Daily Total Unique Visitors**
2,390,123

Source: Apple Daily Internal Server Log

During the year, the digital (mobile and web) version of *Apple Daily* maintained its dominant position as Hong Kong's most-visited interactive news destination. It attracted more than 37.2 million[1] view counts every day from all channels and devices, and has an average of 4.1 million[2] monthly unique users. In addition, *Apple Daily* is the top media pages on *Facebook* and the No.1 *YouTube* channel in Hong Kong[3].

Innovation is a part of life of the *Apple Daily*'s culture. In the past year, *Apple Action News* has added 360 degree videos to its news story coverage. It has also experimented with Virtual Reality (VR) and Augmented Reality (AR) story telling techniques, and launched a native advertising campaign using the latter.

Following the success of *Apple Daily*'s digital efforts, the Group has also introduced the mobile app version for *Next Plus*, *Eat & Travel*, *Ketchup*er into the market. These apps serve as the main vehicles to extend the Group's leadership in magazine readerships by transforming their popular contents into videos and animated news.

In Taiwan, *Taiwan Apple Daily*'s portal has also maintained its leadership position in digital platforms, attracting 20.8 million[1] view counts every day from all platforms and devices with monthly unique users of 11.8 million[2].

In the last quarter of 2015, the Group also launched a new unit targeting at the USA market with the digital version of *Apple Daily*. By March 2016, the USA version of *Apple Daily* had attracted 1.6 million average monthly unique users, representing a promising new frontier for the Group.

To capture the business potentials of the small to medium retail enterprises, which has been underserved by the media industry, the Division has launched an e-Classified service, providing location based, targeted advertising and promotion services to this segment under the Red Page banner in the *Apple Daily* portal. Within its first year, the unit has signed up over 10,000 small and medium retail outlets onto the Red Page, and will aim to monetise on this new advertiser base by connecting them with the 4.0 million monthly users of *Apple Daily*.

The Division's mobile games unit suffered a set back with a number of unplanned delays in the launching of new games into the market. Nevertheless, the unit's flagship game, *Barcode Footballer*, has maintained a strong and loyal group of followers, and continued to deliver a major share of revenue for the unit.

The Division continues to look for new services for our readers and will make further investments in improving the information technology infrastructure to support more revenue generating opportunities.

## Newspapers Publication and Printing Division

The Newspapers Publication and Printing Division continued to account for the larger share of the Group's revenue. However, as consumers and advertisers are rapidly moving away from traditional print media, our operation was faced with a shrinking business environment. During the year under review, the Group has focused in rationalising the Division to enhance its operating efficiency and accelerating the transformation into digital media. The Division's revenue for this year amounted to HK$1,197.0 million, a decrease of 24.5% against the figure of HK$1,586.1 million for the last year, which was mainly attributable to the decrease in both print advertising income and sales of newspapers.

# TAIWAN

## APPLE DAILY

## ONLINE TRAFFIC

As at 31 March 2016

**Daily Total Unique Visitors**

3,432,168

**Daily Total Views**

22,482,608

Source: Apple Daily Internal Server Log

**Apple Daily**

The vivid presentation of *Apple Daily* together with its fearless investigation and unbiased reporting of the facts caught the eyes of the public audiences and enabled the title to retain its position as the most widely read paid-for newspaper in Hong Kong.

Between January and December 2015, *Apple Daily* had an average daily readership of 1,837,000[4] people aged 12 and above, compared with 1,684,000[4] during the previous 12 months. This was approximately 724,000 more than its nearest competitor. Its daily sales between July and December 2015 averaged 149,739[6] copies, compared with 170,118[5] in the same period of 2014.

*Apple Daily*'s quality and uncompromising political stance earned continuous loyalty of its high calibre readers. About 50.2% of *Apple Daily* readers are aged 25 to 49, around 50.4% of them live in a household with a monthly income of HK$30,000 or more, and approximately 45.7% have a post-secondary or university education.

During the year under review, *Apple Daily*'s revenue amounted to HK$458.3 million, a 24.6% decrease on the previous year's figure of HK$607.7 million. Its advertising revenue for the year was HK$230.6 million, a 32.9% decrease on the previous year's total of HK$343.7 million. The main sources of its advertising revenue were from automobile, pharmaceutical items, clothing, real estate in overseas and personal items. Due to the continued contraction of sales in the newspaper, its circulation revenue decreased to HK$227.7 million, which was 13.8% lower than the previous year's figure of HK$264.0 million.

**Taiwan Apple Daily**

The outspoken and incisive reporting style of *Taiwan Apple Daily*, together with its lively and colourful format earned its dominant position amongst the newspapers in the island since its first debut in 2003 and attracted loyal readers with excellent demographic profiles.

Taiwan is no exception from other markets as consumers are switching from traditional print to digital media. In spite of this phenomenon, *Taiwan Apple Daily* maintained its market leading position as the most widely read paid-for newspapers in terms of its average daily readership of 2,601,000[7] people aged over 12 throughout 2015, compared with 2,451,000[7] in the previous year.

The unique demographic profiles of the newspaper's readers make it a priority for advertisers seeking to reach young high-income earners. About 73.5% of *Taiwan Apple Daily* readers are aged 25 to 54, around 51.7% of them live in a household with a monthly income of NT$70,000 or more, and approximately 57.5% have a post-secondary or university or higher education. The main sources of advertising revenue generated from property, automobiles, department stores, cosmetics, decoration and furnishings sectors.

*Taiwan Apple Daily*'s total revenue stood at HK$594.7 million, a decrease of 28.9% on the previous year's HK$836.0 million. Advertising revenue accounted for HK$403.9 million of this, 32.9% less than the figure of HK$601.8 million recorded for the preceding 12 months, whereas its circulation revenue accounted for HK$189.1 million, 18.6% less than the figure of HK$232.3 million a year earlier.

#### Taiwan Sharp Daily

Since its launch in October 2006, *Taiwan Sharp Daily*, the Group's free daily, has been distributed to travelers with a daily mix of news, entertainment and features at Taipei Rapid Transit's subway stations every morning from Monday to Friday with a daily average of 120,000 copies during the year. It also achieved an average readership of 149,000[7] people aged over 12 for the year of 2015.

This free daily has been proved popular with advertisers, in particularly, small local advertisers who cannot afford expensive island-wide advertising campaigns, as it offers cost-efficient access to the commuters. During the year under review, the major advertisers for *Taiwan Sharp Daily* were mainly from department stores, banking, food, restaurant and computer, communications, consumer electronics.

#### ADPL

The newspaper printing business was affected by the decrease in the print runs of the Group's newspaper publications. Nonetheless, ADPL continued to make positive contribution to the Group. It recorded a total revenue of HK$234.1 million for the year, a decrease of 2.3% on its total revenue of HK$239.7 million during the previous year. Apart from transactions related to the Group's newspaper publications, the external revenue of ADPL amounted to HK$113.9 million for the year, an increase of HK$13.0 million or 12.9% against the figure of HK$100.9 million achieved last year.

### Books and Magazines Publication and Printing Division

Due to intense competition and the shift of reading habit from print properties to free online media, the revenue for the Books and Magazines Publication and Printing Division was decreased by 34.9% to HK$471.0 million as compared to last year's figure of HK$723.2 million.

The Division recorded a segment loss of HK$425.5 million during the year under review, compared with a segment loss of HK$25.7 million, a substantial increase in loss of HK$399.8 million. This was mainly attributable to the impairment of the masthead and publishing right of *Sudden Weekly* in an amount of HK$96.9 million as a result of the cessation of its publication in August 2015, as well as the further impairment of the mastheads and publishing rights of *Next Magazine* and *Eat & Travel Weekly* amounting to HK$163.3 million and HK$20.4 million respectively after the Directors have thoroughly considered their respective recoverable amounts pursuant to the valuation on the Group's mastheads and publishing rights for the year ended 31 March 2016 and taken into account the challenging operating environment for print media, in particular, the highly competitive magazines market and the ongoing integration of the print magazine contents into the Group's digital platform in the upcoming months. In addition, the increase in such segment loss was due to the significant decrease in advertising revenue and circulation income of the Group's magazines; and the expenses including the redundancy payment, incurred for the consolidation of the Division resulting from the cessation of publication of *Sudden Weekly*, *Next+ONe* and *FACE* as well as the restructuring of *Next Magazine* in Hong Kong during the year.

In light of the success in transforming the Group's newspaper – *Apple Daily* from a print daily to a print daily integrated with digital paper reaching out a world of audiences, the Division is now following the same footprint and undergoing the transformation to integrate all its popular contents from print version to both offline and online versions to broaden its advertisers and audiences base for new business opportunities.

**Next Magazine Bundle**

In August 2015, *Next Magazine Bundle*, which originally incorporating *Next Magazine* and *Next+ONe*, (the "*Old Next Magazine Bundle*") has undergone a restructuring exercise and ceased the publication of *Next+ONe*. Following the cessation of publication of *Sudden Weekly*, in August 2015 as well, the two weekly magazines, *Eat & Travel Weekly* and *ME!*, have been bundled with *Next Magazine* as a bundle so as to enhance the appeal of *Next Magazine* at the same selling price of HK$20.0 since 13 August 2015 (the "*New Next Magazine Bundle*").

In May 2016, *ME!* has ceased its publication and *Auto Express* and *Trading Express* have been bundled with *New Next Magazine Bundle* in June 2016.

The Group's flagship weekly, *Next Magazine Bundle*, was Hong Kong's most widely read Chinese weekly magazine during the period from January to December 2015, its average weekly readership among people aged 12 and above stood at 491,000[4], an increase of 16.9%, as compared with the figure of 420,000[4] for the period from January to December 2014. Meanwhile, its weekly sales between July and December 2015 averaged 54,333 copies, compared with the average of 60,122 copies a week it sold in the same period of 2014.

*Next Magazine*'s male and female readers have high caliber profiles, which remain very attractive to advertisers. About 75.5% of them are aged between 25 and 54, more than 47.9% have a post-secondary or university education, and about 54.8% lived in a household with a monthly income in excess of HK$30,000.

Due to the very difficult market conditions, the advertising revenue of the *Old Next Magazine Bundle* for the period from April to August 2015 amounted to HK$36.7 million, whilst the advertising revenue of the *New Next Magazine Bundle* for the period from August 2015 to March 2016 was HK$70.7 million, totaling, HK$107.4 million, a decrease of 28.4% compared with the figure of HK$149.9 million for last year, whereas its total revenue was HK$149.5 million, a decrease of 23.9% on the figure of HK$196.5 million recorded in the preceding 12 months. This was mainly attributed by the significant fall in advertising revenue during the year.

**Sudden Weekly Bundle**

*Sudden Weekly Bundle*, comprising, *Sudden Weekly*, *Eat and Travel Weekly* and *ME!*, recorded a decline in advertising revenue as well as circulation. In August 2015, the Group has made a strategic decision to cease the publication of *Sudden Weekly* and bundle the two weekly magazines, *Eat & Travel Weekly* and *ME!* with *Next Magazine* as *New Next Magazine Bundle*.

During the period from April to August 2015, *Sudden Weekly Bundle*'s total revenue amounted to HK$65.5 million.

**FACE Bundle**

The *FACE Bundle*, which incorporates *FACE*, *Ketchup*, *Auto Express* and *Trading Express*, focuses on affluent, image-conscious young adult readers.

The title's total revenue decreased by 23.8% to HK$63.0 million in the year under review, compared to HK$82.7 million during the previous 12 months.

In April 2016, the Group has ceased the publication of *FACE*. *Ketchup*, *Auto Express* and *Trading Express* were sold as a bundle at a selling price at HK$10.0 since 6 April 2016. In June 2016, *Ketchup* has ceased its print version and switched its focus to digital version on the Group's portal, whilst *Auto Express* and *Trading Express* have been bundled in *New Next Magazine Bundle*.

**Taiwan Next Magazine Bundle**

*Taiwan Next Magazine*, the island's most widely read weekly, had an average weekly readership of 1,642,000[7] people aged 12 and above during 2015, compared to 1,553,000[7] the previous year, it was 367,000 ahead of the second most widely read weekly magazine. About 73.6% are in the 25 to 54 age range, 62.7% have a college or university or above education, and more than 53.4% live in a household with a monthly income of more than NT$70,000.

*Taiwan Next Magazine*'s advertising revenue amounted to HK$91.9 million during the year ended 31 March 2016, a decrease of 19.9% on the figure of HK$114.7 million for the previous 12 months. Its total revenue recorded a drop of HK$30.5 million or 20.4% to HK$119.0 million for the year, compared to HK$149.5 million for the last year.

**Commercial Printing**

Apart from complementing the printing working of the Group's magazines, Next Digital's commercial printing business is facing keen competition from an increasing number of rival companies in the Mainland China and elsewhere around the world. Its operations for the year was also adversely affected by economic conditions in many parts of the world, which led to a dearth of new business and existing clients became increasingly price sensitive.

The total revenue of the commercial printing business for the year ended 31 March 2016 amounted to HK$130.7 million, which was 20.9% less than its revenue of HK$165.2 million during the previous year. Of which, revenue from external customers amounted to HK$73.1 million, a decrease of 3.4% on the preceding year's figure of HK$75.7 million. This was mainly attributable to the cessation of publication and/or decrease in print runs of the Group's magazines as well as the decrease in external printing orders.

## PROSPECTS AND OUTLOOK

The Group is very conscious of the changing landscape of the media industry. It will continue to rationalise and streamline its print operations, while focus its efforts on capturing the digital opportunities.

The digital business world is rapidly evolving, intensely competitive and is subject to changing technologies, shifting readers' preferences and frequent introductions of new products and services. It is crucial that we have the ability to rapidly deliver innovative products and services to meet the changing demands of our readers in order to compete successfully. We will continue to focus on delivering more targeted advertising with digital media, supported by sound information technology infrastructure, and more innovative and entertaining features for our readers and reach out to a wider global audience.

*Sources:*

1. *Apple Daily Internal Server Log*
2. *ComScore – March 2016*
3. *Socialbakers – February 2016*
4. *The 2015 Nielsen Media Index: Hong Kong Report (January – December 2015)*
5. *Hong Kong Audit Bureau of Circulations Ltd. (July – December 2014)*
6. *Hong Kong Audit Bureau of Circulations Ltd. (July – December 2015)*
7. *Media Index (January – December 2015), Nielsen Media Research, Taiwan*

# FINANCIAL REVIEW

## Consolidated Financial Results

### Revenue

Next Digital's total revenue amounted to HK$2,327.7 million during the year ended 31 March 2016, a decrease of 21.3% or HK$629.2 million on the figure of HK$2,956.9 million recorded in the last year.

The Group earned most of its revenue from Hong Kong, of which, its operations accounted for HK$1,387.7 million or 59.6% of its total revenue during the year. That was followed by Taiwan, which accounted for 38.6%. Taiwan's contribution decreased by 24.6% from HK$1,193.7 million recorded in the last year to HK$899.5 million for the year under review.

During the year under review, the Digital Businesses Division generated revenue amounting to HK$659.7 million, representing an increase of HK$12.1 million or 1.9% against the figure of HK$647.6 million for the previous year.

Newspapers Publication and Printing Division continued to account for the larger share of the Group's revenue. It generated HK$1,197.0 million or 51.4% of the Group's total revenue, a decline of HK$389.1 million or 24.5% on the figure of HK$1,586.1 million for the last year.

The Books and Magazines Publication and Printing Division's revenue accounted for HK$471.0 million or 20.2% of the Group's total revenue, a substantial decrease of 34.9% on the figure of HK$723.2 million in 2014/15.

### EBITDA and Segment Results

The Group's earnings before interest, taxes, depreciation, amortisation ("EBITDA") and impairments for the year ended 31 March 2016 amounted to HK$62.3 million. This was HK$282.8 million or 81.9% substantially less than the figure of HK$345.1 million in the previous year.

The Group made a segment loss of HK$366.3 million during the year under review, compared with a segment profit of HK$228.1 million in the previous year, representing a significant decrease of 260.6% or HK$594.4 million.

The Digital Businesses Division recorded a segment profit of HK$35.2 million, compared with a segment profit of HK$37.4 million during the previous year, representing 5.9% lower than the last year's figure.

The segment profit of the Newspapers Publication and Printing Division amounted to HK$24.0 million, a significant decrease of 88.9%, compared to the previous year's figure of HK$216.4 million.

The Books and Magazines Publication and Printing Division recorded a segment loss of HK$425.5 million, an increase of 1,555.6% in loss compared with the segment loss of HK$25.7 million for the preceding 12 months.

**Operating Expenses**

The Group's expenses amounted to HK$2,682.8 million during the year under review. This was HK$57.5 million or 2.1% lower than the previous year's figure of HK$2,740.3 million. Essential production costs accounted for HK$786.3 million or 29.3% of its operating expenses during the year. Personnel costs accounted for HK$1,313.8 million or 49.0%, a decrease of HK$86.4 million or 6.2% on the previous year's figure of HK$1,400.2 million. Such decrease was mainly due to the reduction in headcounts resulting from the closure of certain business units and downsizing of the print media operations in Hong Kong during the year.

Included in the above personnel costs, there was an expense amounting to HK$29.9 million incurred for restructuring and downsizing of the Group's operations, in particularly, the Books and Magazines Publication and Printing Division resulting from the cessation of publication of *Sudden Weekly*, *Next+ONe* and *FACE* in Hong Kong during the year under review.

**Taxation**

The income tax credit on the Group during 2015/16 amounted to HK$30.8 million, compared with the previous year's income tax expense of HK$48.0 million.

## FINANCIAL POSITION

### Current Assets and Current Liabilities

As at 31 March 2016, the Group's current assets amounted to HK$1,116.6 million, a decrease of 10.9% on the figure of HK$1,252.5 million 12 months earlier. The Group's current liabilities on the same date were HK$665.9 million, 3.3% higher than the figure of HK$644.8 million during the preceding 12 months. The aggregate total of the Group's bank balances and cash, including restricted bank balances, was HK$458.8 million, as at 31 March 2016. The current ratio on the same date was 167.7%, which was 13.7% lower than the figure of 194.3% a year earlier.

### Trade Receivables

The Group's trade receivables amounted to HK$427.3 million as at 31 March 2016, a decrease of 18.2% on the figure of HK$522.4 million 12 months earlier. As at 31 March 2016, the average revenue days for the Group's trade receivables was 74.7 days, compared to 64.5 days on the same date of the previous year.

### Trade Payables

As at 31 March 2016, the Group's trade payables amounted to HK$68.8 million. This was 15.7% lower than the figure of HK$81.6 million on the same date of the previous year. The average revenue days for the Group's trade payables was 66.0 days, compared to 51.9 days on the same date of the previous year.

## Long-term and Short-term Borrowings

As at 31 March 2016, the Group's long-term borrowings, including current portions, stood at HK$298.9 million. This represented a decrease of 22.5% on the figure of HK$385.8 million on the same date of the previous year. As at 31 March 2016, the current portion of the Group's long-term borrowings amounted to HK$76.3 million, a decrease of 2.8% on the figure of HK$78.5 million 12 months earlier.

## Borrowings and Gearing

The Group's primary source of financing for its operations during 2015/16 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 2016, the Group's available banking facilities amounting to a total of HK$405.2 million, of which HK$304.7 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 NT$. As at 31 March 2016, the Group's total bank balances, including restricted bank balances and cash on hand, amounted to HK$458.8 million. Its gearing ratio on the same date was 9.1%, compared to 10.1% a year earlier. The Group's gearing ratio is calculated by dividing long-term borrowings, including current portions, by total assets value.

On 12 November 2015, ADPDL Taiwan Branch has obtained a revolving credit facility in an aggregate amount of NT$400.0 million (equivalent to HK$96.4 million) from Taichung Commercial Bank Co., Ltd. by pledging certain printing plants in Taiwan as securities for general working capital purpose.

## Share Capital Structure

Since the commencement of the CO on 3 March 2014, the Company's Shares have no par value. As at 31 March 2016, the Company's total amount of issued and fully paid share capital was HK$2,435.0 million and the total number of issued shares with no par value was 2,431,316,881 Shares.

## Cash Flow

The Group's net cash inflow from operating activities during the year ended 31 March 2016 amounted to HK$158.1 million, compared with a net cash inflow from operating activities of HK$284.4 million the previous year.

The outflow of investment-related cash during 2015/16 was in a total of HK$46.3 million, compared to the outflow of investment–related activities of HK$45.0 million recorded during the previous year.

The Group's net cash outflow for financing activities during the year amounted to HK$140.1 million, compared to the preceding year's net cash outflow figure of HK$471.0 million. During the year, the Group has repaid bank borrowings in a total of HK$76.3 million.

## Exchange Rate Exposure and Capital Expenditure

The Group's assets and liabilities are mainly denominated in HK$ and NT$. It continues to face exchange rate exposure, due to its newspapers and magazines publishing and digital businesses operations in Taiwan. It aims to reduce this exposure by arranging bank loans in NT$, as and when appropriate.

As at 31 March 2016, the Group's net currency exposure stood at NT$4,252.4 million (the equivalent of HK$1,024.7 million) an increase of 8.6% on the figure of NT$3,915.7 million (the equivalent of HK$970.2 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 2015/16 was in total of HK$49.1 million. It has committed to further capital expenditure of HK$7.4 million for its continuing operations.

## Pledge of Assets

As at 31 March 2016, Next Digital had pledged certain elements of the Group's Taiwan property portfolio to Taiwan banks as securities for bank loans granted to its operations in Taiwan. The aggregate carrying value of these assets was HK$576.4 million.

## Contingent Liabilities and Guarantees

**(a) Pending litigations**

During the year under review, Next Digital 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, a controlling shareholder of the Company, in the High Court during 2007.

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

Further, pursuant to the orders issued by the High Court on 28 April 2016 and 3 May 2016 respectively, the arbitration proceedings between UDL as applicant and ADPL as respondent has been wholly dismissed with no order as to costs and the High Court action between UDL as plaintiff and ADPL as 1st defendant and Mr. Lai as 2nd defendant has been discontinued with no order as to costs.

In July 2010, BaWang International (Group) Holding Limited (as 1st Plaintiff) and BaWang (Guangzhou) Company Limited (as 2nd Plaintiff) (collectively referred as the "Plaintiffs") issued a writ against Next Magazine Publishing Limited in respect of an article published in the weekly magazine, *Next Magazine*, alleging, amongst other things, that certain parts of such article were defamatory and/or amounted to a malicious falsehood. Next Magazine Publishing Limited filed a Defence to such claim in January 2011. Trial commenced on 2 March 2015 and concluded on 29 August 2015. The judgment (the "Judgment") made by the High Court has been handed down on 23 May 2016. The High Court has found in favour of the Plaintiffs on certain grounds but has dismissed the Plaintiffs' claim in malicious falsehood and in conclusion has ordered, amongst other matters, Next Magazine Publishing Limited to pay a total of approximately HK$3.0 million in damages and 80.0% of the Plaintiffs' legal costs. The Board, upon receipt of further legal advice, will consider filing an appeal to the High Court in respect of liability and/or quantum of damages, within 28 days from the 23 May 2016, the date on which the Judgment has been handed down. Having taken into account the amount of damages being ordered to pay, the Board considered that the Judgment will not have any material adverse impact on the Group's ordinary operations and financial position.

The Group has accrued for HK$123.6 million (31 March 2015: HK$105.8 million) in legal expenses under provisions. This provision was recognised in respect of the outstanding legal proceedings based on advice from legal counsel.

**(b) Contingent liabilities arising from the acquisition of Database Gateway Limited**

In connection with the acquisition of Database Gateway Limited and its subsidiaries (the "Acquired Group") acquired from Mr. Lai on 26 October 2001, the Group may subject to contingent liabilities including 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 or 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.

Mr. Lai, a controlling shareholder of the Company, has undertaken to provide unlimited personal indemnities to the Acquired Group against all contingent liabilities (the "Indemnity"). In relation to the Indemnity, Mr. Lai has also procured a bank guarantee of HK$60.0 million for a term of three years up to 25 October 2016 in favour of the Company and the Acquired Group in respect of his obligations under the Indemnity.

The Directors are of the opinion that, in view of the bank guarantee procured by Mr. Lai in favour of Next Digital and the Acquired Group, it is unlikely that the Group would incur any liability if UDL were to pursue its various claims to their ultimate conclusion. It is therefore their opinion that outstanding claims brought by UDL would not have any adverse material impact on the Group's financial position.

**(c) Guarantees**

Next Digital 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 2016, these contingent liabilities amounted to HK$405.2 million (31 March 2015: HK$395.8 million), HK$304.7 million (31 March 2015: HK$391.6 million) of which has been utilised by certain of its subsidiaries.

### Intangible Assets

In accordance with current accounting standards, particularly, HKAS 38 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 2016, based on the value-in-use approach.

According to the valuation report, the value of the Group's mastheads and publishing rights was HK$1,044.0 million as at 31 March 2016 (31 March 2015: HK$2,830.3 million) against the corresponding carrying value of HK$1,020.3 million as at 31 March 2016 (31 March 2015: HK$1,300.9 million). Therefore, a revaluation surplus of HK$23.7 million arose on a Group basis as at 31 March 2016 (31 March 2015: HK$1,529.4 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.

During the year under review, *Sudden Weekly* has ceased its publication in August 2015. The Directors considered that no future economic benefits were expected to be generated by the mastheads of *Sudden Weekly* with carrying value in an amount of HK$96.9 million, such amount has been fully impaired.

In addition, the Directors have further reviewed the recoverable amounts of the Group's other mastheads and publishing rights prudently and considered that an impairment loss of the mastheads and publishing rights of *Next Magazine* and *Eat & Travel Weekly* in a total of HK$183.7 million should be made for the year after taking into account the said valuation; the slack business environment, in particular, for print magazines market and the transformation of its magazines publication from print to both print and digital versions in the upcoming months.

The impairment of the aforesaid mastheads and publishing rights were non-cash items and did not have any impact on the cashflow position of the Group for the year ended 31 March 2016.

## DIVIDEND

The Directors have resolved not to recommend the payment of a final dividend for the year (2014/15: HK2.0 cents per Share).

## BOOK CLOSURE PERIOD

The Register of Members of the Company will be closed from Tuesday, 26 July 2016 to Friday, 29 July 2016, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2016 AGM of the Company scheduled to be held on Friday, 29 July 2016 at 3:00 p.m., all transfers of Shares accompanied by relevant Share certificates must be lodged with the Company's share registrar, Computershare, 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 Monday, 25 July 2016.

## FORWARD-LOOKING STATEMENTS

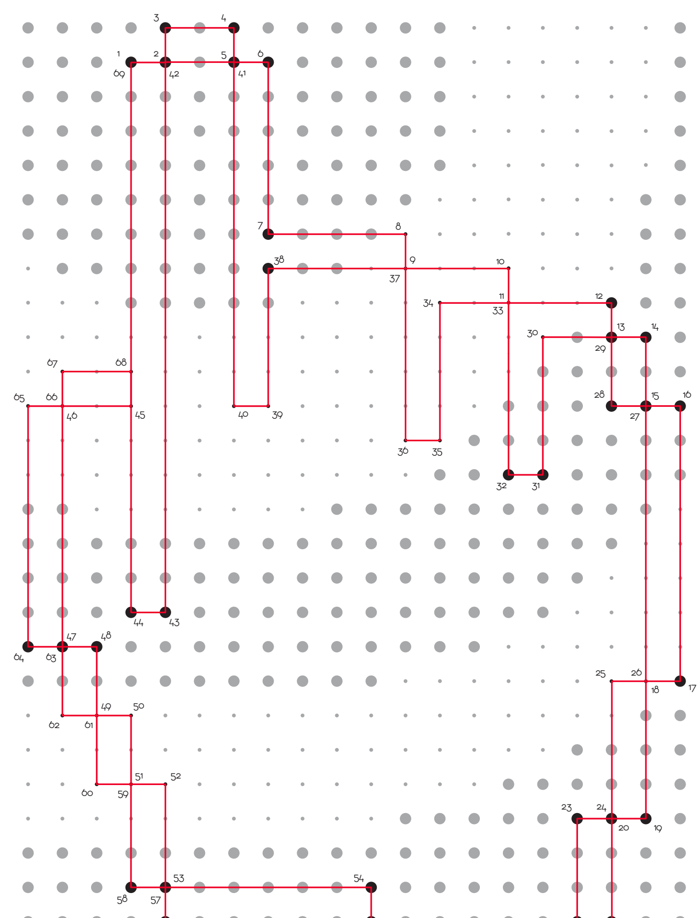
This annual report contains several statements that are "forward-looking", or which use various "forward-looking" terminologies. Such statements are based on the current beliefs, assumptions, expectations and projections of the Directors regarding the industry and markets in which the Group is active.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

# ACHIEVING

A

# HIGH

# ONLINE TRAFFIC



# CORPORATE GOVERNANCE

**NEXT DIGITAL IS COMMITTED TO MAINTAINING HIGH STANDARDS OF CORPORATE GOVERNANCE. WE STRONGLY BELIEVE THAT SOUND AND EFFECTIVE CORPORATE GOVERNANCE PRACTICES – WILL ENSURE THE COMPANY'S LONG-TERM SUCCESS, AND ULTIMATELY ENHANCE OUR SHAREHOLDER VALUE.**

This report describes the corporate governance practices and structure that are in place at Next Digital, 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 therefrom; 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 Code throughout the year ended 31 March 2016, except for Code provisions A.2.1, A.2.7, A.6.7 and E.1.2.

Due to other business engagements, Mr. Fok Kwong Hang, Terry; Mr. Wong Chi Hong, Frank; Dr. Lee Ka Yam, Danny and Dr. Bradley Jay Hamm, all being INEDs, did not attend the 2015 AGM. Instead, Mr. Cheung Ka Sing, Cassian ("Mr. Cheung"), the then Interim Chairman, an Executive Director and Chief Executive Officer, chaired the 2015 AGM in accordance with the provisions of Next Digital's Articles of Association. Also, during the year under review, the then Interim Chairman, Mr. Cheung, did not hold any meetings with the INEDs of the Company pursuant to Code provision A.2.7.

## BOARD OF DIRECTORS

As of 31 March 2016, it consisted of seven members, of whom three were EDs and four were INEDs. Next Digital 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. Following the resignation of Mr. Ting Ka Yu, Stephen as an ED of the Company on 1 January 2016, Mr. Chow Tat Kuen, Royston has been appointed as an ED of the Company on the same date.

The Board's primary role is to promote the Group's success and deliver sustainable long-term value to our 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 within the context of directions as to the management's powers and authorities. The management should report back and obtain prior approval from the Board before any decisions or commitments to be made. The Board also periodically reviews the authorities delegated to the management, to ensure that these remain appropriate.

## Strategic Direction

Next Digital is an innovative multi-media organisation 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 multi-media industry.

Next Digital 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 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 the Internet and mobile communication, and we will deliver content that reflects our commitments 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. The Board has established a corporate governance policy that sets out the Company's basic approach to corporate governance which has been revised on 9 March 2016 in consequential to the amendments made to the terms of reference of the Audit Committee on the same date and further revised on 8 June 2016 due to the change in composition of the Board, details of which can be found on the Company's website.

## Corporate Disclosure Policy

The Company is committed to promoting consistent disclosure practices aiming at timely, accurate, complete, and broadly disseminated disclosure of inside information about the Group to the public in compliance with the continuous disclosure obligations under the Listing Rules and the SFO. The Board has established a corporate disclosure policy on 21 September 2015, which applies to all employees and management of the Group and the Company's Directors, setting out the framework for the release and control of inside information to ensure that the Company is able to meet with the statutory and regulatory requirements from time to time. Such policy has been revised on 8 June 2016 due to the change in composition of the Board, details of which can be found on the Company's website.

## Board Diversity Policy

Next Digital continuously seeks to enhance the effectiveness of its Board and recognises and embraces the benefits of having a diverse Board as an essential element in maintaining competitiveness. On 28 August 2013, the Board adopted a policy that sets out the Company's approach to achieving the Board's diversity. The selection of candidates for the Board will be based on a range of diversity perspectives, including, but not limited to, gender, age, cultural and educational background, professional experience, skills, knowledge and other qualifications. The Company will also take into account factors relating to its own business model and specific needs from time to time. The Board may seek to improve one or more aspects of its diversity at any given time, and measure its progress accordingly. Further details of this policy can be found on the Company's website.

## Board Composition

As of 31 March 2016, the Board's three EDs were Mr. Cassian Cheung (Interim Chairman and CEO); Mr. Chow Tat Kuen, Royston (CFO); and Mr. Ip Yut Kin ("Mr. Ip"). Its four INEDs were Mr. Fok Kwong Hang, Terry; Mr. Wong Chi Hong, Frank; Dr. Lee Ka Yam, Danny and Dr. Bradley Jay Hamm.

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 an interactive 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 Digital's website at http://www.nextdigital.com.hk.

## 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. Cassian Cheung, 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.

Following the resignation of Mr. Lai as the Chairman of the Board on 12 December 2014, Mr. Cassian Cheung has taken up the position of the Interim Chairman as an interim arrangement in filling up the vacancy since then. The Board considered that the appointment of Mr. Cassian Cheung as the Interim Chairman would not impact the balance of power and authority between the Board and the senior management as clear guidelines have been set out for their respective powers and authorities. The Board, which comprises experienced and high-calibre individuals, also meets regularly to discuss issues and oversee the Group's operations. The management team, which consists of EDs and members of senior management, is responsible for implementing the Group's strategic directions, setting its objectives, monitoring the performance of its operating units and ensuring effective risk-management controls.

On 8 June 2016, Mr. Ip has been re-designated as a NED of the Company and appointed as the Non-executive Chairman of the Group. Mr. Cassian Cheung has relinquished the position of Interim Chairman of the Group on the same date.

## Appointment, Re-election and Removal of Directors

Articles 84 and 85 of the Articles of Association require 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 2016, Mr. Cassian Cheung; Mr. Wong Chi Hong, Frank and Dr. Bradley Jay Hamm, retired and were re-elected as Directors at the 2015 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 NEDs (including the INEDs) has entered into a service contract with any member of the Group. They have been appointed as NEDs 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, by letters of appointment, which stipulate their functions and duties as NEDs of the Company including those as specified in the CG Code. The terms of appointment of the respective NEDs are as follows:

| Name | Term of Appointment |
|---|---|
| NED: | |
| Ip Yut Kin | 08.06.2016 to 07.06.2018 |
| INEDs: | |
| Fok Kwong Hang, Terry | 01.04.2015 to 31.03.2017 |
| Wong Chi Hong, Frank | 30.01.2015 to 29.01.2017 |
| Lee Ka Yam, Danny | 09.03.2015 to 08.03.2017 |
| Bradley Jay Hamm | 01.03.2015 to 28.02.2017 |

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 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 the Directors adequate time to plan their schedules in advance.

The Board's proceedings are well defined, and they follow requirements and applicable recommended best practices under the CG Code. The draft agendas for regular Board meetings are prepared by the Company Secretary and approved by the Non-executive Chairman/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 finalised, the Company Secretary issues the notice of the Board meeting with a notice period of at least 14 days, and sends to all Directors the Board papers containing supporting analysis and related information at least 3 working days before the Board meetings. During each regular Board meeting, the Non-executive Chairman/CEO encourages all Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interest of the Company. Directors are encouraged to discuss the matters and express different views at the Board meetings to ensure that the Board's decisions fairly reflect the consensus of all Directors. The EDs also report to the Board on their respective business areas, including their operations, progress of projects and financial performance, as well as 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, including any concerns raised by the Directors or dissenting views expressed. 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/Committee meetings and the record of attendance of its members during the year:

| | Numbers of Meetings Attended/Held | | | | | |
|---|---|---|---|---|---|---|
| | **Board Meetings** | **Audit Committee Meetings** | **Remuneration Committee Meetings** | **Nomination Committee Meetings** | **Annual General Meeting (Note 2)** | **Extraordinary General Meetings** |
| **EDs** | | | | | | |
| Cheung Ka Sing, Cassian (Interim Chairman and CEO) (Note 3) | 4/4 (100%) | N/A | 1/4 (25%) | 1/2 (50%) | 1/1 (100%) | 2/2 (100%) |
| Ip Yut Kin (Note 4) | 4/4 (100%) | N/A | N/A | N/A | 0/1 (0%) | 0/2 (0%) |
| Chow Tat Kuen, Royston (CFO) (Note 5) | 1/4 (25%) | N/A | N/A | N/A | N/A | N/A |
| Ting Ka Yu, Stephen (Ex-COO and Ex-CFO) (Note 6) | 3/4 (75%) | N/A | 2/4 (50%) | N/A | 1/1 (100%) | 2/2 (100%) |
| **INEDs** | | | | | | |
| Fok Kwong Hang, Terry | 4/4 (100%) | 3/3 (100%) | 4/4 (100%) | 2/2 (100%) | 0/1 (0%) | 0/2 (0%) |
| Wong Chi Hong, Frank | 4/4 (100%) | 3/3 (100%) | N/A | 2/2 (100%) | 0/1 (0%) | 0/2 (0%) |
| Lee Ka Yam, Danny | 4/4 (100%) | 3/3 (100%) | 4/4 (100%) | N/A | 0/1 (0%) | 0/2 (0%) |
| Bradley Jay Hamm | 4/4 (100%) | N/A | N/A | 2/2 (100%) | 0/1 (0%) | 0/2 (0%) |
| **Dates of Meetings** | 15.06.2015<br>21.09.2015<br>16.11.2015<br>09.03.2016 | 12.06.2015<br>13.11.2015<br>09.03.2016 | 28.04.2015<br>21.09.2015<br>16.11.2015<br>21.01.2016 | 21.09.2015<br>21.01.2016 | 31.07.2015 | 31.07.2015<br>05.10.2015 |

***Notes:***

1. *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 of the Company. 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.*

2. *The Company's external auditor attended the 2015 AGM to answer questions from the Shareholders.*

3. *Mr. Cheung has been appointed as a member of the Remuneration Committee with effect from 1 January 2016. He has relinquished the position of Interim Chairman on 8 June 2016.*

4. *Mr. Ip has been re-designated as a NED of the Company and appointed as the Non-executive Chairman of the Group on 8 June 2016.*

5. *Mr. Chow has been appointed as an ED of the Company and CFO of the Group with effect from 1 January 2016.*

6. *Mr. Ting resigned as an ED of the Company, COO and CFO of the Group and a member of the Remuneration Committee with effect from 1 January 2016.*

## 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 Company'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 The Hong Kong Society of Accountants (currently known as the HKICPA).

The Company has 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.

As at 31 March 2016, 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 risk management and internal control systems. 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, which have been revised on 9 March 2016 pursuant to the requirements under the Listing Rules and the CG Code, are posted on Next Digital's website at http://www.nextdigital.com.hk and the Stock Exchange's website.

**(iii) Audit Committee's Activities**

During the year under review, all the members of the Audit Committee attended its three meetings. The meetings held on 12 June 2015, 13 November 2015 and 9 March 2016.

The Audit Committee has considered and/or endorsed at the meetings held during the year the following matters before they were submitted to the Board, where appropriate, for its consideration:

- The Group's audited consolidated financial statements for the year ended 31 March 2015;
- The continuing connected transactions of the Group for the year ended 31 March 2015;
- The internal control review report for the year ended 31 March 2015;
- Valuation of mastheads and publishing rights of the Group for the year ended 31 March 2015;
- The valuation reports in respect of the share options granted under the respective share option schemes of the Company, nxTomo Games and nxTomo and the shares award, being 30,000 shares of the Company, made to Dr. Bradley Jay Hamm during the year ended 31 March 2015;
- The internal control review report of the Group for the year ended 31 March 2015 and the internal control review progress report (November 2015) prepared by RSM;
- The Group's unaudited interim financial statements for the six months ended 30 September 2015;
- The internal audit service proposals for FY2016/17 to FY2018/19; and
- The revised terms of reference of the Audit Committee and the CG Policy of the Company.

Mr. Chow Tat Kuen, Royston, 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 RSM, the Audit Committee also reviewed the adequacy and effectiveness of Next Digital'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.

As at 31 March 2016, 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. Cassian Cheung (ED). Following the resignation of Mr. Ting Ka Yu, Stephen as a member of the Remuneration Committee on 1 January 2016, Mr. Cassian Cheung has been appointed as a member of the Remuneration Committee in his place on the same date. 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 http://www.nextdigital.com.hk and the Stock Exchange's website.

The Remuneration Committee is also responsible for ensuring that no Director or 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 the 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 held four meetings on 28 April 2015, 21 September 2015, 16 November 2015 and 21 January 2016 respectively. The Remuneration Committee has considered and endorsed the following matters at the meetings held during the year and/or by way of written resolutions:-

- The proposal for incentive payments to senior executives as an one-off discretionary bonus in respect of their contribution to the Group for the year ended 31 March 2015;

- The proposal in relation to separation payment to Mr. Ting Ka Yu, Stephen in respect of his resignation as an ED of the Company as well as COO and CFO with effect from 1 January 2016;

- The proposal for salary increment for Mr. Chow Tat Kuen, Royston in respect of his appointment as an ED of the Company as well as CFO with effect from 1 January 2016;

- The renewal of service contract of Mr. Cassian Cheung for the employment as CEO with effect from 1 February 2016 and further adjustment to the remuneration package of Mr. Chow Tat Kuen, Royston with effect from 1 January 2016; and

- The fees of the Directors for the year ended 31 March 2016 and the proposal for the FY2016/17 salary review of the Group.

## 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 2016, the Nomination Committee consisted of four members with a majority of INEDs, namely, Mr. Wong Chi Hong, Frank; Mr. Fok Kwong Hang, Terry; Dr. Bradley Jay Hamm; and Mr. Cassian Cheung (ED). 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. Following the adoption of the Board Diversity Policy by the Company in August 2013, the terms of reference of the Nomination Committee were amended correspondingly. Full details of the Nomination Committee and its terms of reference can be found at http://www.nextdigital.com.hk and the Stock Exchange's website.

**(iii) Nomination Committee's Activities**

During the year, the Nomination Committee held two meetings on 21 September 2015 and 21 January 2016 respectively to consider and endorse/approve the following matters:-

- The resignation of Mr. Ting Ka Yu, Stephen as an ED of the Company as well as COO and CFO and the nomination of Mr. Chow Tat Kuen, Royston as an ED of the Company and CFO all with effect from 1 January 2016; and

- The renewal of service contract of Mr. Cassian Cheung as CEO for a term of two years with effect from 1 February 2016.

The Nomination Committee also assessed the independence of INEDs in respect of the year ended 31 March 2016, and opined that all four INEDs of the Company 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 Sub-committee consisting of the financial heads of all the major business units, the Company Secretary 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.

### Time Commitment

In order to ensure that every Director could give sufficient time and attention to the Company's affairs, each Board member is required to make a disclosure to Next Digital 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. Cassian Cheung, none of the Directors held any directorships or offices in any other public companies or organisations. 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 Digital 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 in its securities by a company's directors. The Company adopted the revised version with effect from 1 April 2009, by means of a written resolution unanimously approved by the members of the Board.

The Model Code requires the Directors to notify Mr. Ip, the Non-executive Chairman of the Group, and receive a dated written acknowledgement from him, before they deal in the Company's securities and derivatives. Mr. Ip is required to notify Mr. Cassian Cheung (CEO), and receive a dated written acknowledgement from him, before he deals in any securities and derivatives of Next Digital until otherwise resolved.

Following specific enquiries by the Company, all the current Directors and the ex-Director have confirmed that they fully complied with the required standards of the Model Code during the year ended 31 March 2016.

Specific officers and employees of the Company who, because of their offices, are likely to be in possession of unpublished inside information pertaining to Next Digital 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. At the 2015 AGM and the two EGMs held on 31 July 2015 and 5 October 2015 respectively, 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 the relevant circulars 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, the Company's share registrar, was appointed as the scrutiniser for the voting by poll at the 2015 AGM and the two EGMs as mentioned above. The poll results were announced and posted on both the websites of the Stock Exchange and the Company immediately after the respective general meetings.

## 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. As and when necessary, the Company also arranges seminar sessions for all the Directors at the Company's cost. Conducted by qualified professionals, these particularly relate to the roles, functions and duties of listed company directors, 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 concerning the applicable laws, rules and regulations.

The Company has kept records of such training, which were provided by each current Director/ex-Director, for the year ended 31 March 2016. These were as follows:

| | Corporate Governance/Updates on Laws, Rules and Regulations | |
|---|---|---|
| | **Reading materials** | **Attending seminars** |
| **EDs** | | |
| Cheung Ka Sing, Cassian (Interim Chairman and CEO) | ✔ | ✔ |
| Ip Yut Kin | ✔ | X |
| Chow Tat Kuen, Royston (CFO) | ✔ | X |
| Ting Ka Yu, Stephen (Ex-COO and Ex-CFO) | ✔ | X |
| **INEDs** | | |
| Fok Kwong Hang, Terry | ✔ | X |
| Wong Chi Hong, Frank | ✔ | X |
| Lee Ka Yam, Danny | ✔ | X |
| Bradley Jay Hamm | ✔ | X |

### Company Secretary

Ms. Wong Shuk Ha, Cat, an employee of the Group, was appointed as the Company Secretary with effect from 30 July 2004. Her primary responsibilities are to ensure the effective conduct of Board/Committee meetings and general meetings pursuant to the Group's policies and procedures; preparing and keeping records of minutes; and advising the Board on compliance under the applicable laws, rules and regulations in a way that keeps abreast of the Group's operations and ensures its adherence to the CG Code.

The appointment and removal of the Company Secretary is subject to the Board's approval at a physical meeting in accordance with the Company's Articles of Association.

During the year under review, Ms. Wong received 15 CPD hours of relevant training about areas relating to company secretarial, legal and corporate governance.

### Independent and Professional Advice

The Directors and Board committee 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 Digital's operations. If the need arises, Directors and members of Board committees may also seek independent professional advice about the performance of their duties at the Company's expense and in accordance with the Procedures for Directors to Seek Independent Professional Advice, which 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 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 Group's quantified operational performance and in exercising relevant judgment.

## MONTHLY FINANCIAL UPDATES TO DIRECTORS

The Directors are provided with monthly financial updates in details by the management in order to enabling them to assess the performance, positions and prospects of the Group and to discharge their duties under the Rule 3.08 and Chapter 13 of the Listing Rules.

## AUDIT, CONTROL AND RISK MANAGEMENT

### External Auditor

Deloitte has been the Company's external auditor for twelve consecutive years since 2004. For the year ended 31 March 2016, the total fees paid and payable to the external auditor for non-audit-related services amounted to HK$1,311,000. This sum included HK$474,000 for taxation services and HK$837,000 for a review of the Group's interim results for the six months ended 30 September 2015.

### Internal Controls

Since 1 April 2006, the Board has engaged professional firms to conduct assessments and evaluations of entity-level controls within Next Digital, with reference to the COSO (The Committee of Sponsoring Organisations) framework covering control environment, risk assessment, control activities, information and communication and monitoring. During the year ended 31 March 2016, the Board engaged RSM to conduct a review of controls over Next Digital'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. Its findings and recommendations concerning improvements to controls have been reported to the Audit Committee and the Board.

Based on the work performed during the year under review, RSM confirmed that there were no significant or material deficiencies that came to its attention during the course of internal controls and risk management systems review.

## COMMUNICATIONS WITH SHAREHOLDERS

### AGM

Next Digital has always endeavoured to maintain amicable and open relationships with its Shareholders. The Company's AGM provides a forum at which the 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 its 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, inside 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 there.

As a multimedia company, Next Digital 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 http://www.nextdigital.com.hk.

Shareholders and interested members of the public are welcome to communicate directly with Next Digital 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@nextdigital.com.hk.

The Board has also 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 has been posted on Next Digital's website at http://www.nextdigital.com.hk. It contains the following information:

(i) Procedures for proposing a resolution at an AGM;

(ii) Procedures for election of Directors; and

(iii) 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 Digital 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.

# ENVIRONMENTAL SOCIAL COMMITMENTS

# GROUP COMMITMENTS

## STRENGTHENING INVESTOR RELATIONS

As a leading multimedia company in Hong Kong and Taiwan, Next Digital constantly strives to strengthen its relationships with its investors. We believe that open, transparent and timely communication with them is one of our ongoing missions, and that it is crucial 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.nextdigital.com.hk. 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 Shareholder 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 at ir@nextdigital.com.hk, or by post to our Company Secretary at Next Digital's registered office. We aim to reply directly to all written communications within seven days.

## EMPLOYEE WELLBEING

### Equal Opportunities, Fair Rewards

Next Digital 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 to the Group.

In addition, we encourage our employees to increase their professional and personal capabilities and advancement in their careers by providing them with opportunities for professional growth and personal development, such as, we make special educational subsidies available to those who wish to obtain further career-related qualifications.

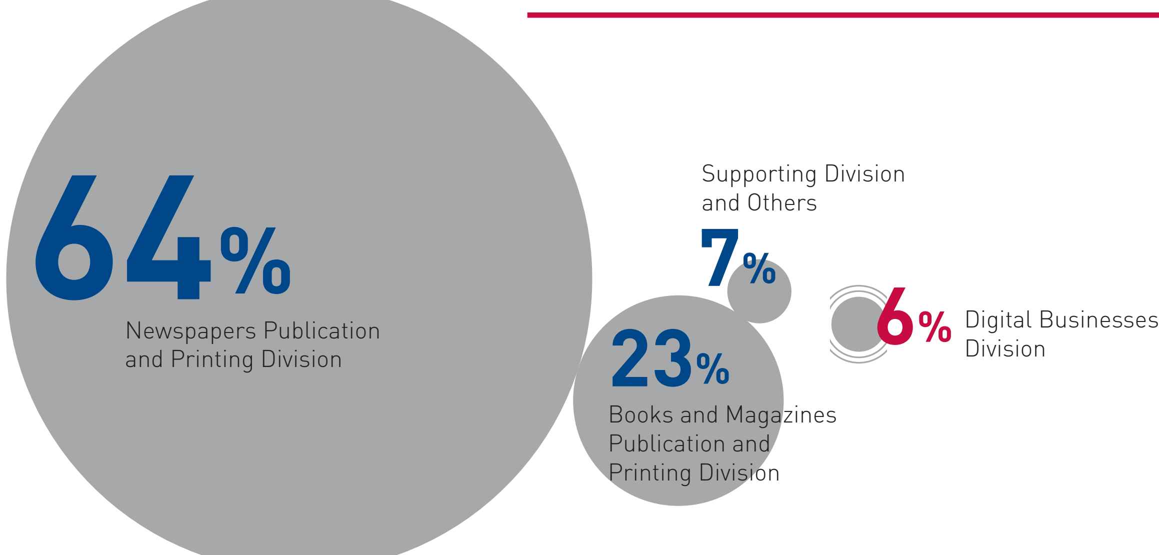
The Group offers a comprehensive range of employee benefits, including insurance and medical coverage and maternity and paternity benefits, as well as retirement and mandatory provident fund schemes. To motivate members of our senior and middle management to generate extra value for our Shareholders,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

As of 31 March 2016, Next Digital employed a total of 3,527 people in Hong Kong, Taiwan, Canada and USA (2015: 3,922). The decrease of 395 people on the previous year's headcounts was mainly attributable to cessation of publication of certain magazines and downsizing of the printing operations in Hong Kong.

During the year under review, Next Digital's staff-related costs, including retirement benefits, totalled HK$1,313.8 million, a decrease of 6.2% on the previous year's figure of HK$1,400.2 million. This was mainly due to the decrease in headcounts during the year.

## Headcount Report as at 31 March 2016

| Division | % | Hong Kong | Taiwan | Canada | USA | Total |
|---|---|---|---|---|---|---|
| Digital Businesses Division | 6% | 200 | – | – | 2 | 202 |
| Newspapers Publication and Printing Division | 64% | 895 | 1,365 | – | – | 2,260 |
| Books and Magazines Publication and Printing Division | 23% | 538 | 286 | 6 | – | 830 |
| Supporting Division and Others | 7% | 216 | 19 | – | – | 235 |
| Total: | 100% | 1,849 | 1,670 | 6 | 2 | 3,527 |



### Fostering Work-Life Balance

At Next Digital, 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. Our Hong Kong head office provides a wide range of leisure facilities, including a cafeteria, open-air BBQ area, and superbly equipped fitness centre with a swimming pool and multi-function athletics court.

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

- A Christmas party;
- Weekly yoga classes;
- Mooncakes and cash coupons for staff to celebrate the Mid-Autumn Festival; and
- An annual dinner.

Next Digital 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. These 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 Digital an enviable reputation as a preferred employer in the multi-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 Digital's roles. Striving to be a good corporate citizen that significantly benefits all the communities we operate 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, namely, 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% of its operating profits to the Foundation every month.

The Foundation has issued a quarterly newsletter to publicise its good work since the fourth quarter of 2006 which is now distributed by email to the voluntary agencies and charitable organisations.

The Foundation's online donation service at http://bit.ly/applecharity 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. Apart from the website, the Foundation has set up its Facebook page: http://www.fb.com/adfundhk for sharing its charity activities and updated information.

During the year, the Foundation donated around HK$1.2 million to support 59 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$720,000 on to a total of 294 primary and secondary school students as well as undergraduates during the year ended 31 March 2016.

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$3.7 million to the Fund.

For the year ended 31 March 2016, the Apple Daily Charity Fund donated more than NT$227.0 million to support 1,055 needy families; 86.7% of its disbursements were for urgent or medical support, while the remainder were for charitable programmes.

## Serving the Communities

Next Digital'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 – Apple Daily Charitable Foundation**

- In line with "Caring for the underprivileged and sharing festive joy with them", another guiding principle of its community service, the Foundation donated more than HK$840,000 to the "Big Festive Meals" project. This delivered meals during traditional Chinese festivals to more than 26,000 disadvantaged elderly people via 77 community service organisations.

- The Foundation continued to assist the underprivileged by donating around HK$51,000 to the "Warm Action" programme, which distributed recycle bags and food parcels to 675 elderly and disabled people via 5 community service organisations in last winter.

- The Foundation donated around HK$240,000 to distribute rice dumplings to needy people and low-income families during the Tuen Ng Festival, moon cakes during the Mid-Autumn Festival, and other goods and materials during other festivals.

- During the year, the Foundation received donations from readers for needy people suffering from serious illnesses that required immediate or special medical treatment. They included:

  — HK$5,580,000 for two little orphan girls whose parents died of cancer;

  — HK$3,050,000 for a 34-year-old mother suffering from acute blood cancer who has two young children; and

  — HK$1,710,000 for a 20-year-old lady who is needed to stay in Taiwan for long-term medical treatment due to a serious traffic accident in Taiwan.

Apart from donations, the Group is also committed to supporting the communities it serves via volunteering services. The Foundation has established a volunteer team comprising Next Digital's employees and their families to participate actively as volunteers in the social service activities it subsidies or organises. During the year, the Foundation has organised 16 voluntary activities, including festival celebration with needy people and the elderly and home visits for the underprivileged families.

To celebrate its 20th anniversary, the Foundation has organised various fundraising activities, including Charitable Walk, Micro Movies Competition, Apple-Tree Fundraising and Theme Song and Promotion Video of the Foundation during the year. These activities aim to promote the image and publicity of the Foundation.

**Taiwan – Apple Daily Charity Fund**

During the year, the Apple Daily Charity Fund donated funds for the following charitable projects:

- Social Welfare Projects – the Fund contributed more than NT$25.5 million to support 113 social service organisations to carry out different types of projects for the underprivileged families;

- Educational Support – the Fund donated more than NT$7.35 million to 470 students who were in need of financial assistance; and

- "Good Festivals" – the Fund donated NT$2.32 million to various social service organisations towards the cost of organising events and projects to allow underprivileged people to celebrate traditional Chinese festivals, such as the Lunar New Year Festival, Tuen Ng Festival and Mid-Autumn Festival.

Next Digital 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 Digital strives to fulfil this goal in terms of our own operations and through our relationships with suppliers, customers and the wider community.

Next Digital 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 these come from socially and environmentally sustainable sources.

Next Digital used 61,600 metric tonnes of newsprint for our newspapers and a further 5,000 metric tonnes of paper for our magazines during the year. This was supplied by reputable major manufacturers in Australia, Austria, Canada, China, Finland, Japan, Korea, New Zealand, Sweden and USA. 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 760 tonnes of organic-based printing ink for our newspapers and 222 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. 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 90.0%. They are also equipped with comprehensive sewage-processing systems that comply fully with Hong Kong statutory requirements. Dedicated disposal bins have been installed for all solid, pulp, paper and chemical wastes. All these recyclable materials are properly categorised, then collected and handled by a contractor acceptable to the Environmental Protection Department.

The waste paper generated by our operations 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.

# OUR ACHIEVEMENTS

## HONG KONG 香港

**Hong Kong Press Photographers Association**

Focus On
The Frontline 2015

**香港攝影記者協會**

《前線 • 焦點2015》

Spot News
突發新聞組

**First Prize**
**冠軍**

*Apple Daily*
《蘋果日報》

Spot News
突發新聞組

**Honorable Mention**
**優異**

*Apple Daily*
《蘋果日報》

Feature
特寫組

**Third Prize**
**季軍**

*Apple Daily*
《蘋果日報》

*主題*
工聯「參政為勞工」迎選戰
籲市民用選票踢走
反對派

Sports
體育組

**First Prize**
**冠軍**

*Apple Daily*
《蘋果日報》

*主題*
冠軍之夜2

Sports
體育組

**Second Prize**
**亞軍**

*Apple Daily*
《蘋果日報》

*主題*
英雄輝神救攻門保不失
麥基精采頭槌贏
全場掌聲

Nature & Environment
自然與環境組

**Honorable Mention**
**優異**

*Apple Daily*
《蘋果日報》

*主題*
內地工業基地 廠房空人車稀
東北經濟硬着陸

Portrait
人物組

**Honorable Mention**
**優異**

*Next Magazine*
《壹週刊》

*主題*
2015風雲人物
清剿港大 陳文敏頂住

Photo Story
圖片故事組

**First Prize**
**冠軍**

*Next Magazine*
《壹週刊》

*主題*
旺角夾縫的2,600日

Photo Story
圖片故事組

**Honorable Mentios**
**優異**

*Apple Daily*
《蘋果日報》

*主題*
街市選戰鮮活上市

**People of Fortitude Internation Mutual-aid Association for the Disabled**
**堅毅忍者障殘人士國際互助協會**
第八屆最積極會員暨堅毅忍者愛心大使頒獎典禮

**Media with the Most Sense of Mission Award**
**最具使命感傳媒大獎**
*Apple Daily*
《蘋果日報》

**The Society of Publishers in Asia (SOPA)**
2015 Awards for Editorial Excellence
**亞洲出版業協會**
2015年度卓越新聞獎

Excellence in Reporting on Women's Issues
卓越女性議題新聞獎
**Honorable Mention**
**優異**
*Apple Daily*
《蘋果日報》
*主題*
從Erwiana被虐到本港印傭離鄉別井苦況系列報導

Excellence in Human Rights Reporting
卓越人權報導獎
**Honorable Mention**
**優異**
*Apple Daily*
《蘋果日報》
*主題*
雨傘運動

Excellence in Reporting Breaking News
卓越突發新聞獎
**Award for Excellence**
**大獎**
*Apple Daily*
《蘋果日報》
*主題*
馬航空難

The Scoop Award
獨家新聞獎
**Award for Excellence**
**大獎**
*Apple Daily*
《蘋果日報》
*主題*
解放軍大帽山秘密建軍事雷達

Excellence in Investigative Reporting
卓越調查報導獎
**Honorable Mention**
**優異**
*Apple Daily*
《蘋果日報》
*主題*
高鐵延誤及超支系列報導

# OUR ACHIEVEMENTS

## HONG KONG 香港

**The 15th Consumer Rights Reporting Awards**
**第十五屆消費權益新聞報道獎**

Category: News
組別：新聞

**Silver Award**
**銀獎**

*Next Magazine*
《壹週刊》

*主題*
毀「有效日期」充新貨
莎莎賤招呃客

Category: Feature
組別：特寫

**Silver Award**
**銀獎**

*Next Magazine*
《壹週刊》

*主題*
本刊化驗鉛超標20倍
高仿韓國化妝品熱賣

Category: Press Photo
組別：新聞攝影

**Silver Award**
**銀獎**

*Apple Daily*
《蘋果日報》

*主題*
DR針受害者截雙腿失四指活下來
控訴不法商人逍遙法外

**The Pacific Area Newspaper Publishers' Association (PANPA)**
2015 Newspaper of the Year Awards
**太平洋地區報紙出版者協會**
2015年度新聞大獎

Technical Excellence in Print and Production (Single Width Press: National/Metropolitan)
印刷技術卓越獎
（單幅機：全國性／都會性）

**Winner**
**得獎**

*Apple Daily*
《蘋果日報》

**World Association of Newspapers and News Publishers (WAN-IFRA)**
Asian Digital Media Awards 2015
**世界報業及新聞出版協會**
2015亞洲數碼媒體大獎

Best Reader Engagement
最佳讀者參與度

**Gold Award**
**金獎**

*Apple Daily*
《蘋果日報》

*Project Name 主題*
Hong Kong Umbrella Movement
雨傘運動

## 2015 ARC Awards – 29th International Competition
## 2015年度第29屆ARC Awards國際賽

Interior Design: Media Company
內頁設計：傳媒公司

**Silver Award**
**銀獎**

*Next Media Limited*
壹傳媒有限公司

*Publication 作品*

Annual Report 2013/2014
年報2013/2014

Cover Photo/Design: Media Company
封面相片／設計：傳媒公司

**Honors**
**優異獎**

*Next Media Limited*
壹傳媒有限公司

*Publication 作品*

Annual Report 2013/2014
年報2013/2014

Non-Traditional Annual Report: Multi-media Company
非傳統年報：多媒體公司

**Gold Award**
**金獎**

*Next Media Limited*
壹傳媒有限公司

*Publication 作品*

Annual Report 2013/2014
年報2013/2014

Illustrations: Media Company
插圖：傳媒公司

**Gold Award**
**金獎**

*Next Media Limited*
壹傳媒有限公司

*Publication 作品*

Annual Report 2013/2014
年報2013/2014

Printing & Production: Media Company
印刷及生產：傳媒公司

**Bronze Award**
**銅獎**

*Next Media Limited*
壹傳媒有限公司

*Publication 作品*

Annual Report 2013/2014
年報2013/2014

Non-Traditional Annual Report: Interim Report
非傳統年報：中期報告

**Gold Award**
**金獎**

*Next Media Limited*
壹傳媒有限公司

*Publication 作品*

Interim Report 2014/2015
中期報告2014/2015

## 2015 Galaxy Awards – The 26th Annual International Competition
## 2015年度第26屆Galaxy Awards國際賽

Annual Report – Print: Media Company
年報－印刷版：傳媒公司

**Gold Winner**
**金獎**

*Next Media Limited*
壹傳媒有限公司

*Publication 作品*

Annual Report 2014/2015
年報2014/2015

Cover Design: Annual Reports – Special Treatment
封面設計：年報－特別處理

**Gold Winner**
**金獎**

*Next Media Limited*
壹傳媒有限公司

*Publication 作品*

Annual Report 2014/2015
年報2014/2015

## League of American Communications Professionals LLC
2014 Vision Awards Annual Report Competition

**美國通訊公關職業聯盟**
2014視覺獎項年報大賽

Competition Class: Media
傳媒組別

**Bronze Award**
**銅獎**

*Next Media Limited*
壹傳媒有限公司

*Publication 作品*

Annual Report 2013/2014
年報2013/2014

# OUR ACHIEVEMENTS

## TAIWAN 台灣

**National Press Council**
2015 Customer Protection Rights Reporting Awards
**中華民國新聞媒體自律協會**
2015年度消費者權益報導獎

平面媒體
專題報導獎
**佳作**
《台灣蘋果日報》
*主題*
民生消費食安
實測系列

平面媒體
平日報導獎
**特優**
《台灣蘋果日報》
*主題*
誰偷了我的水費？

平面媒體
熱心報導獎
**得獎**
《台灣蘋果日報》
*主題*
買定網強扣月費
涉吸金

**World Association of Newspapers and News Publishers (WAN-IFRA)**
Asian Media Awards 2015
**世界報業及新聞出版組織**
2015亞洲傳媒大獎

Best in Print Award
(Circulation above 150,000 copies)
最佳報紙印刷品質
(發行量150,000份以上)
**Silver Award**
**銀獎**
*Taiwan Apple Daily*
《台灣蘋果日報》

Best in Design Award
(Newspaper Front Page Design)
最佳頭版設計
**Bronze Award**
**銅獎**
*Taiwan Apple Daily*
《台灣蘋果日報》
*主題*
這一夜我們心好痛

Best in Photojournalism Award
最佳新聞攝影
**Silver Award**
**銀獎**
*Taiwan Apple Daily*
《台灣蘋果日報》
*主題*
血濺鹿港天后宮
民主蒙羞

Best in Photojournalism Award
最佳新聞攝影
**Bronze Award**
**銅獎**
*Taiwan Apple Daily*
《台灣蘋果日報》
*主題*
鎮暴水柱下的吶喊

**The Pacific Area Newspaper Publishers' Association (PANPA)**
2015 Newspaper of the Year Awards
**太平洋地區報紙出版者協會**
2015年度新聞大獎

Technical Excellence in Print and Production
(Single Width Press: Community)
印刷技術卓越獎
（單幅機：社區性）
**Winner**
**得獎**
*Taiwan Sharp Daily*
《台灣爽報》

**吳舜文新聞獎助基金會**
第二十九屆吳舜文新聞獎

平面類新聞攝影獎
**得獎**
《台灣蘋果日報》
*主題*
台北空難 復航墜河

**Taiwan Press Photographer Association**
The 2015 Taiwan Press Photography Competition
**台灣新聞攝影研究會**
2015台灣新聞攝影大賽

年度最佳相片
**Prize**
**得獎**
*Taiwan Apple Daily*
《台灣蘋果日報》

系列照片類
**Winner, 1st Runner-up and Honourable Distinction**
**第一名，第二名及優選**
*Taiwan Apple Daily*
《台灣蘋果日報》

一般新聞類
**2nd Runner-up**
**第三名**
*Taiwan Apple Daily*
《台灣蘋果日報》

肖像類
**Winner and Honourable Distinction**
**第一名及優選**
*Taiwan Apple Daily*
《台灣蘋果日報》

新聞人物類
**1st Runner-up**
**第二名**
*Taiwan Apple Daily*
《台灣蘋果日報》

**卓越新聞獎基金會**
第十四屆卓越新聞獎

新聞攝影獎
（單張）
**得獎**
《台灣蘋果日報》
*主題*
八仙粉塵爆炸無法
洗滌的傷痛

圖文特寫類
**Honourable Distinction**
**優選**
*Taiwan Apple Daily*
《台灣蘋果日報》

藝術文化與娛樂新聞類
**Honourable Distinction**
**優選**
*Taiwan Apple Daily*
《台灣蘋果日報》

## NON-EXECUTIVE DIRECTOR

**Mr. Ip Yut Kin**, aged 64, has been the Non-executive Chairman of the Group and a Non-executive Director of the Company since June 2016. Prior to the aforesaid appointment, he was an Executive Director of the Company and the Chief Executive Officer – Print Media to oversee the Group's newspapers, magazines and print operations in both Hong Kong and Taiwan, as well as the Publisher of *Apple Daily*. Before he joined 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.

## EXECUTIVE DIRECTORS

**Mr. Cheung Ka Sing, Cassian**, aged 61, has been a Director of the Company since November 2008. He has been re-designated as Chief Executive Officer of the Group from October 2011. Mr. Cheung is responsible for formulation of the Group's strategies, and leads the management and operation units to achieve goals set by the Board. He has also been appointed as the Interim Chairman of the Group with effect from 12 December 2014.

Mr. Cheung started his career with Nestle in the U.S.A. and had held various senior management positions in Quaker Oats and Wal-Mart. He is currently an independent non-executive director of Trinity Limited, a company listed on The Stock Exchange of Hong Kong Limited.

Mr. Cheung is a member of the Global Advisory Board of the Kellogg School of Management of Northwestern University, U.S.A., and an advisory member of the Global Business program of the Business School of the Hong Kong University of Science and Technology. He attended universities in the U.S.A. and received a Master of Management degree from the Northwestern University Kellogg School of Management and a degree of Doctor of Humane Letters from Saint Joseph's College, Indiana, U.S.A.

**Mr. Chow Tat Kuen, Royston**, aged 58, has been a Director of the Company since January 2016. He is currently the Group's Chief Financial Officer, 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 fellow member of the CPA Australia and The Hong Kong Institute of Certified Public Accountants.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Fok Kwong Hang, Terry**, aged 60, 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 30 years' experience in the securities industry, and he is currently a Director of Yuanta Securities (Hong Kong) Company Limited.

**Mr. Wong Chi Hong, Frank**, aged 61, 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 serves on the boards of 2 NGOs – AFS Intercultural Exchanges and Teach4HK.

**Dr. Lee Ka Yam, Danny**, aged 54, 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.

**Dr. Bradley Jay Hamm**, aged 51, has been a Director of the Company since March 2015. He is currently the dean of Medill School of Journalism, Media, Integrated Marketing Communications of Northwestern University in the U.S.A. Previously, he was the dean for seven years of the Indiana University School of Journalism. Dr. Hamm has obtained his doctor of philosophy in mass communication research from the University of North Carolina, a master's degree in journalism from the University of South Carolina and an undergraduate degree from Catawba College in North Carolina. He was the associate dean of the School of Communications at Elon University in North Carolina. Dr. Hamm has taught study-abroad programs in Japan, China and Great Britain and started his career as a newspaper reporter. His teaching and research interests are in journalism history and media theory, particularly agenda setting theory.

He was selected for the Distinguished Alumni Award from the University of South Carolina's College of Mass Communications and Information Studies in 2009 and the Distinguished Alumni Award from Catawba College in 2011. He is a member of the Poynter Institute's Board of Trustees and a judge for the annual Scripps Howard Journalism Awards.

## SENIOR MANAGEMENT

**Mr. Cheung Kim Hung**, aged 54, is currently the Publisher of *Apple Daily*. He has been appointed as the Chief Executive Officer – Publishing since June 2016 to oversee the Group's newspapers and magazines operations in both Hong Kong and Taiwan. Mr. Cheung worked in the Group from 1991 to 2005, he left the Group and rejoined in 2010. He has over 25 years of journalist experience. Mr. Cheung graduated from the Chinese University of Hong Kong and he holds a Bachelor's degree in Social Science (Journalism).

**Ms. Chan Pui Man**, aged 46, Editor-in-Chief of *Apple Daily*. She joined the Group in 1996 as a senior reporter of *Apple Daily*. She graduated from the Chinese University of Hong Kong and holds a Bachelor's degree in Business Administration.

**Mr. Chen Yu Hsin, Eric**, aged 55, is currently the Publisher of *Taiwan Apple Daily*. He joined the Group in 2003 and has been Editor-in-Chief of *Taiwan Apple Daily* and Editor-in-Chief and Co-President of Next TV. Prior to joining the Group, Mr. Chen has been Editor-in-Chief of *The Journalist*, *明日報* and *Power News* respectively. Mr. Chen graduated from the National Taiwan University with a Bachelor's degree in Political Science.

**Mr. Ma Wei Min, Jesse**, aged 58, is currently the Editor-in-Chief of *Taiwan Apple Daily*. Prior to joining the Group in 2008, he was a Deputy Editor in *China Times Express* and *China Times* respectively and a Deputy Publisher of *China Times Weekly*. Mr. Ma graduated from the Fu Jen Catholic University, Taiwan with a Bachelor's degree in Mass Communication.

**Mr. Chiu Ming Huei, Vincent**, aged 51, is currently the Editor-in-Chief of *Taiwan Next Magazine*. Prior to joining the Group in 2001, he has been Deputy Executive Editor-in-Chief of *The Journalist* from 1991 to 1999 and Deputy Editor-in-Chief of *明日報* respectively. Mr. Chiu graduated from the Fu Jen Catholic University, Taiwan with a Bachelor's degree in Mass Communication.

**Ms. Wong Lai Sheung, Louise**, aged 44, is currently the Associate Publisher and Editor-in-Chief of *Next Magazine*. Ms. Wong joined the Group since 1995; she left the Group in 1997 and rejoined it in 1998. She has over 18 years of experience in journalism and media. Ms. Wong graduated from the University of Hong Kong in 1995 with a Bachelor's degree in Social Sciences. In 1999, she was awarded the Chevening Scholarship by the British government to study journalism in the University of Sheffield. In 2006, she obtained a Certificate for a magazine program from the Media Management Centre, Kellogg School of Management of the Northwestern University.

**Ms. Cheung Mai Wah**, aged 55, is the Group Chief Information Officer and Chief Technology Officer of Digital Business. She has over 30 years of experience in software development and technology innovation in the media & entertainment industry, and has spent her last 20 years in IT executive positions leading major broadcast companies to use technology for business transformation and process improvement. Before joining Next Digital, she worked at Univision Communication Inc. ("Univision") for 17 years where she held various positions. Her last position at Univision was Senior Vice President of Digital Operations and Services when she spearheaded the Digital Supply Chain Optimization program to transform Univision from a TV broadcast centric operations to cross-platform digital media entertainment network operations. She was also a founding member of Univision Interactive Division where she led Univision.com from a start-up operation to perform and grow into a profit-making business division. Prior to Univision, she worked at American Broadcasting Company ("ABC") for 3 years where she was the director of Application Engineering, responsible for the software development of various sales, broadcasting, network affiliates applications as well as website development of abc.com. Prior to ABC, she spent over 9 years at National Broadcasting Company responsible for software development for the TV network. Ms. Cheung graduated from the State University of New York in Albany, U.S.A. with a Bachelor's degree in Science at 4.0 GPA, majored in Management Information Science and Marketing.

**Mr. Lam Wing Kwan, Ringo**, aged 45, is currently the Chief Development Officer of nxTomo Ltd. Mr. Lam has over 20 years of experience in Internet and new media business in Greater China region. He graduated from the University of Hong Kong with a Bachelor's degree in Electrical and Electronic Engineering and also obtained a Master of Philosophy in Information Engineering from the Chinese University of Hong Kong.

**Mr. Tsui Chun Man, Vincent**, aged 39, is currently the Chief Marketing Officer of Next Mobile Limited and the Executive Editor-in-Chief of *Apple Daily*. Mr. Tsui has over 16 years of marketing and sales experience. Prior to joining the Group in 2014, he was the Marketing Director of Mentholatum, and responsible for marketing function in multinational companies including Unilever & British American Tobacco. Mr. Tsui graduated from the Chinese University of Hong Kong with a Bachelor's degree in Business Administration and also obtained a Bachelor of Law degree from the University of London. He was also a part time lecturer of the Chinese University of Hong Kong and Hong Kong Polytechnic University, teaching marketing courses. He published marketing & business management related articles and books under the pen name "Tsui Yuen".

**Mr. Chung Mo Wai**, aged 41, is currently the Vice President – Sales of Next Mobile and *Apple Daily*. Mr. Chung is responsible for overseeing advertising sales of Next Digital's print and digital publications. He is a seasoned professional with 17 years' experience in Internet industry. He joined the Group in 2012 as General Manager of Digital Sales – Next Mobile. Prior to that, Mr. Chung worked in Yahoo! and PCCW where he was a sales leader and also held a regional business development role when he worked in Cisco System. Mr. Chung graduated from the Baker University in Kansas, U.S.A. and holds a Bachelor's degree in International Business and Economics.

# CORPORATE INFORMATION

## DIRECTORS

### Non-executive Director

Ip Yut Kin (Non-executive Chairman)

### Executive Directors

Cheung Ka Sing, Cassian (CEO)
Chow Tat Kuen, Royston (CFO)

### Independent Non-executive Directors

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

## AUTHORISED REPRESENTATIVES

Cheung Ka Sing, Cassian
Chow Tat Kuen, Royston

## 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
Taichung Commercial Bank Co., Ltd.

## 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 REGISTRAR 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@nextdigital.com.hk

## FINANCIAL REPORTS APPS

Financial apps icon

QR code

## WEBSITE

http://www.nextdigital.com.hk

# COMPANY PROFILE

Since the launch of *Next Magazine* in 1990 and *Apple Daily* in 1995, Next Digital 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 Digital publications for comprehensive, in-depth, forthright and factual coverage of the issues that have an impact on their lives. The journalists at Next Digital deliver the facts – without fear or favour, without prejudice, and without pandering to advertisers.

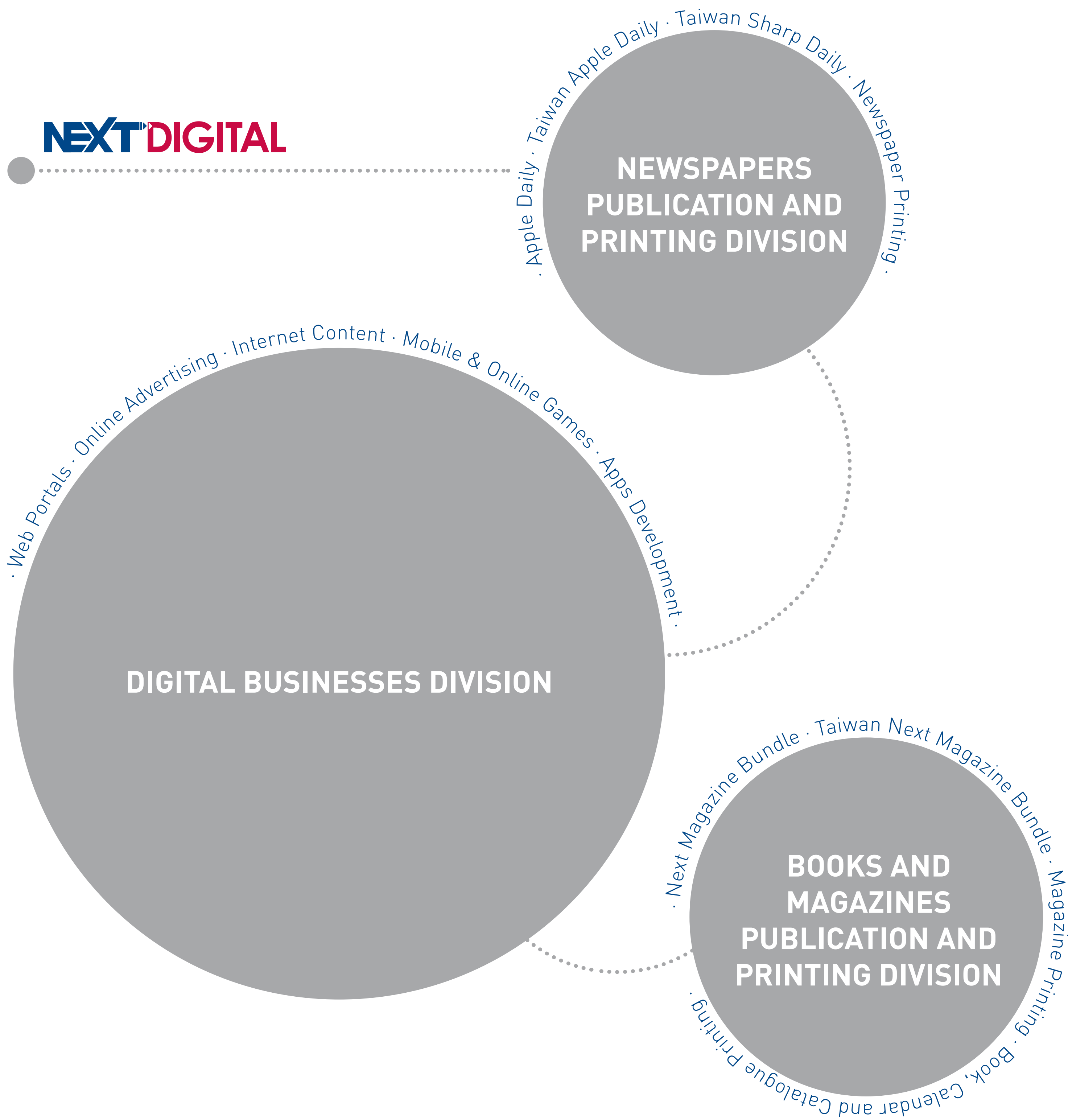
In 2001, the Group launched *Taiwan Next Magazine*, followed by *Taiwan Apple Daily* in 2003. These two titles have quickly seized the top position in the island's weekly magazine and daily newspaper markets, respectively. In 2006, we launched *Taiwan Sharp Daily*, our free newspaper, in Taipei. This has succeeded in capturing the interest of younger readers in the city and attracting smaller local advertisers.

Next Digital has always taken a proactive stance in the media landscape and has embraced the digital era over the past decade. On 20 October 2015, the Company changed its English name from "Next Media Limited " to "Next Digital Limited" whilst its Chinese name "壹傳媒有限公司" remained unchanged in order to reflect the strategic move of the Group's business focus towards digital business and align with its business nature and growth objectives.

The Group has kept pace with changing consumer trends and technologies, and has consistently developed creative solutions in serving our content in digital form. The digital versions of *Apple Daily*, in video and animated formats have been accompanied by a signature style branded as *Apple Action News*, making it the most popular news source for mobile devices in Hong Kong and Taiwan. In addition, the Group's other magazines and special interest sites are devoted to enrich the lifestyles of Chinese-reading Internet users worldwide. Leveraging on the portals' popularity, the Group is also involved in creative collaborations to develop online games and animation contents.

Since 2012, Next Digital has entered into creative collaborations to develop online games and animation contents, our first location based online game – *Life is Crime* – was launched on mobile platforms. In 2013, the Group launched a line-up of animation titles under the "nxTomo" brand, including *Oddbods, Mad Box Zombies* and *Spy Penguins. TomoToon*, an innovative treatment of Japanese *manga* in animated form received widespread viewerships on *Apple Daily* websites and apps. In 2014, Next Digital has further expanded its presence in mobile and online games platform by entering into collaboration arrangements with Gung Ho Online Entertainment, Inc., the largest mobile games company in Japan, as marketing agent for the top selling game *Puzzle & Dragons* in Hong Kong and Taiwan. The online game *Barcode Footballer*, which was launched in collaboration with the Japanese company Cybird, has achieved the top-grossing rank on *Apple App Store* and *Google Play* respectively.

# CORPORATE STRUCTURE



# SHARE INFORMATION

As at 31 March 2016

## Shareholders

Mr. Lai Chee Ying, Jimmy 73.48%
Directors 1.37%
Others 25.15%

## Issued Shares

2,431,316,881 Shares

## Market Capitalisation

at HK$0.425 per Share (closing price on 31 March 2016) HK$1.03 billion

## Stock Code

The Stock Exchange of Hong Kong Limited
Main Board 00282

## Board Lot

2,000 Shares

## Outstanding Share Options granted under the 2007 Share Option Scheme

| Exercise price per Share | Number of Shares |
|---|---|
| HK$1.00 | 41,600,000 |
| HK$1.05 | 6,166,000 |
| HK$1.42 | 5,000,000 |
| Total | 52,766,000 |

## Outstanding Share Options granted under the 2014 Share Option Scheme

| Exercise price per Share | Number of Shares |
|---|---|
| HK$0.42 | 6,500,000 |
| HK$0.69 | 500,000 |
| HK$0.71 | 5,000,000 |
| HK$0.76 | 510,000 |
| HK$0.86 | 1,500,000 |
| Total | 14,010,000 |

# DIRECTORS' REPORT

The Directors present their report and Financial Statements for the year ended 31 March 2016.

## 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 38 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 7 to 23 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 profit or loss and other comprehensive income on page 94.

No interim dividend was paid to the Shareholders during the year (2015: an interim dividend of HK1.5 cents per Share, amounting to HK$36.5 million and a special dividend of HK6.6 cents per Share, amounting to HK$160.5 million).

The Directors have resolved not to recommend the payment of a final dividend for the year ended 31 March 2016 (2015: HK2.0 cents per Share, amounting to HK$48.6 million).

## 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 19 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 189.

## SHARES ISSUED DURING THE YEAR

Pursuant to the terms of the shares award granted to INEDs of the Company on 30 June 2014 and 13 April 2015, a total of 310,000 Shares and 100,000 Shares were issued and allotted to the INEDs on 30 June 2015 and 13 April 2016 respectively.

Details of movements in respect of shares issued during the year are set out in note 29 to the Financial Statements.

## DISTRIBUTABLE RESERVES

There was no distributable reserves of the Company at 31 March 2016, calculated under Part 6 of the CO (2015: HK$96.8 million).

Details of changes in the Company's distributable reserves during the year are set out in note 31 to the Financial Statements.

## MAJOR CUSTOMERS AND SUPPLIERS

The Group's five largest customers accounted for 28.7% of its revenue, and its five largest suppliers accounted for 21.7% of its total purchases during the year. The Group's largest customer accounted for 21.0% of its revenue, and its largest supplier accounted for 7.2% 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 issued Shares), 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$3,435,000 (2015: HK$3,124,000).

## SHARE INCENTIVE SCHEMES

### (a) Next Digital Share Option Schemes

**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 EDs, non-executive Directors and INEDs) 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.

## SHARE INCENTIVE SCHEMES (continued)

### (a) Next Digital Share Option Schemes (continued)

**2007 Share Option Scheme (continued)**

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 higher 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; or (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.

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 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% in aggregate of the Shares in issue on the date when it is approved by the Shareholders.

## SHARE INCENTIVE SCHEMES (continued)

### (a) Next Digital Share Option Schemes (continued)

**2007 Share Option Scheme (continued)**

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 01.04.2015 | Granted during the year | Cancelled during the year | Reclassified during the year | Lapsed during the year | Balance as at 31.03.2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | | | |
| Cheung Ka Sing, Cassian | 01.02.2012 | HK$1.000 | 01.02.2013 (100%) | 02.02.2012 – 29.07.2017 | 9,000,000 | – | – | – | – | 9,000,000 |
| | 01.02.2013 | HK$1.420 | 01.02.2014 (100%) | 02.02.2013 – 29.07.2017 | 5,000,000 | – | – | – | – | 5,000,000 |
| | 04.02.2014 | HK$1.000 | 04.02.2015 (100%) | 05.02.2014 – 29.07.2017 | 5,000,000 | – | – | – | – | 5,000,000 |
| Ip Yut Kin | 24.01.2014 | HK$1.000 | 25.01.2015 (30%)<br>25.01.2016 (60%)<br>25.01.2017 (100%) | 25.01.2014 – 29.07.2017 | 2,500,000 | – | – | – | – | 2,500,000 |
| Chow Tat Kuen, Royston | 10.12.2010 | HK$1.050 | 10.12.2011 (30%)<br>10.12.2012 (60%)<br>10.12.2013 (100%) | 11.12.2010 – 29.07.2017 | – | – | – | 1,656,000 | – | 1,656,000 |
| | 24.01.2014 | HK$1.000 | 25.01.2015 (30%)<br>25.01.2016 (60%)<br>25.01.2017 (100%) | 25.01.2014 – 29.07.2017 | – | – | – | 1,000,000 | – | 1,000,000 |
| Fok Kwong Hang, Terry | 10.12.2010 | HK$1.050 | 10.12.2011 (30%)<br>10.12.2012 (60%)<br>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%)<br>10.12.2012 (60%)<br>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%)<br>10.12.2012 (60%)<br>10.12.2013 (100%) | 11.12.2010 – 29.07.2017 | 510,000 | – | – | – | – | 510,000 |

## (a) Next Digital Share Option Schemes (continued)

### 2007 Share Option Scheme (continued)

| Name or category of participant | Date of grant | Exercise price per Share | Vesting date (%) | Exercisable period | Balance as at 01.04.2015 | Granted during the year | Cancelled during the year | Reclassified during the year | Lapsed during the year | Balance as at 31.03.2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| Ting Ka Yu, Stephen (Ex-Director) | 10.12.2010 | HK$1.050 | 10.12.2011 (30%)<br>10.12.2012 (60%)<br>10.12.2013 (100%) | 11.12.2010 – 29.07.2017 | 1,618,000 | – | – | – | (1,618,000) | – |
| | 24.01.2014 | HK$1.000 | 25.01.2015 (30%)<br>25.01.2016 (60%)<br>25.01.2017 (100%) | 25.01.2014 – 29.07.2017 | 1,500,000 | – | – | – | (1,500,000) | – |
| **Employees** | | | | | | | | | | |
| In aggregate | 10.12.2010 | HK$1.050 | 10.12.2011 (30%)<br>10.12.2012 (60%)<br>10.12.2013 (100%) | 11.12.2010 – 29.07.2017 | 8,136,000 | – | – | (1,656,000) | (4,500,000) | 1,980,000 |
| | 08.07.2011 | HK$1.000 | 08.07.2012 (30%)<br>08.07.2013 (60%)<br>08.07.2014 (100%) | 09.07.2011 – 29.07.2017 | 200,000 | – | – | – | – | 200,000 |
| | 01.02.2012 | HK$1.050 | 01.02.2013 (60%)<br>01.02.2014 (100%) | 02.02.2012 – 29.07.2017 | 1,000,000 | – | – | – | – | 1,000,000 |
| | 26.09.2012 | HK$1.000 | 26.09.2013 (30%)<br>26.09.2014 (60%)<br>26.09.2015 (100%) | 27.09.2012 – 29.07.2017 | 3,000,000 | – | – | – | – | 3,000,000 |
| | 24.01.2014 | HK$1.000 | 25.01.2015 (30%)<br>25.01.2016 (60%)<br>25.01.2017 (100%) | 25.01.2014 – 29.07.2017 | 28,600,000 | – | – | (1,000,000) | (6,700,000) | 20,900,000 |
| **Total outstanding** | | | | | 67,084,000 | – | – | – | (14,318,000) | 52,766,000 |

***Notes:***

1. Apart from the abovementioned movements, no options were granted and exercised under the 2007 Share Option Scheme during the year ended 31 March 2016.

2. Upon adoption of the 2014 Share Option Scheme on 31 July 2014, no further options will be granted under the 2007 Share Option Scheme.

## SHARE INCENTIVE SCHEMES (continued)

### (a) Next Digital Share Option Schemes (continued)

**2014 Share Option Scheme**

The 2007 Share Option Scheme is due to expire on 29 July 2017. In order to provide the Company with the flexibility of granting share options to selected persons including but not limited to Directors and employees as incentives or reward for their contribution or potential contribution to the Group. On 31 July 2014, the Company adopted the 2014 Share Option Scheme. Its terms complied with the requirements of Chapter 17 of the Listing Rules and are broadly similar as those set out in the 2007 Share Option Scheme.

The table below sets out the movements in options under the 2014 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 01.04.2015 | Granted during the year | Cancelled during the year | Lapsed during the year | Balance as at 31.03.2016 |
|---|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | | |
| Cheung Ka Sing, Cassian | 02.02.2015 | HK$0.710 | 02.02.2016 (100%) | 03.02.2015 – 30.07.2024 | 5,000,000 | – | – | – | 5,000,000 |
| | 03.02.2016 | HK$0.420 | 03.02.2017 (100%) | 04.02.2016 – 30.07.2024 | – | 5,000,000 | – | – | 5,000,000 |
| Chow Tat Kuen, Royston | 03.02.2016 | HK$0.420 | 03.02.2017 (30%)<br>03.02.2018 (60%)<br>03.02.2019 (100%) | 04.02.2016 – 30.07.2024 | – | 1,500,000 | – | – | 1,500,000 |
| Bradley Jay Hamm | 02.03.2015 | HK$0.760 | 02.03.2016 (30%)<br>02.03.2017 (60%)<br>02.03.2018 (100%) | 03.03.2015 – 30.07.2024 | 510,000 | – | – | – | 510,000 |
| **Employees** | | | | | | | | | |
| In aggregate | 06.10.2014 | HK$0.860 | 06.10.2015 (33.3%)<br>06.10.2016 (66.6%)<br>06.10.2017 (100%) | 07.10.2014 – 30.07.2024 | 1,500,000 | – | – | – | 1,500,000 |
| | 27.01.2015 | HK$0.690 | 27.01.2016 (30%)<br>27.01.2017 (60%)<br>27.01.2018 (100%) | 28.01.2015 – 30.07.2024 | 500,000 | – | – | – | 500,000 |
| **Total outstanding** | | | | | 7,510,000 | 6,500,000 | – | – | 14,010,000 |

Apart from the abovementioned movements, no options were exercised, cancelled or lapsed under the 2014 Share Option Scheme during the year ended 31 March 2016.

## SHARE INCENTIVE SCHEMES (continued)

### (a) Next Digital Share Option Schemes (continued)

**2014 Share Option Scheme (continued)**

The Company has used the Binomial Model for assessing the fair values of the options granted under the 2014 Share Option Scheme during the year ended 31 March 2016. 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 value of the option granted during the year ended 31 March 2016 were calculated as follows:

| Date of grant | No. of options granted | Closing price per Share as at the date of grant (HK$) | Risk-free rate | Expected life (years) | Expected volatility | Expected dividend yield | Fair value per option (HK$) |
|---|---|---|---|---|---|---|---|
| 06.10.2014 | 1,500,000 | 0.80 | 2.065% | 9.82 | 49.745% | 0% | 0.397 – 0.419 |
| 27.01.2015 | 500,000 | 0.69 | 1.484% | 9.51 | 49.658% | 1.879% | 0.310 – 0.321 |
| 02.02.2015 | 5,000,000 | 0.71 | 1.291% | 9.50 | 49.682% | 1.879% | 0.316 |
| 02.03.2015 | 510,000 | 0.76 | 1.586% | 9.42 | 49.830% | 1.879% | 0.342 – 0.355 |
| 03.02.2016 | 6,500,000 | 0.42 | 1.595% | 8.49 | 51.590% | 0.873% | 0.172 – 0.195 |

An amount of HK$4,735,000 was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2016 (2015: HK$7,949,000).

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 Share Incentive Schemes of the Company are also set out in note 30 to the Financial Statements.

## SHARE INCENTIVE SCHEMES (continued)

### (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") with terms in compliance 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 |
| Next Media Distribution Limited (NMDL) | 20 February 2008 | 2008 NMDL Share Option Scheme |
| nxTomo Games Limited (nxTomo Games) | 20 February 2008 | 2008 nxTomo Games Share Option Scheme |
| Aim High Investments Limited (AHIL) | 12 June 2009 | 2009 AHIL Share Option Scheme |
| Anyplex Company Limited (Anyplex) | 20 March 2012 | 2012 Anyplex Share Option Scheme |
| Next E-Shopping Limited (Next E-Shopping) | 20 March 2012 | 2012 Next E-Shopping Share Option Scheme |
| Next Mobile Limited (Next Mobile) | 20 March 2012 | 2012 Next Mobile Share Option Scheme |
| Sharp Daily Limited (Sharp Daily) | 20 March 2012 | 2012 Sharp Daily Share Option Scheme |
| nxTomo Ltd. (nxTomo) | 14 June 2013 | 2013 nxTomo Share Option Scheme |
| Apple Daily E-Classified Limited (ADEC) | 28 August 2015 | 2015 ADEC Share Option Scheme |

The terms of the 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 exercised and outstanding options) during any 12-month period shall not exceed 1.0% of the shares in issue. Any additional grants of options (including exercised, 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 of the Company in advance. In both cases, the participants and their associates shall abstain from voting.

## (b) Subsidiary Share Option Schemes (continued)

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

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 price per share of the respective Hong Kong Subsidiary Share Option Schemes shall be determined solely by the board of directors of the subsidiary concerned. 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 lodgment of an application for a listing with the relevant stock exchange shall not be less than the issue price of a share in the listing.

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 shares 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)

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

*2007 ADPDL Share Option Scheme*

| Name or category of participant | Date of grant | Exercise price per share | Vesting date (%) | Exercisable period | Balance as at 01.04.2015 | Granted during the year | Lapsed during the year | Balance as at 31.03.2016 |
|---|---|---|---|---|---|---|---|---|
| **Employees** | 16.04.2014 | HK$0.01 | 16.04.2015 (30%)<br>16.04.2016 (60%)<br>16.04.2017 (100%) | 17.04.2015 – 30.07.2017 | 105,000 | – | (5,000) | 100,000 |
| **Total outstanding** | | | | | 105,000 | – | (5,000) | 100,000 |

*2008 nxTomo Games Share Option Scheme*

| Name or category of participant | Date of grant | Exercise price per share | Vesting date (%) | Exercisable period | Balance as at 01.04.2015 | Granted during the year | Exercised during the year | Lapsed during the year | Balance as at 31.03.2016 |
|---|---|---|---|---|---|---|---|---|---|
| **Director** | 23.09.2013 | HK$0.01 | 23.09.2014 (100%) | 24.09.2014 – 20.02.2018 | 50,000 | – | – | – | 50,000 |
| **Employees** | 23.09.2013 | HK$0.01 | 23.09.2014 (100%) | 24.09.2014 – 20.02.2018 | 440,000 | – | (40,000) | – | 400,000 |
| | 03.10.2014 | HK$0.01 | 03.10.2015 (100%) | 04.10.2015 – 20.02.2018 | 205,000 | – | (30,000) | (50,000) | 125,000 |
| | 15.12.2014 | HK$0.01 | 15.12.2015 (100%) | 16.12.2015 – 20.02.2018 | 10,000 | – | – | – | 10,000 |
| **Total outstanding** | | | | | 705,000 | – | (70,000) | (50,000) | 585,000 |

## SHARE INCENTIVE SCHEMES (continued)

### (b) Subsidiary Share Option Schemes (continued)

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

*2013 nxTomo Share Option Scheme*

| Name or category of participant | Date of grant | Exercise price per share | Vesting date (%) | Exercisable period | Balance as at 01.04.2015 | Granted during the year | Lapsed during the year | Balance as at 31.03.2016 |
|---|---|---|---|---|---|---|---|---|
| **Director** | 23.09.2013 | HK$0.01 | 23.09.2014 (100%) | 24.09.2014 – 14.06.2023 | 50,000 | – | – | 50,000 |
| **Employees** | 23.09.2013 | HK$0.01 | 23.09.2014 (100%) | 24.09.2014 – 14.06.2023 | 355,000 | – | (40,000) | 315,000 |
| | 03.10.2014 | HK$0.01 | 03.10.2015 (100%) | 04.10.2015 – 14.06.2023 | 98,000 | – | (50,000) | 48,000 |
| | 27.01.2015 | HK$0.01 | 27.01.2016 (100%) | 28.01.2016 – 14.06.2023 | 50,000 | – | – | 50,000 |
| **Total outstanding** | | | | | 553,000 | – | (90,000) | 463,000 |

*2015 ADEC Share Option Scheme*

| Name or category of participant | Date of grant | Exercise price per share | Vesting date (%) | Exercisable period | Balance as at 01.04.2015 | Granted during the year | Lapsed during the year | Balance as at 31.03.2016 |
|---|---|---|---|---|---|---|---|---|
| **Employees** | 07.10.2015 | HK$0.01 | 07.10.2016 (100%) | 08.10.2016 – 28.08.2025 | – | 240,000 | – | 240,000 |
| **Total outstanding** | | | | | – | 240,000 | – | 240,000 |

Apart from the movements as stated above, no options were granted, exercised, lapsed or cancelled under the other Hong Kong Subsidiary Share Option Schemes during the year ended 31 March 2016.

## 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 respective fair values of options granted under the 2007 ADPDL Share Option Scheme, 2008 nxTomo Games Share Option Scheme; 2013 nxTomo Share Option Scheme and 2015 ADEC Share Option Scheme for the year ended 31 March 2016. 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 value of the option granted during the year ended 31 March 2016 was 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$) |
|---|---|---|---|---|---|---|
| *2007 ADPDL Share Option Scheme* | | | | | | |
| 16.04.2014 | 105,000 | 0.52%-0.59% | 1-3 | 22.75%-46.52% | 0% | 79.06 |
| *2008 nxTomo Games Share Option Scheme* | | | | | | |
| 03.10.2014 | 205,000 | 1.070% | 3.386 | 86.79% | 0% | 18.34 |
| 15.12.2014 | 10,000 | 0.888% | 3.186 | 86.89% | 0% | 19.01 |
| *2013 nxTomo Share Option Scheme* | | | | | | |
| 03.10.2014 | 108,000 | 1.953% | 8.701 | 46.49% | 0% | 32.05 |
| 27.01.2015 | 50,000 | 1.407% | 8.384 | 46.10% | 0% | 37.38 |
| *2015 ADEC Share Option Scheme* | | | | | | |
| 07.10.2015 | 240,000 | 1.703% | 9.90 | 51.468% | 0% | 0.00 |

The fair value per option granted under the 2007 ADPDL Share Option Scheme, 2008 nxTomo Games Share Option Scheme, 2013 nxTomo Share Option Scheme and 2015 ADEC Share Option Scheme respectively is an averaged fair value of such options. The Group recognised an expense of HK$6,842,000 in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2016 in respect of the aggregate value of the options granted during the year under the Hong Kong Subsidiary Share Option Schemes.

### (c) Next Digital 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 operations 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.

## SHARE INCENTIVE SCHEMES (continued)

### (c) Next Digital Share Subscription and Financing Plan (continued)

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 Shares as at 29 October 2007 (i.e. the date of adoption of the Subscription Plan). 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.

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.

Invitations for subscription under the Subscription Plan were all lapsed during the year ended 31 March 2013 and no further invitations for subscription were issued, subscribed for or cancelled during the years ended 31 March 2014, 2015 and 2016. As at 31 March 2016, there were no outstanding invitations for subscription under the Subscription Plan.

## SHARE INCENTIVE SCHEMES (continued)

### (d) Share Award to Directors of the Company

The Company had on 30 June 2014 and 13 April 2015 (the "Award Dates") conditionally awarded a total of 930,000 Award Shares and 300,000 Award Shares (the "Award Shares") to the three INEDs and one INED respectively subject to the vesting conditions as set out below:

| Name of INED | Award Dates | No. of Award Shares | Vesting Date/ No. of Award Shares |
|---|---|---|---|
| Fok Kwong Hang, Terry ("Mr. Fok") | 30 June 2014 | 330,000 | 30 June 2015/110,000 |
| | | | 30 June 2016/110,000 |
| | | | 30 June 2017/110,000 |
| Wong Chi Hong, Frank ("Mr. Wong") | 30 June 2014 | 300,000 | 30 June 2015/100,000 |
| | | | 30 June 2016/100,000 |
| | | | 30 June 2017/100,000 |
| Lee Ka Yam, Danny ("Dr. Lee") | 30 June 2014 | 300,000 | 30 June 2015/100,000 |
| | | | 30 June 2016/100,000 |
| | | | 30 June 2017/100,000 |
| Bradley Jay Hamm ("Dr. Hamm") | 13 April 2015 | 300,000 | 13 April 2016/100,000 |
| | | | 13 April 2017/100,000 |
| | | | 13 April 2018/100,000 |

Subject to the payment of nominal amount of subscription price by the INEDs and the INEDs remaining as Directors of the Company, the Company will allot and issue the Award Shares to each of the INEDs on the respective vesting dates as stated above.

On 30 June 2015, a total of 310,000 Shares were issued and allotted to the three INEDs, Mr. Fok as to 110,000 Shares, Mr. Wong as to 100,000 Shares and Dr. Lee as to 100,000 Shares pursuant to the terms of the Award Shares.

On 13 April 2016, 100,000 Shares were issued and allotted to Dr. Hamm, an INED, pursuant to the terms of the Award Shares.

Since Dr. Hamm is a connected person of the Company, the issue of the Award Shares is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The ordinary resolution approving the issue of the Award Shares to Dr. Hamm was approved by the independent shareholders at an EGM duly held on 31 July 2015. The Stock Exchange had also granted the listing of and permission to deal in the Award Shares.

The Company has used the Binomial Model to assess the fair value of the Award Shares. For the year ended 31 March 2016, the Group recognised a total expense of HK$407,000 (2015: HK$364,000) in relation to the Award Shares.

## DIRECTORS

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

**Non-executive Director:**
Mr. Ip Yut Kin (Non-executive Chairman) (re-designated on 8 June 2016)

**Executive Directors:**
Mr. Cheung Ka Sing, Cassian (CEO)
Mr. Chow Tat Kuen, Royston (CFO) (appointed on 1 January 2016)
Mr. Ting Ka Yu, Stephen (Ex-COO and Ex-CFO) (resigned on 1 January 2016)

**Independent Non-executive Directors:**
Mr. Fok Kwong Hang, Terry
Mr. Wong Chi Hong, Frank
Dr. Lee Ka Yam, Danny
Dr. Bradley Jay Hamm

All NEDs (including the INEDs) were appointed for a two-year term with expiry dates as follows:

| Name | Term of Appointment |
|---|---|
| Mr. Ip | 08.06.2016 to 07.06.2018 |
| Mr. Fok | 01.04.2015 to 31.03.2017 |
| Mr. Wong | 30.01.2015 to 29.01.2017 |
| Dr. Lee | 09.03.2015 to 08.03.2017 |
| Dr. Hamm | 01.03.2015 to 28.02.2017 |

Pursuant to their terms of appointment of the NEDs (including the INEDs), they are all subject to the retirement by rotation requirement in accordance with the Articles of Association of the Company.

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. Fok and Dr. Lee will retire at the 2016 AGM and, being eligible, offer themselves for re-election.

Pursuant to Article 79 of the Articles of Association, any Director appointed by the Board to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election but shall not be takin into account in determining the Directors or the number of Directors who are to retire by rotation at such meeting. Accordingly, Mr. Chow Tat Kuen, Royston, who was appointed as an ED on 1 January 2016, will retire at the 2016 AGM and, being eligible, offer himself for re-election.

## DIRECTORS (continued)

Mr. Ting Ka Yu, Stephen resigned as an ED of the Company, COO and CFO of the Group on 1 January 2016 for pursuing his personal endeavours. He confirmed that he had no disagreement with the Board and nothing relating to the affairs of the Company needed to be brought to the attention of the Shareholders of the Company.

Mr. Ip Yut Kin has retired from all executive positions of the Group, and has been re-designated from an ED to a NED of the Company, as well as appointed as the Non-executive Chairman of the Group, all with effect from 8 June 2016.

Biographical details of the Directors as at 31 March 2016 are set out on pages 56 to 58. Details of the Director's emoluments are provided under note 12 to the Financial Statements.

During the year and up to the date of this report, Mr. Cassian Cheung, Mr. Ip Yut Kin and Mr. Chow Tat Kuen, Royston are also directors of the subsidiaries of the Company. Mr. Ting Ka Yu, Stephen resigned as director of the subsidiaries of the Company with effect from 1 January 2016.

## DIRECTORS' SERVICE CONTRACTS

Neither any of the Directors 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 2016, 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 current Director and the Chief Executive in the Shares and underlying Shares:

| Name of Director/ Chief Executive | Number of Shares: Personal interests | Number of Shares: Family interests | Number of Shares: Corporate interests | Number of Shares: Other interests | Interests in underlying Shares/equity derivatives | Total Shares | Percentage of Company's issued share capital |
|---|---|---|---|---|---|---|---|
| Cheung Ka Sing, Cassian | 18,172,000 | – | – | – | 19,000,000 (Note 1)<br>10,000,000 (Note 2) | 47,172,000 | 1.94 |
| Ip Yut Kin | 10,200,377 | 2,630,000 | – | – | 2,500,000 (Note 1) | 15,330,377 | 0.63 |
| Chow Tat Kuen, Royston | 300,000 | – | – | – | 2,656,000 (Note 1)<br>1,500,000 (Note 2) | 4,456,000 | 0.18 |
| Fok Kwong Hang, Terry | 2,130,000 (Note 3) | – | – | – | 510,000 (Note 1) | 2,640,000 | 0.11 |
| Wong Chi Hong, Frank | 300,000 (Note 4) | – | – | – | 510,000 (Note 1) | 810,000 | 0.03 |
| Lee Ka Yam, Danny | 300,000 (Note 4) | – | – | – | 510,000 (Note 1) | 810,000 | 0.03 |
| Bradley Jay Hamm | 300,000 (Note 5) | – | – | – | 510,000 (Note 2) | 810,000 | 0.03 |

## INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

### (b) Interests in Associated Corporations

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:

**ADPDL**

| Name of Director/ Chief Executive | Personal interests | Number of shares Family interests | Corporate interests | Other interests | Interests in underlying shares/equity derivatives | Total shares | Percentage of issued share capital |
|---|---|---|---|---|---|---|---|
| Ip Yut Kin | 216,688 (Note 6) | – | – | – | – | 216,688 | 2.00 |

**nxTomo Ltd.**

| Name of Director/ Chief Executive | Personal interests | Number of shares Family interests | Corporate interests | Other interests | Interests in underlying shares/equity derivatives | Total shares | Percentage of issued share capital |
|---|---|---|---|---|---|---|---|
| Cheung Ka Sing, Cassian | – | – | – | – | 50,000 (Note 7) | – | 0.50 |

**nxTomo Games Limited**

| Name of Director/ Chief Executive | Personal interests | Number of shares Family interests | Corporate interests | Other interests | Interests in underlying shares/equity derivatives | Total shares | Percentage of issued share capital |
|---|---|---|---|---|---|---|---|
| Cheung Ka Sing, Cassian | – | – | – | – | 50,000 (Note 8) | – | 0.50 |

## INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

### (b) Interests in Associated Corporations (continued)

***Notes:***

*(1) These interests represent options granted to the Directors as beneficial owners under the 2007 Share Option Scheme.*

*(2) These interests represent options granted to the Directors as beneficial owner under the 2014 Share Option Scheme.*

*(3) These interests represent Shares of the Company beneficially held by the INED and the award shares subject to vesting conditions granted on 30 June 2014.*

*(4) These interests include award shares granted subject to vesting conditions to the INEDs as beneficial owners on 30 June 2014.*

*(5) These interests represent award shares granted subject to vesting conditions to an INED as beneficial owner on 13 April 2015.*

*(6) These interests represent the shares of ADPDL issued to the Director upon the exercise of options granted under the 2007 ADPDL Share Option Scheme.*

*(7) These interests represent options granted to the Director as a beneficial owner under the 2013 nxTomo Share Option Scheme.*

*(8) These interests represent options granted to the Director as a beneficial owner under the 2008 nxTomo Games Share Option Scheme.*

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 2016.

## DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 31 March 2016, the following persons (other than a person who is 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 |
|---|---|---|
| Lai Chee Ying, Jimmy | 1,786,533,165 | 73.48 |
| Li Wan Kam, Teresa | 1,786,533,165 (Note 1) | 73.48 |
| David Michael Webb | 122,136,000 (Note 2) | 5.02 |

***Notes:***

1. *These Shares represent the same total number of Shares held by Mr. Lai, Ms. Li Wan Kam, Teresa is the spouse of Mr. Lai and is deemed to be interested in these Shares.*
2. *81,900,000 Shares are held by Preferable Situation Assets Limited, a company which is 100% controlled by Mr. David Michael Webb.*

Save as disclosed above, the Company had not been notified of any other person (other than Directors or 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 2016.

## CONNECTED TRANSACTIONS

During the year and up to the date of this report, the Company conducted the following transactions which constituted connected transactions for the Company under Chapter 14A of the Listing Rules:

1. On 13 April 2015, the Company announced that it had conditionally awarded the award shares, being 300,000 Shares (the "2015 Award Shares"), to Dr. Hamm, an INED, subject to vesting conditions and compliance with the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Independent Shareholders' approval on the 2015 Award Shares had been sought from the EGM duly held on 31 July 2015.

2. On 15 January 2016, the Company announced that Amazing Sino International Limited ("ASIL"), an indirect wholly-owned subsidiary of the Company and a shareholder of ADPDL, purchased 108,344 shares, representing 1.0% of the total issued shares of ADPDL from Mr. Ting Ka Yu, Stephen, a former director of both the Company and ADPDL, at a consideration of HK$4,420,435 (the "First Acquisition"). As the applicable percentage ratios (other than the profits ratio) calculated in accordance with the Listing Rules for the First Acquisition exceeded 0.1% but fell below 5.0%, the First Acquisition was subject to the reporting and announcement requirements but was exempted from the independent Shareholders' approval pursuant to Chapter 14A of the Listing Rules. Completion of the First Acquisition took place on 22 January 2016.

3. On 8 June 2016, the Company announced that ASIL purchased 216,688 shares, representing 2.0% of the total issued shares of ADPDL from Mr. Ip, being a NED of the Company, at a consideration of HK$8,840,870 (the "Second Acquisition"). As the applicable percentage ratios (other than the profits ratio) calculated in accordance with the Listing Rules for the Acquisition exceeded 0.1% but fell below 5.0%, the Second Acquisition was subject to the reporting and announcement requirements but was exempted from the independent Shareholders' approval pursuant to Chapter 14A of the Listing Rules. Completion of the Second Acquisition will take place upon stamping of the relevant instrument of transfer and bought and sold notes has been completed.

## CONTINUING CONNECTED TRANSACTIONS

During the year, the Company and its subsidiaries had entered into the following transactions which constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules:

1. On 31 July 2013, had entered into a lease agreement (the "Lease Agreement") with the Taiwan Branch of NMA (now known as NAS), pursuant to which, NMBL agreed to lease the properties located at 3/F., 4/F., 5/F., 6/F., 8/F. and 9/F., No. 39, Lane 141, Xingai Road, Neihu District, Taipei City, Taiwan at a monthly rental of NT$1,613,728 (inclusive of tax) to the Taiwan Branch of NAS for a term 32 months commencing from 1 August 2013 to 31 March 2016 (both days inclusive).

   The table below sets out the maximum cap for the annual rental payable by the Taiwan Branch of NAS for each of the periods of the Lease Agreement:

   | Period | Annual Cap |
   |---|---|
   | From 1 August 2013 to 31 March 2014 (both days inclusive) | NT$12,909,824 |
   | From 1 April 2014 to 31 March 2015 (both days inclusive) | NT$19,364,736 |
   | From 1 April 2015 to 31 March 2016 (both days inclusive) | NT$19,364,736 |

   The total rental of NT$8,453,000 (equivalent to HK$2,105,000) was paid by the Taiwan Branch of NAS in respect of the period from 1 April 2015 to 15 September 2015 (both days inclusive) to NMBL under the Lease Agreement.

   On 15 September 2015, NMBL and NAS entered into a termination agreement to terminate the Lease Agreement with effect from 16 September 2015.

## CONTINUING CONNECTED TRANSACTIONS (continued)

2. On 31 March 2014, the Company and NMA (now known as NAS) entered into a business framework agreement (the "2014 Business Framework Agreement") in respect of the animation services to be rendered by NMA Group (now known as NAS Group) to the Group, the advertising services and supporting services to be rendered by the Group to the NAS Group for the period from 1 April 2014 to 31 March 2017 subject to 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 |
|---|---|---|---|
| 1 April 2014 – 31 March 2015 | HK$77,000,000 | HK$5,500,000 | HK$5,500,000 |
| 1 April 2015 – 31 March 2016 | HK$78,500,000 | HK$5,750,000 | HK$5,750,000 |
| 1 April 2016 – 31 March 2017 | HK$80,000,000 | HK$6,000,000 | HK$6,000,000 |

The annual caps for each of the periods as set out in the 2014 Business Framework Agreement were determined after taking into account (a) the historical transaction amounts in respect of the provision of animation services, advertising services and supporting services pursuant to the Business Framework Agreement; (b) the estimated demand for the aforesaid services; and (c) the expected increment of the costs to be incurred for providing the aforesaid service.

On 31 March 2014, the Company and NAS also entered into an intellectual properties revenue sharing agreement (the "IPRS Agreement") in respect of the revenue sharing arrangements between the Group and NAS Group on revenue generated by the sale of digital content and merchandise developed from the NAS's intellectual properties for a term of three years commencing from 1 April 2014 and ending on 31 March 2017 subject to the annual caps as follows:

| Period | Annual Cap |
|---|---|
| From 1 April 2014 to 31 March 2015 | HK$8,000,000 |
| From 1 April 2015 to 31 March 2016 | HK$8,500,000 |
| From 1 April 2016 to 31 March 2017 | HK$9,000,000 |

The annual caps for each of the periods as set out in the IPRS Agreement were determined by reference to (a) the estimated revenue to be generated from the NAS's intellectual properties and merchandise; and (b) the expected increment of sales to be generated.

During the year, the Group had paid HK$54,535,000 as animation service charge and received HK$1,125,000 as supporting service fee whilst no advertising service charge was received under the 2014 Business Framework Agreement. It had also paid HK$75,000 under the IPRS Agreement.

## CONTINUING CONNECTED TRANSACTIONS (continued)

3. On 15 September 2015, NMBL had entered into the new lease agreement (the "New Lease Agreement") with the Taiwan Branch of NAS, pursuant to which, NMBL agreed to lease the properties located at 3/F., 4/F., 5/F., 6/F. and 9/F., No. 39, Lane 141, Xingai Road, Neihu District, Taipei City, Taiwan at a monthly rental of NT$1,427,978 (inclusive of tax) to the Taiwan Branch of NAS for a term commencing from 16 September 2015 to 31 March 2018 (both days inclusive). The Taiwan Branch of NAS had paid a deposit of NT$4,283,934 (inclusive of tax) as guarantee of its performance of obligations under the new lease agreement. Such deposit will be refunded to the Taiwan Branch of NAS without interest upon expiry or termination of the new lease agreement.

   The table below sets out the maximum cap for the annual rental payable by the Taiwan Branch of NAS for each of the periods of the New Lease Agreement:

   | Period | Annual Cap |
   |---|---|
   | From 16 September 2015 to 31 March 2016 (both days inclusive) | NT$9,281,857 |
   | From 1 April 2016 to 31 March 2017 (both days inclusive) | NT$17,135,736 |
   | From 1 April 2017 to 31 March 2018 (both days inclusive) | NT$17,135,736 |

   The total rental of NT$8,840,000 (equivalent to HK$2,087,000) was paid by the Taiwan Branch of NAS in respect of the period from 16 September 2015 to 31 March 2016 (both days inclusive) to NMBL under the new lease agreement.

   On 9 May 2016, NMBL and NAS entered into a termination agreement to terminate the New Lease Agreement with effect from 31 May 2016.

4. On 22 September 2015, Next Mobile Limited, a wholly owned subsidiary of the Company, entered into a consultancy agreement with Mr. Lai, the controlling Shareholder and a former ED of the Company, for a period of three years commencing from 1 October 2015 in respect of the engagement of Mr. Lai as a corporate strategic advisor to the Group to give advice on the overall strategic direction of the Group with a particular focus on digital business at a nominal fee of HK$1.00 for the entire consultancy period. Each party may terminate the consultancy agreement at any time during the consultancy period by giving three month's written notice to the other party. Mr. Lai, a controlling Shareholder of the Company and a former ED, who had resigned on 12 December 2014, is regarded as a connected person of the Company under Rule 14A.06(8) of the Listing Rules, being a person who was a Director of the Company in the last 12 months. Since the consideration for the consultancy agreement fell under the category of de minimis transaction and it was fully exempt from independent Shareholders' approval, annual review and all disclosure requirements under the Listing Rules.

Details of the continuing connected transactions are set out in the note 36 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 2016.

## 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 2016 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, has 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. The Auditor has issued an unqualified letter containing the findings and conclusions in respect of the Group's CCTs in pages 180 to 182 of the Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the Auditor's letter 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 36 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 36 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.

## CHANGE OF COMPANY NAME, LOGO, STOCK SHORT NAME AND WEBSITE

As announced on 29 July 2015, the Company proposed to change its English name from "Next Media Limited " to "Next Digital Limited" whilst its Chinese name "壹傳媒有限公司" remained unchanged in order to reflect the strategic move of the Group's business focus towards digital business and align with its business nature and growth objectives. The proposed change of the Company name was subject to the following conditions:

(i) The passing of a special resolution by the Shareholders of the Company at the EGM to approve the change of the Company name; and

(ii) The Registrar of Companies of Hong Kong granting the approval for the change of the Company name.

At the EGM duly held on 5 October 2015, the Shareholders of the Company approved the special resolution on the change of the Company name and the Registrar of Companies of Hong Kong issued the Certificate of Change of Name on 20 October 2015. Accordingly, the name of the Company had been changed from "Next Media Limited" to "Next Digital Limited" with effect from 20 October 2015.

## CHANGE OF COMPANY NAME, LOGO, STOCK SHORT NAME AND WEBSITE (continued)

A new Company Logo "NEXT DIGITAL" had been adopted on 26 October 2015.

With effect from 9:00 a.m. on 29 October 2015, the stock short name for trading in the Shares on the Stock Exchange has changed from "Next Media" to "Next Digital" in English and remained unchanged as "壹傳媒" in Chinese.

The website of the Company had also changed from www.nextmedia.com to www.nextdigital.com.hk with effect from 29 October 2015.

## UPDATE ON MATERIAL LITIGATIONS

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, a controlling shareholder of the Company, in the High Court during 2007.

Pursuant to a judgement issued by the High Court on 18 January 2008, the default judgement against ADPL was set aside and the proceedings against ADPL were referred to arbitration. UDL was ordered to pay 20% of ADPL's costs for the application to set aside the default judgement. ADPL also obtained an order for the payment of all of its costs relating to an application for a stay of proceedings to arbitration from UDL. This amount was received in July 2008.

Further, pursuant to the orders issued by the High Court on 28 April 2016 and 3 May 2016 respectively, the arbitration proceedings between UDL as applicant and ADPL as respondent has been wholly dismissed with no order as to costs and the High Court action between UDL as plaintiff and ADPL as 1st defendant and Mr. Lai as 2nd defendant has been discontinued with no order as to costs.

In July 2010, BaWang International (Group) Holding Limited (as 1st Plaintiff) and BaWang (Guangzhou) Company Limited (as 2nd Plaintiff) (collectively referred as the "Plaintiffs") issued a writ against Next Magazine Publishing Limited in respect of an article published in the weekly magazine, *Next Magazine*, alleging, amongst other things, that certain parts of such article were defamatory and/or amounted to a malicious falsehood. Next Magazine Publishing Limited filed a Defence to such claim in January 2011. Trial commenced on 2 March 2015 and concluded on 29 August 2015. The judgment (the "Judgment") made by the High Court has been handed down on 23 May 2016. The High Court has found in favour of the Plaintiffs on certain grounds but has dismissed the Plaintiffs claim in malicious falsehood and in conclusion has ordered, amongst other matters, Next Magazine Publishing Limited to pay a total of approximately HK$3.0 million in damages and 80% of the Plaintiffs' legal costs. The Board, upon receipt of further legal advice, will consider filling an appeal to the High Court in respect of liability and/or quantum of damages,within 28 days from the 23 May 2016, the date on which the Judgment has been handed down. Having taken into account the amount of damages being ordered to pay, the Board considered that the Judgment will not have any material adverse impact on the Group's ordinary operations and financial position.

## BUSINESS REVIEW

A fair review of the Group's business and a discussion and analysis of the Group's performance during the year including the material factors underlying its results and financial position and the likely future developments of its business, as required by Schedule 5 of the CO, is set out in the sections headed "Chief Executive Officer's Statement" and "Management Discussion and Analysis ("MD&A")" of this annual report. An analysis of the Group's performance using financial key performance indicators is provided in the sections headed "Financial Highlights" and "Financial Review of MD&A" of this annual report.

A discussion on the Group's relationships with its key stakeholders, environmental policies and performance as well as social commitments is set out in the section headed "Group Commitments" of this annual report.

The Group has established systems and procedures to ensure compliance with relevant laws and regulations which have significant impact on the Group in conducting its business, including but not limited to Registration of Local Newspapers Ordinance, Personal Data (Privacy) Ordinance, Employment Ordinance, Occupational Safety and Health Ordinance, Prevention of Bribery Ordinance, Companies Ordinance, Listing Rules and SFO in Hong Kong, Employment Law (勞動基準法) and Personal Data Protection Law (個人資料保護法) in Taiwan, its compliance of which is set out in the section headed "Corporate Governance" of this annual report. All of the above sections form part of this Directors' Report.

## 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 27 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 13 June 2016, 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 2016 AGM to re-appoint the auditor, Messrs. Deloitte Touche Tohmatsu.

On behalf of the Board

**Ip Yut Kin**
*Non-executive Chairman*

Hong Kong, 13 June 2016

# INDEPENDENT AUDITOR'S REPORT

**TO THE MEMBERS OF NEXT DIGITAL LIMITED**
**壹傳媒有限公司**
**(FORMERLY KNOWN AS 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 Digital Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 94 to 188, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated statement of profit or loss and other 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 405 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.

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 consolidated financial statements that give 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 financial position of the Group as at 31 March 2016, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
Hong Kong
13 June 2016

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016

| | Notes | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|---|
| Revenue | 7 | **2,327,730** | 2,956,934 |
| Production costs | | | |
| Cost of raw materials consumed | | **(417,103)** | (592,279) |
| Other overheads | | **(369,210)** | (402,114) |
| Staff costs | 15 | **(655,364)** | (822,643) |
| | | **(1,441,677)** | (1,817,036) |
| Personnel costs excluding direct production staff costs | 15 | **(658,451)** | (577,556) |
| Other income | 7 | **56,596** | 45,614 |
| Net exchange gain | | **4,907** | 18,008 |
| Depreciation of property, plant and equipment | | **(126,066)** | (117,840) |
| Release of prepaid lease payments | | **(1,797)** | (1,797) |
| Other expenses | | **(242,639)** | (295,318) |
| Impairment loss recognised in respect of intangible assets | 18 | **(280,582)** | – |
| Reversal of allowance for bad and doubtful debts, net | | **16,274** | 18,828 |
| Finance costs | 9 | **(9,353)** | (13,249) |
| (Loss) profit before tax | | **(355,058)** | 216,588 |
| Income tax credit (expense) | 10 | **30,814** | (47,950) |
| (Loss) profit for the year | 11 | **(324,244)** | 168,638 |
| **Other comprehensive income (expense)** | | | |
| ***Item that will not be reclassified subsequently to profit or loss:*** | | | |
| Actuarial gain (loss) from remeasurement of defined benefit obligations, net of tax | 27(b) | **3,357** | (22,498) |
| ***Item that may be reclassified subsequently to profit or loss:*** | | | |
| Exchange differences on translating foreign operations | | **(34,892)** | (43,869) |
| Total comprehensive (expense) income for the year | | **(355,779)** | 102,271 |

| | Note | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|---|
| (Loss) profit for the year attributable to: | | | |
| Owners of the Company | | **(324,688)** | 164,300 |
| Non-controlling interests | | **444** | 4,338 |
| | | **(324,244)** | 168,638 |
| Total comprehensive (expense) income attributable to: | | | |
| Owners of the Company | | **(355,445)** | 99,872 |
| Non-controlling interests | | **(334)** | 2,399 |
| | | **(355,779)** | 102,271 |
| (Loss) earnings per share | 16 | | |
| – Basic | | **HK(13.4) cents** | HK6.8 cents |
| – Diluted | | **HK(13.4) cents** | HK6.8 cents |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016

| | Notes | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Intangible assets | 17 | **1,020,299** | 1,300,881 |
| Property, plant and equipment | 19 | **1,094,647** | 1,211,520 |
| Prepaid lease payments | 20 | **54,367** | 56,164 |
| Deposits for acquisition of property, plant and equipment | | **8,857** | 3,568 |
| | | **2,178,170** | 2,572,133 |
| **CURRENT ASSETS** | | | |
| Inventories | 22 | **93,313** | 115,444 |
| Trade and other receivables | 23 | **539,790** | 610,226 |
| Prepaid lease payments | 20 | **1,797** | 1,797 |
| Tax recoverable | | **19,271** | 21,139 |
| Restricted bank balances | 24 | **1,500** | 1,500 |
| Amounts due from related parties | 21 | **3,565** | 2,565 |
| Bank balances and cash | 24 | **457,333** | 499,846 |
| | | **1,116,569** | 1,252,517 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 25 | **445,565** | 436,223 |
| Deferred revenue | 28 | **5,646** | 11,680 |
| Borrowings | 26 | **76,305** | 78,461 |
| Provisions | 33 | **123,630** | 105,844 |
| Tax liabilities | | **14,747** | 12,562 |
| | | **665,893** | 644,770 |
| **NET CURRENT ASSETS** | | **450,676** | 607,747 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **2,628,846** | 3,179,880 |
| **NON-CURRENT LIABILITIES** | | | |
| Borrowings | 26 | **222,557** | 307,303 |
| Retirement benefits plans | 27 | **76,805** | 85,429 |
| Deferred tax liabilities | 32 | **213,507** | 272,917 |
| | | **512,869** | 665,649 |
| **NET ASSETS** | | **2,115,977** | 2,514,231 |

| | Note | **2016 HK$'000** | 2015 HK$'000 |
|---|---|---|---|
| **CAPITAL AND RESERVES** | | | |
| Share capital | 29 | **2,435,010** | 2,434,747 |
| Reserves | | **(358,112)** | 33,252 |
| **EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY** | | **2,076,898** | 2,467,999 |
| **NON-CONTROLLING INTERESTS** | | **39,079** | 46,232 |
| **TOTAL EQUITY** | | **2,115,977** | 2,514,231 |

The consolidated financial statements on pages 94 to 188 were approved and authorised for issue by the Board of Directors on 13 June 2016 and are signed on its behalf by:

**Cheung Ka Sing, Cassian**
*DIRECTOR*

**Chow Tat Kuen, Royston**
*DIRECTOR*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

| | Attributable to owners of the Company | | | | | Attributable to non-controlling interests | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Translation reserve HK$'000 | Share-based payment reserve HK$'000 | Accumulated (losses) profits HK$'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 2014 | 3,359,709 | (44,342) | 10,933 | (769,900) | 2,556,400 | 1,470 | 32,311 | 33,781 | 2,590,181 |
| Exchange differences on translating foreign operations | – | (42,837) | – | – | (42,837) | – | (1,032) | (1,032) | (43,869) |
| Profit for the year | – | – | – | 164,300 | 164,300 | – | 4,338 | 4,338 | 168,638 |
| Actuarial loss on defined benefit liabilities, net of tax | – | – | – | (21,591) | (21,591) | – | (907) | (907) | (22,498) |
| Total comprehensive (expense) income for the year | – | (42,837) | – | 142,709 | 99,872 | – | 2,399 | 2,399 | 102,271 |
| Payment of dividends (note 14) | – | – | – | (196,912) | (196,912) | – | – | – | (196,912) |
| Recognition of equity-settled share-based payments | – | – | 8,313 | – | 8,313 | 10,405 | – | 10,405 | 18,718 |
| Exercise of share options *(Note a)* | – | – | – | – | – | (60) | 60 | – | – |
| Lapse of share options | – | – | (1,726) | 2,019 | 293 | (293) | – | (293) | – |
| Acquisition of additional interest in a subsidiary *(Note a)* | – | – | – | 33 | 33 | – | (60) | (60) | (27) |
| Capital reduction *(Note d)* | (924,962) | – | – | 924,962 | – | – | – | – | – |
| At 31 March 2015 | 2,434,747 | (87,179) | 17,520 | 102,911 | 2,467,999 | 11,522 | 34,710 | 46,232 | 2,514,231 |
| Exchange differences on translating foreign operations | – | (33,997) | – | – | (33,997) | – | (895) | (895) | (34,892) |
| (Loss) profit for the year | – | – | – | (324,688) | (324,688) | – | 444 | 444 | (324,244) |
| Actuarial gain on defined benefit liabilities, net of tax | – | – | – | 3,240 | 3,240 | – | 117 | 117 | 3,357 |
| Total comprehensive expense for the year | – | (33,997) | – | (321,448) | (355,445) | – | (334) | (334) | (355,779) |
| Payment of dividends (note 14) | – | – | – | (48,626) | (48,626) | – | – | – | (48,626) |
| Recognition of equity-settled share-based payments | – | – | 5,142 | – | 5,142 | 6,505 | 337 | 6,842 | 11,984 |
| Issue of ordinary shares in relation to award of new shares | 263 | – | (263) | – | – | – | – | – | – |
| Exercise of share options *(Note b)* | – | – | – | – | – | (671) | 671 | – | – |
| Lapse of share options | – | – | (4,137) | 7,065 | 2,928 | (2,928) | – | (2,928) | – |
| Acquisition of additional interests in subsidiaries *(Notes b and c)* | – | – | – | 4,900 | 4,900 | – | (10,733) | (10,733) | (5,833) |
| At 31 March 2016 | 2,435,010 | (121,176) | 18,262 | (255,198) | 2,076,898 | 14,428 | 24,651 | 39,079 | 2,115,977 |

*Notes:*

*(a) During the year ended 31 March 2015, option to subscribe 20,000 shares were exercised under the 2008 Share Option Scheme of nxTomo Games Limited ("nxTomo Games"), with fair value of HK$3.01 per option at the grant date (see note 30d (ii)). As a result, the Group's equity interest in nxTomo Games was changed from 100% to 99.8%. On the same date, Max Grand Investments Limited, a wholly owned subsidiary of the Company, purchased 20,000 shares of nxTomo Games from a non-controlling shareholder. As a result, the Group holds 100% equity interest of nxTomo Games.*

*(b) During the year ended 31 March 2016, options to subscribe in a total of 40,000 shares with fair value of HK$3.01 per option and 30,000 shares with fair value of HK$18.34 per option at the grant dates (see note 30d (ii)) were exercised under the 2008 Share Option Scheme of nxTomo Games on 7 August 2015 and 31 March 2016 respectively. On the same dates, Max Grand Investments Limited, a wholly owned subsidiary of the Company, purchased all 70,000 shares of nxTomo Games from non-controlling shareholders. As a result, the Group holds 100% equity interest of nxTomo Games.*

*(c) During the year ended 31 March 2016, the equity ownership of the Group in a non-wholly owned subsidiary, Apple Daily Publication Development Limited ("ADPDL") increased from 95.05% to 96.30% (see note 38).*

*(d) On 9 May 2014, the Hong Kong High Court made an order confirming the reduction of the share premium account of the Company by HK$924,962,000 which has become effective upon the registration of such order with the Companies Registry on 22 May 2014. The Company reduced its share capital account by HK$924,962,000 to set off against the Company's total accumulated losses during the year ended 31 March 2015.*

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

| | Note | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| (Loss) profit for the year | | **(324,244)** | 168,638 |
| Adjustments for: | | | |
| Income tax (credit) expense | | **(30,814)** | 47,950 |
| Finance costs | | **9,353** | 13,249 |
| Reversal of allowance for bad and doubtful debts, net | | **(16,274)** | (18,828) |
| Depreciation of property, plant and equipment | | **126,066** | 117,840 |
| Release of prepaid lease payments | | **1,797** | 1,797 |
| Loss on disposal of property, plant and equipment | | **3,405** | 729 |
| Share-based payment expense | | **11,984** | 18,718 |
| Impairment loss recognised in respect of intangible assets | 18 | **280,582** | – |
| Interest income | | **(1,738)** | (2,148) |
| Operating cash flows before movements in working capital | | **60,117** | 347,945 |
| Decrease in inventories | | **20,473** | 10,790 |
| Decrease in trade and other receivables | | **80,274** | 15,411 |
| Increase in amounts due from related parties | | **(1,000)** | (1,766) |
| Increase (decrease) in trade and other payables | | **12,897** | (9,531) |
| (Decrease) increase in deferred revenue | | **(6,034)** | 406 |
| Increase (decrease) in provisions | | **18,640** | (7,164) |
| Decrease in retirement benefits plans | | **(2,212)** | (6,941) |
| Net cash generated from operations | | **183,155** | 349,150 |
| Income tax paid | | **(25,045)** | (64,745) |
| **NET CASH GENERATED FROM OPERATING ACTIVITIES** | | **158,110** | 284,405 |

| | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|
| **INVESTING ACTIVITIES** | | |
| Interest received | **1,738** | 2,148 |
| Proceeds from disposal of property, plant and equipment | **1,152** | 887 |
| Purchases of property, plant and equipment | **(40,280)** | (44,425) |
| Deposit for acquisition of property, plant and equipment | **(8,906)** | (3,582) |
| **NET CASH USED IN INVESTING ACTIVITIES** | **(46,296)** | (44,972) |
| **FINANCING ACTIVITIES** | | |
| Repayment of bank borrowings | **(76,305)** | (264,102) |
| Withdrawal of restricted bank balances | **–** | 3,315 |
| Interest paid | **(9,353)** | (13,249) |
| Acquisition of additional interests in subsidiaries | **(5,833)** | (27) |
| Dividends paid | **(48,626)** | (196,912) |
| **NET CASH USED IN FINANCING ACTIVITIES** | **(140,117)** | (470,975) |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | **(28,303)** | (231,542) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR** | **499,846** | 755,442 |
| **EFFECT OF FOREIGN EXCHANGE RATE CHANGES** | **(14,210)** | (24,054) |
| **CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash** | **457,333** | 499,846 |

## 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"). Its ultimate controlling party is Mr. Lai Chee Ying, Jimmy ("Mr. Lai"), who is the controlling shareholder of the Company. The address of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

Pursuant to a special resolution passed on 5 October 2015 and the Certificate of Change of Name issued by the Registrar of Companies of Hong Kong on 20 October 2015, the Company changed its name to Next Digital Limited (壹傳媒有限公司) with effect from 20 October 2015.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), 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 38.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

### (a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

| | |
|---|---|
| Amendments to HKAS 19 | Defined Benefit Plans: Employee Contributions |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2010 – 2012 Cycle |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2011 – 2013 Cycle |

The application of the above amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current 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)

### (b) New and revised HKFRSs in issue 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:

| | |
|---|---|
| HKFRS 9 | Financial Instruments[1] |
| HKFRS 15 | Revenue from Contracts with Customers[1] |
| HKFRS 16 | Leases[4] |
| Amendments to HKFRS 11 | Accounting for Acquisitions of Interests in Joint Operations[2] |
| Amendments to HKAS 1 | Disclosure Initiative[2] |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation[2] |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer Plants[2] |
| Amendments to HKAS 27 | Equity Method in Separate Financial Statements[2] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2012 – 2014 Cycle[2] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3] |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation Exception[2] |

[1] *Effective for annual periods beginning on or after 1 January 2018*

[2] *Effective for annual periods beginning on or after 1 January 2016*

[3] *Effective for annual periods beginning on or after a date to be determined*

[4] *Effective for annual periods beginning on or after 1 January 2019*

### HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are required 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

### (b) New and revised HKFRSs in issue but not yet effective (continued)

#### HKFRS 9 Financial Instruments (continued)

All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting 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.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have an impact on the amounts reported and disclosed in the Group's consolidated financial statements. Regarding the Group's financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

### (b) New and revised HKFRSs in issue but not yet effective (continued)

**HKFRS 15 Revenue from Contracts with Customers**

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

### (b) New and revised HKFRSs in issue but not yet effective (continued)

#### HKFRS 16 Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The directors of the Company will assess the impact of the application of HKFRS 16. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of HKFRS 16 until the Group performs a detailed review.

Other than set out above, the directors of the Company do not anticipate that the application of other new and revised HKFRSs will have a material effect on the Group's 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 ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, 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 and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases* and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

#### Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing 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)

## Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, other similar allowances and related tax.

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.

Specifically, the revenue recognition for different types of goods and services provided are as follows:

(i) Internet advertising income is recognised on a straight-line basis over the period during which the advertisement is displayed, at which time all the following conditions are satisfied:

  - it is probable that the economic benefits associated with the transaction will flow to the Group upon the satisfaction of target impression rate or click rate set out in respective contract; and
  - the relevant services which related to the production of the advertisement has been rendered.

(ii) Internet subscription income is recognised upon the provision of the services.

(iii) Mobile game revenue is derived from the sales of in-game virtual items in its game development operations through cooperation with various third-party game distribution platforms installed in mobile telecommunications devices (collectively referred to as "Platforms").

In cooperation with Platforms, the Group is responsible for hosting the games, providing on-going updates of new contents, technical support for the operations of the games, as well as preventing, detecting and resolving in-game cheating and hacking activities. Platforms are responsible for distribution, marketing, platform maintenance, payer authentication and payment collections related to the games.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue recognition (continued)

(iii) (continued)

The Group's games are free to play and players can purchase virtual items for better in-game experience. Players purchase the virtual items ("Paying Players") through Platforms' own charging systems. Platforms collect the payment from the Paying Players and remit the cash net of commission charges which are pre-determined according to the relevant terms of the agreements entered into between the Group and Platforms.

Upon the sales of virtual items, the Group typically has an implied obligation to provide the services which enable the virtual items to be displayed or used in the games. As a result, the proceeds received from sales of virtual items are initially recorded as deferred revenue. The attributable portions of the deferred revenue relating to values of the virtual items purchased are immediately or ratably recognised as revenue only when the services are rendered to the respective Paying Players.

For the purposes of determining when services have been provided to the respective Paying Players, the Group has determined the following:

- Consumable virtual items represent items that are extinguished after consumption in the form of fixed charges levied on each round of games played. The Paying Players will not continue to benefit from the virtual items thereafter. Revenue is recognised (as a release from deferred revenue) when the items are consumed and the related services are rendered.

- Durable virtual items represent items that are accessible and beneficial to Paying Players over an extended period of time. Revenue is recognised ratably over the average life of durable virtual items for the applicable game, which the Group makes best estimates to be average playing period of Paying Players ("Player Relationship Period").

In estimating the Player Relationship Period for each applicable game, the Group considers the charging data, which are affected by various factors such as acceptance and popularity of the game, the game updates and other in-game items, promotional events launched, future operating strategies and market conditions. Given the short operating history of the Group's online games, the estimated Player Relationship Period for each applicable game may not accurately reflect the actual lives of the permanent in-game merchandise or premium features in that game. The Group reviews, at least annually, the Player Relationship Period for all applicable games to determine whether the estimated lives for permanent in-game merchandise or premium features remain reasonable. The Group may revise the estimates as it continues to collect operating data, and refine the estimation process and results accordingly. All Paying Players' data in an applicable game collected since the launch date of such game are used to perform the relevant assessment for that applicable game.

## Revenue recognition (continued)

(iii) (continued)

If the Group does not have the ability to differentiate revenue attributable to durable virtual items from consumable virtual items for a specific game, the Group recognises revenue from both durable and consumable virtual items for that game ratably over the Player Relationship Period.

The Group has evaluated the roles and responsibilities of the Group and Platforms in the delivery of game experience to the Paying Players and concluded the Group takes the primary responsibilities in rendering services. The Group is determined to be the primary obligor and accordingly, the Group records revenue on a gross basis, and commission charges by Platforms are recorded as production costs.

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

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

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

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

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

(ix) 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 is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate 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.

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

## 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 are carried at cost less any subsequent accumulated impairment losses (see the accounting policy on impairment losses on tangible and intangible assets below).

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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Masthead and publishing rights (continued)

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 immediately in profit or loss.

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 immediately in profit or loss.

### 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 subsequent accumulated impairment losses, if any.

Freehold land is stated at cost less any subsequent accumulated impairment losses.

Depreciation is recognised so as to write off the cost of assets 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 estimate accounted for on a prospective basis.

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.

### 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.

**(i) 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.

**(ii) The Group as lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Leasing (continued)

#### (iii) 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 recognised at the rates of exchange 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 on monetary items are recognised in profit or loss in the period in which they arise.

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. HK$) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates prevailing at the dates of the 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).

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

### Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, 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.

The amount recognised as a provision is 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).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### 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.

## Employee benefits (continued)

**(iii) Retirement benefit costs and termination benefits**

The Group operates defined contribution retirement schemes in Hong Kong and Taiwan, 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 each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in staff costs. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Employee benefits (continued)

**(iv) Share options, share awards 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, share subscription rights granted on 29 October 2007 and share awards granted on 30 June 2014 and 13 April 2015.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

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 based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payment reserve).

For share options and share subscription rights that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options and share subscription rights are exercised, the amount previously recognised in share-based payment reserve will be transferred to share capital. When the share options and 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 (losses).

The fair value of services received determined by reference to the fair value of awarded shares granted at the grant date, in exchange for the grant of awarded shares is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share-based payment reserve). When the awarded shares are vested, the amount previously recognised in share-based payment reserve will be transferred to accumulated profits. When the awarded shares are not vested or are forfeited during the vesting period, the amount previously recognised in share-based payment reserve will be recognised as income immediately in profit or loss.

At the end of reporting period, the Group revises its estimates of the number of options and share subscription rights expected to vest. The impact of the revision of the original estimates, 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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 before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability of current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases 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 differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of 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, 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 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 each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits 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 the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Taxation (continued)

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 they relate 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.

### Financial instruments

Financial assets and financial liabilities are recognised 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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

**Financial assets**

Financial assets are classified as loans and receivables. 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 debt instrument 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 and points 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 debt instrument, 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.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, amounts due from related parties, restricted bank balances and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see the accounting policy on impairment of loans and receivables below).

Interest income is recognised by applying the effective interest rate except for short-term receivables where the recognition of interest would be immaterial.

# 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

## Financial instruments (continued)

### Financial assets (continued)

*Impairment of loans and receivables*

Financial assets classified as loans and receivables are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when 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.

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.

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 in the portfolio past the credit period of 7 to 120 days, as well as 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 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 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.

For financial assets measured at amortised cost, 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**

Debt 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 instrument*

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

*Financial liabilities*

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

*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 form 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.

**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.

On derecognition of a financial asset in its entirety, 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 have expired. 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. Costs of inventories are determined on a 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives 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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("CGU") (or group of CGUs) to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

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.

Recoverable amount is the higher of fair value less costs of dispose 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 (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) 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 (or a CGU) 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 (or a CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

## 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 estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

### Revenue recognition

For mobile game revenue derived from the sales of in-game virtual items, the Group determines the consumable and durable virtual items and recognises revenue from durable virtual items ratably over the Player Relationship Period. The determination of consumable and durable virtual items and Player Relationship Period is based on the Group's best estimate that takes into account all known and relevant information at the time of assessment. Such estimates are subject to re-evaluation on an annual basis. Any adjustments arising from changes in the determination of consumable and durable virtual items and Player Relationship Period as a result of new information will be accounted for prospectively as a change in accounting estimate.

### Income taxes

As at 31 March 2016, the Group had estimated unused tax losses of approximately HK$1,627,157,000 (2015: HK$1,416,764,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$3,357,000 (2015: nil) of such losses. No deferred tax assets has been recognised on the tax losses of approximately HK$1,623,800,000 (2015: HK$1,416,764,000) due to the unpredictability of future profit streams. The realisability 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 32.

### Provision for litigations

The management of the Group monitors any litigations against the Group closely. Provision for litigations is made based on management's best estimate after consultation with the legal counsel on the possible outcome and liability of the Group. In cases where the actual future outcomes differ from the estimation, further provision may be required. As at 31 March 2016, an amount of approximately HK$123,630,000 (2015: HK$105,844,000) has been provided for outstanding litigations. Details are set out in note 33.

### 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. As at 31 March 2016, the carrying amount of trade receivables was HK$427,301,000 (2015: HK$522,417,000), net of allowance for doubtful debts of HK$58,104,000 (2015: HK$76,851,000). Details are set out in note 23.

## 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 CGUs 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 CGU 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 2016, the carrying amount of intangible assets is HK$1,020,299,000 (2015: HK$1,300,881,000). For the year ended 31 March 2016, an impairment loss of HK$280,582,000 (2015: nil) has been recognised. Details of the recoverable amount calculation are disclosed in note 18.

### Retirement benefit obligations

Obligations for retirement benefit and related net periodic pension costs are determined in accordance with actuarial valuations. These valuations rely on key assumptions including discount rates and expected rate of salary growth. The discount rates assumptions are determined by reference to yield on high-quality corporate bonds of appropriate duration and currency at the end of the reporting period. In case such yields are not available, discount rates are based on government bonds yields. Due to changing market and economic conditions, the underlying key assumptions may differ from actual developments and may lead to significant changes in retirement benefit obligations. During the year ended 31 March 2016, actuarial gain from remeasurement of defined benefit obligations before tax effect amounting to HK$4,045,000 (2015: actuarial loss before tax effect of HK$27,107,000) are recognised directly in equity in the period in which they occur. Details are set out in note 27.

## 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 26, and equity attributable to owners of the Company, comprising share capital and reserves.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, 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

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| **Financial assets** | | |
| Loans and receivables (including cash and cash equivalents) | **930,258** | 1,040,175 |
| **Financial liabilities** | | |
| Liabilities at amortised cost | **417,609** | 500,103 |

## 6b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from related parties, restricted bank balances, bank balances and cash, trade and other payables 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 of the Company 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 major monetary assets and monetary liabilities denominated in foreign currencies other than the functional currency of the group entities at the end of the reporting period are as follows:

| | Liabilities | | Assets | |
|---|---|---|---|---|
| | **2016 HK$'000** | 2015 HK$'000 | **2016 HK$'000** | 2015 HK$'000 |
| United States Dollar ("USD") | **17,171** | 17,982 | **54,117** | 40,515 |
| New Taiwan Dollar ("NT$") – inter-company balances | **–** | – | **637,725** | 590,485 |

# 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 NT$. The Group does not have significant foreign currency exposure in relation to monetary items that are denominated in the USD as the HK$ is pegged to the USD.

The following table details the Group's sensitivity to a 5% (2015: 5%) increase and decrease in the entity's respective functional currency against NT$. 5% (2015: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, including balances with foreign operations within the Group and adjusts their translation at the end of the reporting period for a 5% (2015: 5%) change in foreign currency rates. A positive number below indicates an increase in loss for the year (2015: decrease in profit for the year) where HK$ strengthen against the relevant currency. For a 5% (2015: 5%) weakening of HK$ against the relevant currency, there would be an equal and opposite impact on the loss for the year (2015: profit for the year), and the balances shown as positive below would be negative.

| | **NT$ Impact** | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| Loss/profit for the year | **25,357** | 23,479 |

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)**

*Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposits (see note 24 for details).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank deposit (see note 24) and variable-rate bank borrowings (see note 26 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 Postal Savings 2 Years Floating Rate in Taiwan (2015: Postal Savings 2 Years Floating Rate in Taiwan).

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.

*Sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to interest rates for bank borrowings at the end of the reporting period. In relation to bank deposits, the Group considers the interest rate risk is insignificant. The analysis is prepared assuming the bank borrowing outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis points (2015: 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 (2015: 50 basis points) higher/lower and all other variables were held constant, post-tax loss for the year ended 31 March 2016 would increase/decrease by approximately HK$1,247,000 (2015: post-tax profit would decrease/increase by HK$1,611,000).

# 6. FINANCIAL INSTRUMENTS (continued)

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

### Credit risk

As at 31 March 2016, 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 arising from 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 of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on the Group'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 48% (2015: 40%) 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.

### 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. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants. Details of which are set out in note 26.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 March 2016, the Group has total available unutilised bank loan facilities of approximately HK$100,546,000 (2015: HK$4,160,000). Details of which are set out in note 26.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

## 6. FINANCIAL INSTRUMENTS (continued)

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

**Liquidity risk (continued)**

The table includes both interest and principal cash flows. To the extent that interest flows are with floating rate, the undiscounted amount is derived from interest rate as at the end of the reporting period.

*Liquidity and interest risk tables*

| | 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$'000 | Carrying amount at 31 March 2016 HK$'000 |
|---|---|---|---|---|---|---|---|
| **2016** | | | | | | | |
| **Non-derivative financial liabilities** | | | | | | | |
| Trade payables | – | 53,455 | 13,578 | 1,726 | – | 68,759 | 68,759 |
| Other payables | – | 49,988 | – | – | – | 49,988 | 49,988 |
| Borrowings – variable rate | 2.59 | 7,004 | 14,009 | 63,040 | 233,932 | 317,985 | 298,862 |
| | | 110,447 | 27,587 | 64,766 | 233,932 | 436,732 | 417,609 |

| | 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$'000 | Carrying amount at 31 March 2015 HK$'000 |
|---|---|---|---|---|---|---|---|
| **2015** | | | | | | | |
| **Non-derivative financial liabilities** | | | | | | | |
| Trade payables | – | 62,758 | 16,484 | 2,393 | – | 81,635 | 81,635 |
| Other payables | – | 32,704 | – | – | – | 32,704 | 32,704 |
| Borrowings – variable rate | 2.80 | 7,439 | 14,879 | 66,954 | 328,559 | 417,831 | 385,764 |
| | | 102,901 | 31,363 | 69,347 | 328,559 | 532,170 | 500,103 |

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

## 6. FINANCIAL INSTRUMENTS (continued)

### 6c. Fair value measurements of financial instruments

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company 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.

## 7. REVENUE AND OTHER INCOME

An analysis of the Group's revenue for the year is as follows:

| | **2016**<br>**HK$'000** | 2015<br>HK$'000 |
|---|---|---|
| Revenue | | |
| Internet advertising income, internet subscription, content provision and development of mobile games and apps ("Digital businesses") | **659,731** | 647,603 |
| Sales of newspapers | **416,834** | 496,324 |
| Sales of books and magazines | **89,025** | 134,136 |
| Newspapers advertising income | **664,586** | 986,927 |
| Books and magazines advertising income | **308,802** | 513,433 |
| Printing and reprographic services income | **188,752** | 178,511 |
| | **2,327,730** | 2,956,934 |
| Other income | | |
| Sales of waste materials | **8,210** | 13,000 |
| Interest income on bank deposits | **1,738** | 2,148 |
| Rental income | **19,759** | 20,874 |
| Others | **26,889** | 9,592 |
| | **56,596** | 45,614 |

## 8. SEGMENT INFORMATION

Information reported to the Company's chief executive 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. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 *Operating Segments* are as follows:

| **Operating segments** | **Principal activities** |
|---|---|
| Digital businesses | Internet advertising income, internet subscription, content provision and development of mobile games and apps in Hong Kong, Taiwan and USA |
| 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 |

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

# 8. SEGMENT INFORMATION (continued)

## Segment revenue and results

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

**For the year ended 31 March 2016**

| | Digital businesses HK$'000 | Newspapers publication and printing HK$'000 | Books and magazines publication and printing HK$'000 | Eliminations HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|---|
| **REVENUE** | | | | | |
| External sales | **659,731** | **1,197,043** | **470,956** | **–** | **2,327,730** |
| Inter-segment sales | **–** | **231,937** | **7,856** | **(239,793)** | **–** |
| | **659,731** | **1,428,980** | **478,812** | **(239,793)** | **2,327,730** |
| Segment results | **35,162** | **23,970** | **(425,485)** | **–** | **(366,353)** |
| Unallocated expenses | | | | | **(27,738)** |
| Unallocated income | | | | | **48,386** |
| Finance costs | | | | | **(9,353)** |
| Loss before tax | | | | | **(355,058)** |

For the year ended 31 March 2015

| | Digital businesses HK$'000 | Newspapers publication and printing HK$'000 | Books and magazines publication and printing HK$'000 | Eliminations HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|---|
| REVENUE | | | | | |
| External sales | 647,603 | 1,586,104 | 723,227 | – | 2,956,934 |
| Inter-segment sales | – | 191,202 | 9,035 | (200,237) | – |
| | 647,603 | 1,777,306 | 732,262 | (200,237) | 2,956,934 |
| Segment results | 37,427 | 216,357 | (25,733) | – | 228,051 |
| Unallocated expenses | | | | | (30,828) |
| Unallocated income | | | | | 32,614 |
| Finance costs | | | | | (13,249) |
| Profit before tax | | | | | 216,588 |

Segment results represent the profit earned (loss incurred) by each segment without the allocation of income or expenses resulted from interest income, certain rental and other income, finance costs 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 2016**

| | Digital businesses HK$'000 | Newspapers publication and printing HK$'000 | Books and magazines publication and printing HK$'000 | Eliminations HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|---|
| Segment assets | **458,465** | **1,896,366** | **458,487** | **–** | **2,813,318** |
| Unallocated assets | | | | | **481,421** |
| Total assets | | | | | **3,294,739** |
| Segment liabilities | **(83,384)** | **(310,474)** | **(278,533)** | **–** | **(672,391)** |
| Unallocated liabilities | | | | | **(506,371)** |
| Total liabilities | | | | | **(1,178,762)** |

As at 31 March 2015

| | Digital businesses HK$'000 | Newspapers publication and printing HK$'000 | Books and magazines publication and printing HK$'000 | Eliminations HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|---|
| Segment assets | 446,998 | 2,037,382 | 814,260 | – | 3,298,640 |
| Unallocated assets | | | | | 526,010 |
| Total assets | | | | | 3,824,650 |
| Segment liabilities | (82,970) | (306,408) | (226,811) | – | (616,189) |
| Unallocated liabilities | | | | | (694,230) |
| Total liabilities | | | | | (1,310,419) |

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

- all assets are allocated to operating segments other than amounts due from related parties, tax recoverable, 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, 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 2016**

**Amounts included in the measure of segment results or segment assets:**

| | Digital businesses HK$'000 | Newspapers publication and printing HK$'000 | Books and magazines publication and printing HK$'000 | Corporate HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|---|
| Addition to non-current assets | **16,686** | **13,690** | **7,541** | **11,220** | **49,137** |
| Depreciation of property, plant and equipment | **17,162** | **59,160** | **45,694** | **4,050** | **126,066** |
| Impairment loss recognised in respect of intangible assets | **–** | **–** | **280,582** | **–** | **280,582** |
| Release of prepaid lease payments | **–** | **991** | **–** | **806** | **1,797** |
| Allowance (reversal of allowance) for bad and doubtful debts, net | **2,062** | **(6,351)** | **(11,985)** | **–** | **(16,274)** |
| Share-based payment expense | **4,388** | **2,454** | **–** | **5,142** | **11,984** |
| Loss (gain) on disposal of property, plant and equipment | **3,618** | **25** | **(238)** | **–** | **3,405** |
| Provision for litigations expense, net of reversal (note 33) | **-** | **20,877** | **2,061** | **–** | **22,938** |
| Legal and professional fee | **13,902** | **2,025** | **7,245** | **–** | **23,172** |

For the year ended 31 March 2015

Amounts included in the measure of segment results or segment assets:

| | Digital businesses HK$'000 | Newspapers publication and printing HK$'000 | Books and magazines publication and printing HK$'000 | Corporate HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|---|
| Addition to non-current assets | 19,970 | 17,740 | 9,717 | 566 | 47,993 |
| Depreciation of property, plant and equipment | 13,878 | 75,646 | 24,466 | 3,850 | 117,840 |
| Release of prepaid lease payments | – | 991 | – | 806 | 1,797 |
| Allowance (reversal of allowance) for bad and doubtful debts, net | 1,532 | (16,078) | (4,282) | – | (18,828) |
| Share-based payment expense | 5,762 | 4,643 | – | 8,313 | 18,718 |
| Loss (gain) on disposal of property, plant and equipment | 25 | 1,151 | (447) | – | 729 |
| Provision for litigations expense, net of reversal (note 33) | – | 843 | 22,512 | – | 23,355 |
| Legal and professional fee | 10,241 | 2,626 | 6,574 | – | 19,441 |

## 8. SEGMENT INFORMATION (continued)

### Geographical information

Information about the Group's revenue 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)* | | Non-current assets | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Hong Kong (country of domicile) | **1,387,691** | 1,721,980 | **1,479,216** | 1,800,731 |
| Taiwan | **899,503** | 1,193,667 | **698,276** | 770,669 |
| North America | **21,799** | 19,107 | **678** | 733 |
| Australasia | **7,722** | 7,071 | **–** | – |
| Europe | **7,524** | 9,998 | **–** | – |
| Others | **3,491** | 5,111 | **–** | – |
| | **2,327,730** | 2,956,934 | **2,178,170** | 2,572,133 |

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

### Information about major customers

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

| | **2016** | 2015 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Customer A *(Note)* | **494,735** | 618,735 |

***Note:*** *Revenue from this customer comprised revenue earned in newspapers and magazines publication amounting to HK$416,834,000 (2015: HK$496,324,000) and HK$77,901,000 (2015: HK$122,411,000), respectively.*

## 9. FINANCE COSTS

| | **2016** | 2015 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Interest expense on bank borrowings | **9,353** | 13,249 |

## 10. INCOME TAX (CREDIT) EXPENSE

| | **2016** | 2015 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Current tax: | | |
| Hong Kong | **26,542** | 31,276 |
| Taiwan | **1,880** | 12,802 |
| Under (over) provision in prior years: | | |
| Hong Kong | **1,066** | 2,594 |
| Taiwan | **(170)** | (1,011) |
| Other jurisdictions | **253** | 399 |
| | **29,571** | 46,060 |
| Deferred tax (note 32): | | |
| Current year | **(60,385)** | 1,890 |
| | **(30,814)** | 47,950 |

(a) Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

(b) Taiwan Income Tax is calculated at 17.0% of the estimated assessable profit for both years.

(c) Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

## 10. INCOME TAX (CREDIT) EXPENSE (continued)

The tax (credit) expense for the year can be reconciled to the (loss) profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

| | **2016** **HK$'000** | 2015 HK$'000 |
|---|---|---|
| (Loss) profit before tax | **(355,058)** | 216,588 |
| Tax at Hong Kong Profits Tax rate of 16.5% | **(58,585)** | 35,737 |
| Tax effect of expenses not deductible for tax purpose | **3,723** | 8,199 |
| Tax effect of income not taxable for tax purpose | **(10,995)** | (14,937) |
| Underprovision in prior years | **1,149** | 1,982 |
| Tax effect of estimated tax losses not recognised for Hong Kong subsidiaries | **33,771** | 19,432 |
| Tax effect of estimated tax losses not recognised for Taiwan subsidiaries | **390** | 1,257 |
| Utilisation of tax losses previously not recognised | **–** | (23) |
| Effect of different tax rates of subsidiaries operating in Taiwan and other jurisdictions | **496** | 485 |
| Others | **(763)** | (4,182) |
| Income tax (credit) expense for the year | **(30,814)** | 47,950 |

## 11. (LOSS) PROFIT FOR THE YEAR

| | **2016** **HK$'000** | 2015 HK$'000 |
|---|---|---|
| (Loss) profit for the year has been arrived at after charging: | | |
| Auditor's remuneration | **3,152** | 3,114 |
| Operating lease expenses on: | | |
| Properties | **3,437** | 6,020 |
| Plant and equipment | **17,023** | 17,641 |
| Provision for litigations expenses, net of reversal, (included in other expenses) (note 33) | **22,938** | 23,355 |
| Legal and professional fee (included in other expenses) | **23,172** | 19,441 |
| Loss on disposal of property, plant and equipment | **3,405** | 729 |

## 12. DIRECTORS', CHIEF EXECUTIVE'S AND SENIOR MANAGEMENT'S EMOLUMENTS

### (a) Directors' emoluments

The emoluments paid or payable to each of the 8 (2015: 8) directors of the Company were as follows:

**For the year ended 31 March 2016**

| | Cheung Ka Sing, Cassian ("Mr. Cheung") HK$'000 | Ip Yut Kin ("Mr. Ip") HK$'000 | Chow Tat Kuen, Royston ("Mr. Chow") HK$'000 *(Note c)* | Ting Ka Yu, Stephen ("Mr. Ting") HK$'000 *(Note d)* | Total HK$'000 |
|---|---|---|---|---|---|
| **EXECUTIVE DIRECTORS** | | | | | |
| Fees | 238 | 200 | 50 | 173 | 661 |
| Other emoluments: | | | | | |
| Salaries and other benefits | 4,419 | 3,705 | 633 | 5,603 | 14,360 |
| Discretionary bonus payments | 307 | 244 | 252 | 230 | 1,033 |
| Share-based payments | 1,464 | 328 | 156 | 197 | 2,145 |
| Pension costs – defined contribution plan | 185 | 140 | 27 | 105 | 457 |
| Total emoluments | 6,613 | 4,617 | 1,118 | 6,308 | 18,656 |

| | Fok Kwong Hang, Terry ("Mr. Fok") HK$'000 | Wong Chi Hong, Frank ("Mr. Wong") HK$'000 | Lee Ka Yam, Danny ("Dr. Lee") HK$'000 | Bradley Jay Hamm ("Dr. Hamm") HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **INDEPENDENT NON-EXECUTIVE DIRECTORS ("INEDs")** | | | | | |
| Fees | 330 | 300 | 300 | 230 | 1,160 |
| Share-based payments | 101 | 92 | 92 | 221 | 506 |
| Total emoluments | 431 | 392 | 392 | 451 | 1,666 |

## 12. DIRECTORS', CHIEF EXECUTIVE'S AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

### (a) Directors' emoluments (continued)

For the year ended 31 March 2015

| | Mr. Lai HK$'000 *(Note a)* | Mr. Cheung HK$'000 | Mr. Ip HK$'000 | Mr. Ting HK$'000 *(Note d)* | Total HK$'000 |
|---|---|---|---|---|---|
| **EXECUTIVE DIRECTORS** | | | | | |
| Fees | 145 | 230 | 200 | 230 | 805 |
| Other emoluments: | | | | | |
| Salaries and other benefits | 4,394 | 4,541 | 4,264 | 3,193 | 16,392 |
| Discretionary bonus payments *(Note b)* | – | 817 | 464 | 499 | 1,780 |
| Share-based payments | – | 1,349 | 437 | 262 | 2,048 |
| Pension costs – defined contribution plans | – | 178 | 135 | 134 | 447 |
| Total emoluments | 4,539 | 7,115 | 5,500 | 4,318 | 21,472 |

| | Mr. Fok HK$'000 | Mr. Wong HK$'000 | Dr. Lee HK$'000 | Dr. Hamm HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **INEDs** | | | | | |
| Fees | 330 | 300 | 300 | 20 | 950 |
| Share-based payments | 129 | 117 | 117 | – | 363 |
| Total emoluments | 459 | 417 | 417 | 20 | 1,313 |

The emoluments of the Executive Directors and INEDs shown above were mainly for their services in connection with management of the affairs of the Company and the Group and as directors of the Company respectively.

***Notes***:

*(a) Mr. Lai, resigned as a director of the Company with effect from 12 December 2014.*

*(b) The discretionary bonus payments are endorsed by the Remuneration Committee of the Company as one-off bonus payments in recognition of the contribution of the recipients made for the year ended 31 March 2015.*

*(c) Mr. Chow has been appointed as an Executive Director of the Company, Chief Financial Officer of the Group and the Authorised Representative of the Company with effect from 1 January 2016.*

*(d) Mr. Ting has resigned as an Executive Director and Authorised Representative of the Company, Chief Operating Officer and Chief Financial Officer of the Group and a member of the Remuneration Committee of the Company with effect from 1 January 2016.*

## 12. DIRECTORS', CHIEF EXECUTIVE'S AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

### (a) Directors' emoluments (continued)

Mr. Cheung is also the Chief Executive of the Company and his emoluments disclosed above included those for services rendered by him as Chief Executive.

The emoluments disclosed above include expenses of HK$118,000 (2015: HK$3,991,000) paid by the Group under one operating lease (2015: four) in respect of residential accommodation provided to one (2015: three) Executive Director.

During the years ended 31 March 2016 and 2015, no director of the Company waived or agreed to waive any emoluments.

During the year, certain directors were granted share options and award shares in respect of their services to the Group under the share option scheme and share award scheme of the Company. Details of the schemes are set out in note 30 to the Group's consolidated financial statements.

### (b) Senior Management's Emoluments

The emoluments paid or payable to each of senior management other than the Directors as set out in the Directors' Report, is within the following bands:

| | Number of individuals | |
|---|---|---|
| **Emoluments Bands** | **2016** | 2015 |
| HK$5,000,001 to HK$5,500,000 | **1** | – |
| HK$4,500,001 to HK$5,000,000 | **–** | – |
| HK$4,000,001 to HK$4,500,000 | **–** | – |
| HK$3,500,001 to HK$4,000,000 | **1** | – |
| HK$3,000,001 to HK$3,500,000 | **–** | – |
| HK$2,500,001 to HK$3,000,000 | **1** | 1 |
| HK$2,000,001 to HK$2,500,000 | **1** | 3 |
| HK$1,500,001 to HK$2,000,000 | **2** | 2 |
| HK$1,000,001 to HK$1,500,000 | **4** | 7 |

### (c) Transactions, arrangement or contracts in which directors of the Company have material interests

During the year ended 31 March 2016, Next Media Management Services Limited, an indirectly owned subsidiary of the Company, entered into a non-compete agreement with Mr. Ting, an ex-Executive Director of the Company. A sum of approximately, HK$2,513,000 was paid to Mr. Ting for entering into the restrictive covenants which prohibit Mr. Ting from entering into employment for any position or being appointed as consultant by the competitors of the Group as set out in the agreement within one year after Mr. Ting resigned as an Executive Director of the Company.

## 13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2015: four) were directors of the Company whose emoluments are included in the disclosure in note 12(a) above. The emoluments of the remaining individual were as follows:

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| Salaries and other benefits | **7,304** | 2,876 |
| Performance related incentive payments | **1,226** | 214 |
| Share-based payments | **567** | 155 |
| | **9,097** | 3,245 |

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

| | Number of individuals | |
|---|---|---|
| **Emolument Bands** | **2016** | 2015 |
| HK$5,000,001 to HK$5,500,000 | **1** | – |
| HK$4,500,001 to HK$5,000,000 | **–** | – |
| HK$4,000,001 to HK$4,500,000 | **–** | – |
| HK$3,500,001 to HK$4,000,000 | **1** | – |
| HK$3,000,001 to HK$3,500,000 | **–** | – |
| HK$2,500,001 to HK$3,000,000 | **–** | 1 |

## 14. DIVIDENDS

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| Dividend recognised as a distribution during the year: | | |
| 2016 Interim – nil (2015: 2015 Interim of HK1.5 cents) per share | **–** | 36,466 |
| 2015 Final – HK2.0 cents (2015: 2014 Final of nil) per share | **48,626** | – |
| 2016 Special – nil (2015: 2015 Special of HK6.6 cents) per share | **–** | 160,446 |
| | **48,626** | 196,912 |

The Board of directors (the "Board") does not recommend any final dividend for the year ended 31 March 2016 (2015: HK2.0 cents per share).

## 15. STAFF COSTS

| | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|
| Wages, salaries and other benefits | **1,248,402** | 1,316,281 |
| Pension costs – defined contribution plans, net of forfeited contributions | **53,078** | 56,319 |
| Pension costs – defined benefits plans (note 27(b)) | **351** | 8,881 |
| Share-based payment | **11,984** | 18,718 |
| | **1,313,815** | 1,400,199 |

The staff costs for the year ended 31 March 2016 included directors' emoluments of HK$20,322,000 (2015: HK$22,785,000) as set out in note 12(a).

## 16. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the following data:

| | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|
| **(Loss) Earnings** | | |
| (Loss) profit for the year attributable to the owners of the Company for the purposes of basic and diluted (loss) earnings per share | **(324,688)** | 164,300 |

| | 2016 | 2015 |
|---|---|---|
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share | **2,431,240,651** | 2,431,006,881 |
| Effect of dilutive potential ordinary shares: | | |
| Share options and award of new shares *(Note)* | **–** | 238,689 |
| Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share | **2,431,240,651** | 2,431,245,570 |

***Note:*** *For the year ended 31 March 2016, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options and award of new shares since these would result in a decrease in loss per share. For the year ended 31 March 2015, the computation of diluted earnings per share does not assume the exercise of the Company's certain outstanding share options as the exercise price of those options are higher than the average market price of the Company's shares. For both years ended 31 March 2016 and 2015, the computation of diluted (loss) earnings per share does not assume the exercise of subsidiaries' outstanding share options since the dilution effect is insignificant.*

## 17. INTANGIBLE ASSETS

| | Masthead and publishing rights HK$'000 |
|---|---|
| **COST** | |
| At 1 April 2014, 31 March 2015 and 31 March 2016 | 1,482,799 |
| **ACCUMULATED IMPAIRMENT** | |
| At 1 April 2014 and 31 March 2015 | 181,918 |
| Impairment loss recognised for the year (note 18) | 280,582 |
| At 31 March 2016 | 462,500 |
| **CARRYING VALUES** | |
| At 31 March 2016 | 1,020,299 |
| At 31 March 2015 | 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 18.

## 18. 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 17 have been allocated to two CGUs, represented by one subsidiary in newspapers publication and printing segment and the other one 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 | |
|---|---|---|
| | **2016 HK$'000** | 2015 HK$'000 |
| Newspapers 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 |
| | **1,020,299** | 1,300,881 |

During the year ended 31 March 2016, the Group recognised an impairment loss of HK$280,582,000 (2015: Nil) in relation to the masthead and publishing rights of Next Media.

On 8 August 2015, the magazine, *Sudden Weekly*, ceased to be published. The directors of the Company considered that no future economic benefits was expected to be generated by the masthead and publishing rights of *Sudden Weekly* with carrying amount of HK$96,928,000, therefore such intangible asset was fully impaired.

## 18. IMPAIRMENT TESTING ON INTANGIBLE ASSETS WITH INDEFINITE-USEFUL LIVES (continued)

During the year ended 31 March 2016, the directors of the Company further reviewed the carrying amounts of the Group's masthead and publishing rights and identified that the recoverable amounts of two magazines, *Eat and Travel Weekly and Next Magazine*, are less than their carrying amounts. Accordingly, the carrying amounts of these intangible assets are reduced to their recoverable amounts and an impairment loss of approximately HK$183,654,000 has been recognised in the profit and loss for the year ended 31 March 2016.

The recoverable amounts of masthead and publishing rights have been determined on the basis of the value in use of 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 are cash flow projections based on financial budgets approved by management covering a 5-year period with an average annual growth rate of 12.9% (2015: 7.8%) for Next Media and 6.7% (2015: 11.5%) for Apple Daily, and a pre-tax discount rate of 14.9% (2015: 9.7%) for Next Media and 12.6% (2015: 9.7%) for Apple Daily. Cash flow projections beyond the 5-year period are extrapolated using a steady growth rate of 1% (2015: 3%). 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.

## 19. 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$'000 | Computer software HK$'000 | Motor vehicles HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|
| **COST** | | | | | | | | |
| At 1 April 2014 | 287,968 | 856,732 | 76,918 | 1,226,394 | 333,673 | 1,485 | 6,237 | 2,789,407 |
| Exchange difference | (13,323) | (14,934) | (407) | (14,192) | (4,232) | – | (31) | (47,119) |
| Additions | – | – | 3,716 | 12,973 | 25,418 | 15,175 | – | 57,282 |
| Disposals | – | – | (1,133) | (5,221) | (13,683) | – | (732) | (20,769) |
| At 31 March 2015 | 274,645 | 841,798 | 79,094 | 1,219,954 | 341,176 | 16,660 | 5,474 | 2,778,801 |
| Exchange difference | (13,186) | (14,628) | (326) | (14,066) | (4,268) | – | (28) | (46,502) |
| Additions | – | – | 3,178 | – | 33,443 | 5,916 | 1,311 | 43,848 |
| Disposals | – | – | (1,355) | (600) | (22,573) | (6,593) | (803) | (31,924) |
| At 31 March 2016 | 261,459 | 827,170 | 80,591 | 1,205,288 | 347,778 | 15,983 | 5,954 | 2,744,223 |
| **ACCUMULATED DEPRECIATION AND IMPAIRMENT** | | | | | | | | |
| At 1 April 2014 | – | 165,821 | 41,154 | 991,472 | 280,389 | 424 | 5,906 | 1,485,166 |
| Exchange difference | – | (1,601) | (185) | (10,724) | (4,035) | – | (27) | (16,572) |
| Charge for the year | – | 22,003 | 3,586 | 54,876 | 33,255 | 4,033 | 87 | 117,840 |
| Eliminated on disposals | – | – | (1,076) | (4,121) | (13,224) | – | (732) | (19,153) |
| At 31 March 2015 | – | 186,223 | 43,479 | 1,031,503 | 296,385 | 4,457 | 5,234 | 1,567,281 |
| Exchange difference | – | (1,605) | (78) | (10,825) | (3,872) | – | (24) | (16,404) |
| Charge for the year | – | 21,432 | 4,072 | 66,250 | 27,076 | 7,147 | 89 | 126,066 |
| Eliminated on disposals | – | – | (1,247) | (600) | (21,786) | (2,986) | (748) | (27,367) |
| At 31 March 2016 | – | 206,050 | 46,226 | 1,086,328 | 297,803 | 8,618 | 4,551 | 1,649,576 |
| **CARRYING VALUES** | | | | | | | | |
| At 31 March 2016 | 261,459 | 621,120 | 34,365 | 118,960 | 49,975 | 7,365 | 1,403 | 1,094,647 |
| At 31 March 2015 | 274,645 | 655,575 | 35,615 | 188,451 | 44,791 | 12,203 | 240 | 1,211,520 |

## 19. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 March 2016, the carrying value of the Group's land and buildings comprised the following:

| | **2016** **HK$'000** | 2015 HK$'000 |
|---|---|---|
| Buildings situated in Hong Kong | **310,682** | 320,568 |
| Buildings situated outside Hong Kong on freehold land | **310,438** | 335,007 |
| Freehold land situated outside Hong Kong | **261,459** | 274,645 |
| | **882,579** | 930,220 |

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% |
| Computer software | 33.33% - 50% |
| Motor vehicles | 20% |

***Note:***
*As at 31 March 2016, certain of the Group's freehold land and buildings with carrying values of HK$257,169,000 (2015: HK$226,961,000) and HK$319,277,000 (2015: HK$228,710,000), respectively were pledged as security for the Group's banking facilities (note 26).*

## 20. PREPAID LEASE PAYMENTS

| | **2016** **HK$'000** | 2015 HK$'000 |
|---|---|---|
| Leasehold land in Hong Kong | **56,164** | 57,961 |
| Analysed for reporting purposes as: | | |
| Current asset | **1,797** | 1,797 |
| Non-current asset | **54,367** | 56,164 |
| | **56,164** | 57,961 |

## 21. AMOUNTS DUE FROM RELATED PARTIES

The amounts due from the Colored World Holding Limited and its subsidiaries ("Colored World Group") are related to the office rental and supporting services fee receivable by the Group (note 36(b)). Mr. Lai has controlling interest in the Colored World Group. The amounts are unsecured, non-interest bearing and aged within a credit period of 30 days.

## 22. INVENTORIES

| | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|
| Raw materials | **88,985** | 110,336 |
| Work in progress | **1,354** | 2,254 |
| Finished goods | **2,974** | 2,854 |
| | **93,313** | 115,444 |

## 23. TRADE AND OTHER RECEIVABLES

| | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|
| Trade receivables | **485,405** | 599,268 |
| Less: allowance for doubtful debts | **(58,104)** | (76,851) |
| | **427,301** | 522,417 |
| Prepayments *(Note)* | **58,327** | 58,678 |
| Rental and other deposits | **13,603** | 15,284 |
| Others | **40,559** | 13,847 |
| Trade and other receivables | **539,790** | 610,226 |

***Note:*** *Included in the balance are mainly rental and utilities prepayments of HK$4,388,000 (2015: HK$5,215,000), value-added tax receivables of HK$16,123,000 (2015: HK$16,876,000) and other prepayments of HK$37,816,000 (2015: HK$36,587,000).*

## 23. 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 dates, which approximated the respective revenue recognition dates, at the end of the reporting period:

| | **2016** | 2015 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 0 - 1 month | **149,335** | 280,821 |
| 1 - 3 months | **162,516** | 174,407 |
| 3 - 4 months | **56,827** | 39,899 |
| Over 4 months | **58,623** | 27,290 |
| | **427,301** | 522,417 |

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$58,623,000 (2015: HK$27,290,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as the directors of the Company assessed that the balances will be recovered based on their settlement records. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables which are past due but not impaired:

| | **2016** | 2015 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Over 4 months | **58,623** | 27,290 |

**Movement in the allowance for doubtful debts**

| | **2016** | 2015 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Balance at beginning of the year | **76,851** | 96,667 |
| Impairment loss recognised | **1,377** | 4,526 |
| Reversal of allowance for bad and doubtful debts | **(17,651)** | (23,354) |
| Exchange difference | **(472)** | (583) |
| Amounts written off as uncollectible | **(2,001)** | (405) |
| Balance at end of the year | **58,104** | 76,851 |

## 23. TRADE AND OTHER RECEIVABLES (continued)

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$58,104,000 (2015: HK$76,851,000) which have delayed payments with poor settlement record. The Group does not hold any collateral over these balances.

The Group does not hold any collateral over other receivables. The Group has not provided for impairment loss as the directors of the Company assessed that the balances will be recovered based on their settlement records.

The Group's trade receivables that are denominated in currencies other than functional currencies of the respective group companies are set out below:

| | **2016** | | 2015 | |
|---|---|---|---|---|
| | **Denominated currency $'000** | **Equivalent to HK$'000** | Denominated currency $'000 | Equivalent to HK$'000 |
| USD | **516** | **3,998** | 602 | 4,665 |
| AUD | **27** | **161** | 110 | 646 |
| GBP | **9** | **104** | – | – |

## 24. RESTRICTED BANK BALANCES/BANK BALANCES AND CASH

As at 31 March 2016, bank balances amounting to HK$1,500,000 (2015: HK$1,500,000) 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 2015. The restricted bank balances carry fixed interest rate at 0.20% (2015: 0.60%) per annum for the year. The management expects that the restricted bank balances will be withdrawn within one year from 31 March 2016.

Included in bank balances and cash is an amount of approximately HK$191,945,000 (2015: HK$200,362,000) placed in time deposits for periods from 1 week to 12 months. Such deposits bear fixed interest between 0.20% to 1.31% (2015: 0.35% to 1.31%) per annum.

The remaining bank balances are placed in current and savings accounts, the former bear no interest and the latter bear prevailing market interest rate of 0.10% (2015: 0.10%) per annum.

## 25. TRADE AND OTHER PAYABLES

The average credit period taken for trade payables is 7 to 120 days.

| | **2016** **HK$'000** | 2015 HK$'000 |
|---|---|---|
| Trade payables | **68,759** | 81,635 |
| Accrued staff costs | **176,285** | 187,766 |
| Accrued charges *(Note a)* | **120,808** | 108,676 |
| Other payables *(Note b)* | **79,713** | 58,146 |
| Trade and other payables | **445,565** | 436,223 |

**Note a:** *The balance includes accrual for repair and maintenance expenses of HK$42,904,000 (2015: HK$38,994,000), accrual for utilities of HK$14,127,000 (2015: HK$13,451,000 and other miscellaneous accruals of HK$63,777,000 (2015: HK$56,231,000).*

**Note b:** *The balance includes deposit received for subscription of and advertisement in newspapers, magazines and internet of HK$5,051,000 (2015: HK$5,713,000) and receipt in advance from customers of newspaper publication of HK$24,674,000 (2015: HK$19,729,000) and other operating expenses payables of HK$49,988,000 (2015: HK$32,704,000).*

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

| | **2016** **HK$'000** | 2015 HK$'000 |
|---|---|---|
| 0 - 1 month | **47,600** | 56,228 |
| 1 - 3 months | **16,359** | 22,105 |
| Over 3 months | **4,800** | 3,302 |
| | **68,759** | 81,635 |

The Group's trade payables that are denominated in currencies other than functional currencies of the respective group companies are set out below:

| | **2016** **Denominated currency** **$'000** | 2015 Denominated currency $'000 |
|---|---|---|
| USD | **2,214** | 2,320 |
| Equivalent to | **HK$17,171** | HK$17,982 |

## 26. BORROWINGS

An analysis of the secured bank loans of the Group is as follows:

| | **2016** **HK$'000** | 2015 HK$'000 |
|---|---|---|
| Carrying amount repayable | | |
| – on demand or within one year | **76,305** | 78,461 |
| – in the second year | **76,305** | 78,461 |
| – in the third year | **76,305** | 78,461 |
| – in the fourth year | **69,947** | 78,461 |
| – in the fifth year | **–** | 71,920 |
| | **298,862** | 385,764 |
| Less: Amount due within one year or on demand shown under current liabilities | **(76,305)** | (78,461) |
| Non-current portion | **222,557** | 307,303 |

Bank loans comprise balances of HK$298,862,000 carrying interests at Postal Saving 2 Years Floating Rate in Taiwan plus 1.4275% per annum (2015: bank loans of HK$385,764,000 carrying interests at Postal Saving 2 Years Floating Rate in Taiwan plus 1.4275% per annum).

The weighted average effective interest rates (which are equal to contractual interest rates) of borrowings is 2.59% (2015: 2.80%) per annum.

The Group's borrowings are denominated in the NT$, functional currencies of the relevant group entities.

As at 31 March 2016 and 2015, the Group had total unutilised bank loan facilities of HK$100,546,000 (2015: HK$4,160,000).

## 27. RETIREMENT BENEFITS PLANS

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| Obligations on: | | |
| Pensions – defined contribution plans, include in other payables under current liabilities *(Note (a))* | **3,391** | 3,344 |
| Defined benefit plans obligations *(Note (b))* | **76,805** | 85,429 |
| | **80,196** | 88,773 |

***Notes:***

*(a) Defined contribution plans*

***Hong Kong***

*The Group participates in two (2015: 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$1,500 since 1 June 2014 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.*

*During the year ended 31 March 2016, forfeited contributions totalling HK$1,196,000 were utilised (2015: HK$1,990,000). At 31 March 2016 and 2015, the Group has no balance available to reduce future contributions in respect of the HK Scheme.*

*As at 31 March 2016, the Group had contributions payable under the HK Scheme and the MPF Scheme totalling HK$16,000 (2015: nil), which is included in trade and other payables under current liabilities in the consolidated statement of financial position.*

***Taiwan***

*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 2016 and 2015.*

*As at 31 March 2016, the Group had contributions payable under the Taiwan defined contribution scheme totalling HK$3,375,000 (2015: HK$3,344,000) which is included in trade and other payables under current liabilities in the consolidated statement of financial position.*

# 27. RETIREMENT BENEFITS PLANS (continued)

***Notes:*** (continued)

*(b) Defined benefit plans*

***Taiwan***

*The Group also participates in three (2015: three) defined benefit retirement schemes for its eligible employees in Taiwan (the "Taiwan Schemes"). Under the Taiwan Schemes, the employees are entitled to retirement benefits varying between 50% and 75% of their 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 2016, an actuarial valuation of plan assets and the present value of the defined benefits obligations were carried out and valued by a qualified actuary, Mr. Chen Wen-Hsien, associate of the Actuarial Institute of the Republic of China, of Client View Management Consulting Co. Ltd. The present value of the defined benefit obligations and the related current service cost were measured using the projected unit credit method.*

*The plans in Taiwan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.*

| | |
|---|---|
| Investment risk | The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and real estates. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund. |
| Interest risk | A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments. |
| Longevity risk | The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability. |
| Salary risk | The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability. |

*The principal assumptions used for the purposes of the actuarial valuations were as follows:*

| | **2016** | 2015 |
|---|---|---|
| | **%** | % |
| Discount rate | **1.25** | 2.00 |
| Expected rate of future salary increases | **3.50** | 4.50 |

*The discount rate is set on a risk free rate which is determined by reference to market yields of government bonds of which duration is consistent with the term of obligations. The actuarial valuation showed that the market value of plan assets was HK$11,624,000 (2015: HK$11,404,000) and that the actuarial value of these assets represented 13.1% (2015: 11.8%) of the benefits that had accrued to members. The shortfall of HK$76,805,000 (2015: HK$85,429,000) is to be cleared over the estimated remaining service period of the expected working lives of the employees of 17.5 years (2015: 18.5 years).*

## 27. RETIREMENT BENEFITS PLANS (continued)

***Notes:*** (continued)

*(b)* *Defined benefit plans* (continued)

***Taiwan*** (continued)

*Amounts recognised in profit or loss and other comprehensive income in respect of these defined benefit plans are as follows:*

| | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|
| Service cost: | | |
| Current service cost | **1,341** | 982 |
| Past service cost | **(2,725)** | 6,607 |
| Net interest expense | **1,735** | 1,292 |
| **Components of defined benefit cost recognised in profit or loss (note 15)** | **351** | 8,881 |
| Actuarial (gain) loss from remeasurement of defined benefit obligations | **(4,045)** | 27,107 |
| Income tax related to actuarial (gain) loss from remeasurement of defined benefit obligations (note 32) | **688** | (4,609) |
| **Components of defined benefit cost recognised in other comprehensive income** | **(3,357)** | 22,498 |
| Total | **(3,006)** | 31,379 |

*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:*

| | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|
| Present value of funded defined benefit obligations | **88,429** | 96,833 |
| Fair value of plan assets | **(11,624)** | (11,404) |
| Net liability arising from defined benefit obligations | **76,805** | 85,429 |

*Movements in the present value of the defined benefit obligations in the current year were as follows:*

| | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|
| At 1 April | **96,833** | 83,923 |
| Current service cost | **1,341** | 982 |
| Interest cost | **1,958** | 1,603 |
| Actuarial (gain) loss | **(4,045)** | 27,107 |
| Past service cost | **(2,725)** | 6,607 |
| Exchange differences on foreign plans | **(2,702)** | (2,060) |
| Benefits paid | **(2,231)** | (19,092) |
| Others | **–** | (2,237) |
| At 31 March | **88,429** | 96,833 |

## 27. RETIREMENT BENEFITS PLANS (continued)

***Notes:*** (continued)

*(b)* *Defined benefit plans* (continued)

***Taiwan*** (continued)

*Movements in the fair value of the plan assets in the current year were as follows:*

| | **2016** **HK$'000** | 2015 HK$'000 |
|---|---|---|
| At 1 April | **11,404** | 17,061 |
| Interest income | **223** | 311 |
| Return on plan assets (excluding amounts included in net interest expense) | **155** | 77 |
| Contributions from the employer | **2,386** | 13,508 |
| Exchange differences on foreign plans | **(313)** | (461) |
| Benefits paid | **(2,231)** | (19,092) |
| At 31 March | **11,624** | 11,404 |

*The major categories of plan assets and the respective expected rates of return at the end of the reporting period are as follows:*

| | **Expected return** | | **Fair value of plan assets** | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **%** | % | **HK$'000** | HK$'000 |
| Equity instruments | **8.10** | 7.90 | **3,124** | 3,417 |
| Debt instruments | **1.50** | 1.50 | **6,337** | 5,940 |
| Bank deposits | **1.40** | 1.40 | **2,163** | 2,047 |
| Weighted average expected return | **3.25** | 3.40 | **11,624** | 11,404 |

*The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. The assessment of the expected returns by the directors of the Company is based on historical return trends and analysts' predictions of the market for the asset in the next twelve months.*

*During the year ended 31 March 2016, the actual return on plan assets was HK$378,000 (2015: HK$388,000).*

*Significant actuarial assumptions for the determination of the defined obligation are discount rate and expected salary increase. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.*

- *If the discount rate is 25 basis points higher (lower), the defined benefit obligations would decrease by HK$3,435,000 (increase by HK$3,609,000) (2015: decrease by HK$3,883,000 (increase by HK$4,089,000)).*

- *If the expected salary growth increases (decreases) by 0.25%, the defined benefit obligations would increase by HK$3,520,000 (decrease by HK$3,370,000) (2015: increase by HK$3,979,000 (decrease by HK$3,802,000)).*

## 27. RETIREMENT BENEFITS PLANS (continued)

***Notes:*** (continued)

(b) *Defined benefit plans* (continued)

***Taiwan*** (continued)

*The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.*

*Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligations has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligations liability recognised in the consolidated statement of financial position.*

*There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.*

*The history of experience adjustments is as follows:*

| | **2016** | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Present value of defined benefit obligations | **(88,429)** | (96,833) | (83,923) | (109,686) | (99,871) |
| Fair value of plan assets | **11,624** | 11,404 | 17,061 | 16,998 | 16,792 |
| Deficit | **(76,805)** | (85,429) | (66,862) | (92,688) | (83,079) |

*The Group expects to make a contribution of HK$3,354,000 (2015: HK$1,041,000) to the deferred benefit plans during the next financial year.*

## 28. DEFERRED REVENUE

Deferred revenue represents service fee paid by the Paying Players, for which the related services had not been rendered as at 31 March 2016 and 2015.

## 29. SHARE CAPITAL

| | **Number of shares** | | **Share capital** | |
|---|---|---|---|---|
| | **31 March 2016** | 31 March 2015 | **31 March 2016 HK$'000** | 31 March 2015 HK$'000 |
| Issued and fully paid: | | | | |
| At beginning of year | **2,431,006,881** | 2,431,006,881 | **2,434,747** | 3,359,709 |
| Issue of ordinary shares in relation to award of new shares (note 30) | **310,000** | – | **263** | – |
| Capital reduction *(Note)* | **–** | – | **–** | (924,962) |
| At end of the year | **2,431,316,881** | 2,431,006,881 | **2,435,010** | 2,434,747 |

***Note:*** *On 9 May 2014, the Hong Kong High Court made an order confirming the reduction of the share premium account of the Company by HK$924,962,000 which has become effective upon the registration of such order with the Companies Registry on 22 May 2014. The Company reduced its share capital account by HK$924,962,000 to set off against the Company's total accumulated losses during the year ended 31 March 2015.*

## 30. SHARE INCENTIVE SCHEMES

The Company's share option scheme (the "2007 Share Option Scheme") was adopted pursuant to resolutions passed on 30 July 2007. On 31 July 2014, a share option scheme (the "2014 Share Option Scheme") was adopted by the Company, no further options will be granted under the 2007 Share Option Scheme thereunder but in all other respects, the provisions of the 2007 Share Option Scheme shall remain in force and all share options granted shall continue to be valid and exercisable in accordance therewith.

At 31 March 2016, the number of shares in respect of which options had been granted and remained outstanding under the 2007 Share Option Scheme and the 2014 Share Option Scheme were 52,766,000 and 14,010,000, respectively, totalling 66,776,000 (2015: totalling 74,594,000), representing 2.7% (2015: 3.1%) 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 2007 Share Option Scheme and the 2014 Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at the time of adoption of the respective share option schemes, 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.

### (a) 2007 Share Option Scheme adopted by the Company

The 2007 Share Option Scheme was adopted for the primary purpose of providing incentives to the directors of the Company, full time employees and eligible persons (as defined under the 2007 Share Option Scheme). Under the 2007 Share Option Scheme, the Board may grant options to eligible participants to subscribe for shares in the Company.

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; and (ii) the average closing price of the shares for the five business days immediately preceding the date of grant.

## 30. SHARE INCENTIVE SCHEMES (continued)

### (a) 2007 Share Option Scheme adopted by the Company (continued)

Details of the terms and movements of the options granted pursuant to the 2007 Share Option Scheme are as follows:

**2016**

| | | | | Number of options | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Category of grantee | Date of grant | Exercise price per share | Expiry date | Balance as at 01.04.2015 | Granted during the year | Exercised during the year | Reclassified during the year | Lapsed/ cancelled during the year | Balance as at 31.03.2016 |
| Directors | 10.12.2010 | HK$1.050 | 29.07.2017 | 3,148,000 | - | - | 1,656,000 | (1,618,000) | 3,186,000 |
| | 01.02.2012 | HK$1.000 | 29.07.2017 | 9,000,000 | - | - | - | - | 9,000,000 |
| | 01.02.2013 | HK$1.420 | 29.07.2017 | 5,000,000 | - | - | - | - | 5,000,000 |
| | 24.01.2014 | HK$1.000 | 29.07.2017 | 4,000,000 | - | - | 1,000,000 | (1,500,000) | 3,500,000 |
| | 04.02.2014 | HK$1.000 | 29.07.2017 | 5,000,000 | - | - | - | - | 5,000,000 |
| Employees | 10.12.2010 | HK$1.050 | 29.07.2017 | 8,136,000 | - | - | (1,656,000) | (4,500,000) | 1,980,000 |
| | 08.07.2011 | HK$1.000 | 29.07.2017 | 200,000 | - | - | - | - | 200,000 |
| | 01.02.2012 | HK$1.050 | 29.07.2017 | 1,000,000 | - | - | - | - | 1,000,000 |
| | 26.09.2012 | HK$1.000 | 29.07.2017 | 3,000,000 | - | - | - | - | 3,000,000 |
| | 24.01.2014 | HK$1.000 | 29.07.2017 | 28,600,000 | - | - | (1,000,000) | (6,700,000) | 20,900,000 |
| | | | | 67,084,000 | - | - | - | (14,318,000) | 52,766,000 |
| Exercisable at the end of the year | | | | | | | | | 43,006,000 |
| Weighted average exercise price | | | | HK$1.040 | | | | | HK$1.046 |

# 30. SHARE INCENTIVE SCHEMES (continued)

## (a) 2007 Share Option Scheme adopted by the Company (continued)

2015

| Category of grantee | Date of grant | Exercise price per share | Expiry date | Number of options: Balance as at 01.04.2014 | Granted during the year | Exercised during the year | Lapsed/ cancelled during the year | Balance as at 31.03.2015 |
|---|---|---|---|---|---|---|---|---|
| Directors | 10.12.2010 | HK$1.050 | 29.07.2017 | 3,148,000 | – | – | – | 3,148,000 |
| | 01.02.2012 | HK$1.000 | 29.07.2017 | 9,000,000 | – | – | – | 9,000,000 |
| | 01.02.2013 | HK$1.420 | 29.07.2017 | 5,000,000 | – | – | – | 5,000,000 |
| | 24.01.2014 | HK$1.000 | 29.07.2017 | 4,000,000 | – | – | – | 4,000,000 |
| | 04.02.2014 | HK$1.000 | 29.07.2017 | 5,000,000 | – | – | – | 5,000,000 |
| Employees | 15.04.2010 | HK$1.370 | 29.07.2017 | 650,000 | – | – | (650,000) | – |
| | 10.12.2010 | HK$1.050 | 29.07.2017 | 8,376,000 | – | – | (240,000) | 8,136,000 |
| | 08.07.2011 | HK$1.000 | 29.07.2017 | 680,000 | – | – | (480,000) | 200,000 |
| | 01.02.2012 | HK$1.050 | 29.07.2017 | 1,000,000 | – | – | – | 1,000,000 |
| | 26.09.2012 | HK$1.000 | 29.07.2017 | 5,000,000 | – | – | (2,000,000) | 3,000,000 |
| | 24.01.2014 | HK$1.000 | 29.07.2017 | 33,400,000 | – | – | (4,800,000) | 28,600,000 |
| | | | | 75,254,000 | – | – | (8,170,000) | 67,084,000 |
| Exercisable at the end of the year | | | | | | | | 37,564,000 |
| Weighted average exercise price | | | | HK$1.039 | | | | HK$1.040 |

## 30. SHARE INCENTIVE SCHEMES (continued)

### (a) 2007 Share Option Scheme adopted by the Company (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:

(i) The 420,000 options granted to an employee on 1 February 2012 fully vested immediately.

(ii) The 1,000,000 options granted to an employee on 1 February 2012 vested as follows:

| | |
|---|---|
| On 1st anniversary of the date of grant | 60% vest |
| On 2nd anniversary of the date of grant | remaining 40% vest |

(iii) The 650,000 options granted to an employee on 15 April 2010, the 12,824,000 options granted to directors of the Company and employees on 10 December 2010, the 680,000 options granted to employees on 8 July 2011, the 5,000,000 options granted to an employee on 26 September 2012 and the 37,700,000 options granted to directors of the Company and employees on 24 January 2014 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 granted under the 2007 Share Option Scheme during the years ended 31 March 2016 and 2015.

## 30. SHARE INCENTIVE SCHEMES (continued)

### (a) 2007 Share Option Scheme adopted by the Company (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 variables and assumptions are based on the management's best estimate. Change in variables and assumptions may result in change in fair value of the option. The inputs into the model with different issue dates were as follows:

| Grant date | 15 April 2010 | 10 December 2010 | 8 July 2011 | 1 February 2012 | 1 February 2012 |
|---|---|---|---|---|---|
| Valuation date | 15 April 2010 | 10 December 2010 | 8 July 2011 | 1 February 2012 | 1 February 2012 |
| Share price | HK$1.37 | HK$1.05 | HK$0.91 | HK$0.70 | HK$0.70 |
| Exercise price | HK$1.37 | HK$1.05 | HK$1.00 | HK$1.00 | HK$1.05 |
| Expected volatility | 45.69% | 47.55% | 47.72% | 50.07% | 50.07% |
| Risk-free rate | 2.556% | 2.21% | 1.71% | 0.69% | 0.69% |
| Expected dividend yield | 0% | 0% | 0% | 0% | 0% |
| Exercisable period | 7.29 years | 2 to 7 years | 2 to 6 years | 5 years | 2 to 5 years |
| Vesting period | 1 to 3 years | 1 to 3 years | 1 to 3 years | 1 year | 1 to 2 years |
| Fair value per option | HK$0.4612 | HK$0.3057 | HK$0.3779 | HK$0.2330 | HK$0.2263 |

| Grant date | 26 September 2012 | 1 February 2013 | 24 January 2014 | 4 February 2014 |
|---|---|---|---|---|
| Valuation date | 26 September 2012 | 1 February 2013 | 24 January 2014 | 4 February 2014 |
| Share price | HK$0.72 | HK$1.42 | HK$0.99 | HK$0.87 |
| Exercise price | HK$1.00 | HK$1.42 | HK$1.00 | HK$1.00 |
| Expected volatility | 52.97% | 58.21% | 52.21% | 52.58% |
| Risk-free rate | 0.35% | 0.57% | 0.87% | 0.57% |
| Expected dividend yield | 0% | 0% | 0% | 0% |
| Exercisable period | 4.84 years | 4.49 years | 3.51 years | 3.49 years |
| Vesting period | 1 to 3 years | 1 year | 1 to 3 years | 1 year |
| Fair value per option | HK$0.2489 | HK$0.4400 | HK$0.2960 to HK$0.3730 | HK$0.2310 |

Expected volatilities are determined by using the historical volatility of the Company's share price over the previous 5 years as of the respective valuation dates of the options.

## 30. SHARE INCENTIVE SCHEMES (continued)

### (b) 2014 Share Option Scheme adopted by the Company

The 2014 Share Option Scheme was adopted by the Company for the purpose of providing incentives to the participants (i.e. 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 service providers of any members of the Group). Under the 2014 Share Option Scheme, the Board may grant options to the participants to subscribe for shares in the Company.

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; and (ii) the average closing price of the shares for the five business days immediately preceding the date of grant.

Details of the terms and movements of the options granted pursuant to the 2014 Share Option Scheme are as follows:

**2016**

| | | | | Number of options | | | | |
|---|---|---|---|---|---|---|---|---|
| Category of grantee | Date of grant | Exercise price per share | Expiry date | Balance as at 01.04.2015 | Granted during the year | Exercised during the year | Lapsed/ cancelled during the year | Balance as at 31.03.2016 |
| Directors | 02.02.2015 | HK$0.710 | 30.07.2024 | 5,000,000 | – | – | – | 5,000,000 |
| | 02.03.2015 | HK$0.760 | 30.07.2024 | 510,000 | – | – | – | 510,000 |
| | 03.02.2016 | HK$0.420 | 30.07.2024 | – | 6,500,000 | – | – | 6,500,000 |
| Employees | 06.10.2014 | HK$0.860 | 30.07.2024 | 1,500,000 | – | – | – | 1,500,000 |
| | 27.01.2015 | HK$0.690 | 30.07.2024 | 500,000 | – | – | – | 500,000 |
| | | | | 7,510,000 | 6,500,000 | – | – | 14,010,000 |
| Exercisable at the end of the year | | | | | | | | 5,803,000 |
| Weighted average exercise price | | | | HK$0.742 | | | | HK$0.593 |

## 30. SHARE INCENTIVE SCHEMES (continued)

### (b) 2014 Share Option Scheme adopted by the Company (continued)

2015

| | | | | Number of options | | | | |
|---|---|---|---|---|---|---|---|---|
| Category of grantee | Date of grant | Exercise price per share | Expiry date | Balance as at 01.04.2014 | Granted during the year | Exercised during the year | Lapsed/ cancelled during the year | Balance as at 31.03.2015 |
| Directors | 02.02.2015 | HK$0.710 | 30.07.2024 | – | 5,000,000 | – | – | 5,000,000 |
| | 02.03.2015 | HK$0.760 | 30.07.2024 | – | 510,000 | – | – | 510,000 |
| Employees | 06.10.2014 | HK$0.860 | 30.07.2024 | – | 1,500,000 | – | – | 1,500,000 |
| | 27.01.2015 | HK$0.690 | 30.07.2024 | – | 500,000 | – | – | 500,000 |
| | | | | – | 7,510,000 | – | – | 7,510,000 |
| Exercisable at the end of the year | | | | | | | | – |
| Weighted average exercise price | | | | – | | | | HK$0.742 |

(i) The 1,500,000 options granted to an employee on 6 October 2014 vest as follows:

| | |
|---|---|
| On 1st anniversary of the date of grant | 33.3% vest |
| On 2nd anniversary of the date of grant | further 33.3% vest |
| On 3rd anniversary of the date of grant | remaining 33.4% vest |

(ii) The 5,000,000 options granted to a director of the Company on 2 February 2015 vested on 2 February 2016.

(iii) The 500,000 options granted to an employee on 27 January 2015, the 510,000 options granted to a director of the Company on 2 March 2015 and the 1,500,000 options granted to a director of the Company on 3 February 2016 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 |

## 30. SHARE INCENTIVE SCHEMES (continued)

### (b) 2014 Share Option Scheme adopted by the Company (continued)

(iv) The 5,000,000 options granted to a director of the Company on 3 February 2016 will vest on 1 February 2017.

During the year ended 31 March 2016, share options were granted on 3 February 2016 with estimated fair value of HK$1,136,000.

During the year ended 31 March 2015, share options were granted on 6 October 2014, 27 January 2015, 2 February 2015 and 2 March 2015 and their estimated fair value were HK$611,000, HK$158,000, HK$1,579,000 and HK$178,000, respectively.

These fair values were calculated by using the binomial model based on each tranche of the 2014 Share Option Scheme with reference to the vesting period respectively. The variables and assumptions are based on the management's best estimate. Change in variables and assumptions may result in change in fair value of the option. The inputs into the model with different issue dates were as follows:

| Grant date | 6 October 2014 | 27 January 2015 | 2 February 2015 | 2 March 2015 | 3 February 2016 |
|---|---|---|---|---|---|
| Valuation date | 6 October 2014 | 27 January 2015 | 2 February 2015 | 2 March 2015 | 3 February 2016 |
| Share price | HK$0.800 | HK$0.690 | HK$0.710 | HK$0.760 | HK$0.420 |
| Exercise price | HK$0.860 | HK$0.690 | HK$0.710 | HK$0.760 | HK$0.420 |
| Expected volatility | 49.75% | 49.66% | 49.68% | 49.83% | 51.59% |
| Risk-free rate | 2.07% | 1.48% | 1.29% | 1.59% | 1.60% |
| Expected dividend yield | 0% | 1.88% | 1.88% | 1.88% | 0.87% |
| Exercisable period | 9.82 years | 9.51 years | 9.50 years | 9.42 years | 8.49 years |
| Vesting period | 1 to 3 years | 1 to 3 years | 1 year | 1 to 3 years | 1 to 3 years |
| Fair value per option | HK$0.3970 to HK$0.4190 | HK$0.310 to HK$0.321 | HK$0.316 | HK$0.342 to HK$0.355 | HK$0.172 to HK$0.195 |

Expected volatilities are determined by using the historical volatility of the Company's share price over the previous 5 years as of the respective valuation dates of the options.

## 30. SHARE INCENTIVE SCHEMES (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. All the invitations for subscriptions under the Share Subscription Plan were lapsed during the year ended 31 March 2013 and no further invitations for subscriptions were issued, subscribed for or cancelled for the years ended 31 March 2016 and 2015. No expense in relation to the Share Subscription Plan was recognised for the years ended 31 March 2016 and 2015.

### (d) Share option schemes adopted by certain subsidiaries

On 30 July 2007, both ADPDL and Next Media Publishing Limited ("NMPL") adopted share option schemes (the "2007 Subsidiary Share Option Schemes"). On 20 February 2008, both Next Media Distribution Limited ("NMDL") and nxTomo Games 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"). On 20 March 2012, each of Anyplex Company Limited ("Anyplex"), Next Mobile Limited ("Next Mobile"), Next E-Shopping Limited ("Next E-Shopping") and Sharp Daily Limited ("Sharp Daily") adopted share option schemes (the "2012 Subsidiary Share Option Schemes"). On 14 June 2013, nxTomo Ltd. ("nxTomo") adopted a share option scheme (the "2013 nxTomo Share Option Scheme"). On 28 August 2015, Apple Daily E-Classified Limited ("ADEC") adopted a share option scheme (the "2015 ADEC Share Option Scheme"). ADEC together with ADPDL, NMPL, NMDL, nxTomo Games, AHIL, Anyplex, Next Mobile, Next E-Shopping, Sharp Daily and nxTomo are, collectively referred to as the "Hong Kong Subsidiaries".

Under the 2007 Subsidiary Share Option Schemes, the 2008 Subsidiary Share Option Schemes, the 2009 AHIL Share Option Scheme, the 2012 Subsidiary Share Option Schemes, the 2013 nxTomo Share Option Scheme and the 2015 ADEC Share Option Scheme, the Hong Kong Subsidiaries 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 ADPDL, NMPL, NMDL, nxTomo Games, AHIL, Anyplex, Next Mobile, Next E-Shopping, Sharp Daily, nxTomo and ADEC. The number of shares which may be issued upon exercise of all outstanding options granted under the 2007 Subsidiary Share Option Schemes, the 2008 Subsidiary Share Option Schemes, the 2009 AHIL Share Option Scheme, the 2012 Subsidiary Option Schemes, the 2013 nxTomo Share Option Scheme and the 2015 ADEC Share Option Scheme and any other share option scheme of the Hong Kong Subsidiaries is limited to 30% of the respective subsidiaries' shares in issue from time to time.

## 30. SHARE INCENTIVE SCHEMES (continued)

### (d) Share option schemes adopted by certain subsidiaries (continued)

#### (i) 2007 Subsidiary Share Option Schemes

During the years ended 31 March 2016 and 2015, no options were granted, exercised, lapsed or cancelled under the 2007 Subsidiary Share Option Scheme of NMPL.

Details of the terms and movements of the share options granted pursuant to the 2007 Subsidiary Share Option Scheme of ADPDL for the year ended 31 March 2016 and 2015 are as follows:

**2016**

| Category of grantee | Date of grant | Exercise price per share | Expiry date | Number of options: Balance as at 01.04.2015 | Granted during the year | Exercised during the year | Lapsed/ cancelled during the year | Balance as at 31.03.2016 |
|---|---|---|---|---|---|---|---|---|
| ADPDL Employees | 16.04.2014 | HK$0.01 | 30.07.2017 | 105,000 | – | – | (5,000) | 100,000 |
| Exercisable at the end of the year | | | | | | | | 30,000 |
| Weighted average exercise price | | | | HK$0.01 | | | | HK$0.01 |

2015

| Category of grantee | Date of grant | Exercise price per share | Expiry date | Number of options: Balance as at 01.04.2014 | Granted during the year | Exercised during the year | Lapsed/ cancelled during the year | Balance as at 31.03.2015 |
|---|---|---|---|---|---|---|---|---|
| ADPDL Employees | 16.04.2014 | HK$0.01 | 30.07.2017 | – | 105,000 | – | – | 105,000 |
| Exercisable at the end of the year | | | | | | | | – |
| Weighted average exercise price | | | | – | | | | HK$0.01 |

## 30. SHARE INCENTIVE SCHEMES (continued)

### (d) Share option schemes adopted by certain subsidiaries (continued)

#### (i) 2007 Subsidiary Share Option Schemes (continued)

The options granted under the 2007 Subsidiary Share Option Scheme of ADPDL 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 |

#### (ii) 2008 Subsidiary Share Option Schemes

During the years ended 31 March 2016 and 2015, no options were granted, exercised, lapsed or cancelled under the 2008 Subsidiary Share Option Scheme of NMDL.

Details of the terms and movements of the share options granted pursuant to the 2008 Subsidiary Share Option Scheme of nxTomo Games for the years ended 31 March 2016 and 2015 are as follows:

**2016**

| | | | | Number of options | | | | |
|---|---|---|---|---|---|---|---|---|
| Category of grantee | Date of grant | Exercise price per share | Expiry date | Balance as at 01.04.2015 | Granted during the year | Exercised during the year | Lapsed/ cancelled during the year | Balance as at 31.03.2016 |
| nxTomo Games | | | | | | | | |
| Director | 23.09.2013 | HK$0.01 | 20.02.2018 | 50,000 | – | – | – | 50,000 |
| Employees | 23.09.2013 | HK$0.01 | 20.02.2018 | 440,000 | – | (40,000) | – | 400,000 |
| | 03.10.2014 | HK$0.01 | 20.02.2018 | 205,000 | – | (30,000) | (50,000) | 125,000 |
| | 15.12.2014 | HK$0.01 | 20.02.2018 | 10,000 | – | – | – | 10,000 |
| | | | | 705,000 | – | (70,000) | (50,000) | 585,000 |
| Exercisable at the end of the year | | | | | | | | 585,000 |
| Weighted average exercise price | | | | HK$0.01 | | | | HK$0.01 |

# 30. SHARE INCENTIVE SCHEMES (continued)

## (d) Share option schemes adopted by certain subsidiaries (continued)

### (ii) 2008 Subsidiary Share Option Schemes (continued)

2015

| Category of grantee | Date of grant | Exercise price per share | Expiry date | Number of options: Balance as at 01.04.2014 | Granted during the year | Exercised during the year | Lapsed/ cancelled during the year | Balance as at 31.03.2015 |
|---|---|---|---|---|---|---|---|---|
| nxTomo Games | | | | | | | | |
| Director | 23.09.2013 | HK$0.01 | 20.02.2018 | 50,000 | – | – | – | 50,000 |
| Employees | 23.09.2013 | HK$0.01 | 20.02.2018 | 500,000 | – | (20,000) | (40,000) | 440,000 |
| | 03.10.2014 | HK$0.01 | 20.02.2018 | – | 205,000 | – | – | 205,000 |
| | 15.12.2014 | HK$0.01 | 20.02.2018 | – | 10,000 | – | – | 10,000 |
| | | | | 550,000 | 215,000 | (20,000) | (40,000) | 705,000 |
| Exercisable at the end of the year | | | | | | | | 490,000 |
| Weighted average exercise price | | | | HK$0.01 | | | | HK$0.01 |

The 50,000 options granted to a director and the 500,000 options granted to employees of the nxTomo Games under 2008 Subsidiary Share Option Scheme on 23 September 2013 fully vested on 23 September 2014.

The 205,000 options granted to employees on 3 October 2014 vested on 3 October 2015 and the 10,000 options granted to an employee on 15 December 2014 vested on 15 December 2015.

## 30. SHARE INCENTIVE SCHEMES (continued)

### (d) Share option schemes adopted by certain subsidiaries (continued)

#### (iii) 2009 AHIL Share Option Scheme

No options were granted, exercised, lapsed, cancelled or outstanding under the 2009 AHIL Subsidiary Share Option Scheme during the years ended 31 March 2016 and 2015.

#### (iv) 2012 Subsidiary Share Option Schemes

Details of the terms and movements of the share options granted pursuant to 2012 Subsidiary Share Option Scheme of Sharp Daily are as follows:

2015

| | | | | Number of options | | | | |
|---|---|---|---|---|---|---|---|---|
| **Category of grantee** | **Date of grant** | **Exercise price per share** | **Expiry date** | **Balance as at 01.04.2014** | **Granted during the year** | **Exercised during the year** | **Lapsed/ cancelled during the year** | **Balance as at 31.03.2015** |
| Sharp Daily Employees | 11.06.2012 | HK$0.01 | 20.03.2022 | 100,000 | – | – | (100,000) | – |
| | 11.06.2013 | HK$0.01 | 20.03.2022 | 100,000 | – | – | (100,000) | – |
| | | | | 200,000 | – | – | (200,000) | – |
| Exercisable at the end of the year | | | | | | | | – |
| Weighted average exercise price | | | | HK$0.01 | | | | – |

During the year ended 31 March 2016, no options were granted, exercised, lapsed or cancelled under the 2012 Share Option Schemes of Sharp Daily.

During the years ended 31 March 2016 and 2015, no options were granted, exercised, lapsed or cancelled under the 2012 Share Option Schemes of Anyplex, Next Mobile and Next E-Shopping.

The options granted under the 2012 Subsidiary Share Option Scheme 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 |

## 30. SHARE INCENTIVE SCHEMES (continued)

### (d) Share option schemes adopted by certain subsidiaries (continued)

#### (v) 2013 nxTomo Share Option Scheme

Details of the terms and movements of the share options granted pursuant to the 2013 nxTomo Share Option Scheme are as follows:

**2016**

| | | | | Number of options | | | | |
|---|---|---|---|---|---|---|---|---|
| Category of grantee | Date of grant | Exercise price per share | Expiry date | Balance as at 01.04.2015 | Granted during the year | Exercised during the year | Lapsed/ cancelled during the year | Balance as at 31.03.2016 |
| nxTomo | | | | | | | | |
| Director | 23.09.2013 | HK$0.01 | 14.06.2023 | 50,000 | – | – | – | 50,000 |
| Employees | 23.09.2013 | HK$0.01 | 14.06.2023 | 355,000 | – | – | (40,000) | 315,000 |
| | 03.10.2014 | HK$0.01 | 14.06.2023 | 98,000 | – | – | (50,000) | 48,000 |
| | 27.01.2015 | HK$0.01 | 14.06.2023 | 50,000 | – | – | – | 50,000 |
| | | | | 553,000 | – | – | (90,000) | 463,000 |
| Exercisable at the end of the year | | | | | | | | 463,000 |
| Weighted average exercise price | | | | HK$0.01 | | | | HK$0.01 |

## 30. SHARE INCENTIVE SCHEMES (continued)

### (d) Share option schemes adopted by certain subsidiaries (continued)

#### (v) 2013 nxTomo Share Option Scheme (continued)

2015

| Category of grantee | Date of grant | Exercise price per share | Expiry date | Number of options: Balance as at 01.04.2014 | Granted during the year | Exercised during the year | Lapsed/ cancelled during the year | Balance as at 31.03.2015 |
|---|---|---|---|---|---|---|---|---|
| nxTomo | | | | | | | | |
| Director | 23.09.2013 | HK$0.01 | 14.06.2023 | 50,000 | – | – | – | 50,000 |
| Employees | 23.09.2013 | HK$0.01 | 14.06.2023 | 510,000 | – | – | (155,000) | 355,000 |
| | 03.10.2014 | HK$0.01 | 14.06.2023 | – | 108,000 | – | (10,000) | 98,000 |
| | 27.01.2015 | HK$0.01 | 14.06.2023 | – | 50,000 | – | – | 50,000 |
| | | | | 560,000 | 158,000 | – | (165,000) | 553,000 |
| Exercisable at the end of the year | | | | | | | | 405,000 |
| Weighted average exercise price | | | | HK$0.01 | | | | HK$0.01 |

The 50,000 options granted to a director and the 510,000 options granted to employees of the nxTomo under 2013 nxTomo Share Option Scheme on 23 September 2013 fully vested on 23 September 2014.

The 108,000 options granted to employees on 3 October 2014 vested on 3 October 2015 and the 50,000 options granted to an employee on 27 January 2015 vested on 27 January 2016.

## 30. SHARE INCENTIVE SCHEMES (continued)

### (d) Share option schemes adopted by certain subsidiaries (continued)

#### (vi) 2015 ADEC Share Option Scheme

During the year ended 31 March 2016, 240,000 options were granted under the 2015 ADEC Share Option Scheme.

Details of the terms and movements of the share options granted pursuant to 2015 ADEC Share Option Scheme are as follows:

**2016**

| | | | | Number of options | | | | |
|---|---|---|---|---|---|---|---|---|
| **Category of grantee** | **Date of grant** | **Exercise price per share** | **Expiry date** | **Balance as at 01.04.2015** | **Granted during the year** | **Exercised during the year** | **Lapsed/ cancelled during the year** | **Balance as at 31.03.2016** |
| ADEC Employees | 07.10.2015 | HK$0.01 | 28.08.2025 | – | 240,000 | – | – | 240,000 |
| | | | | – | 240,000 | – | – | 240,000 |
| Exercisable at the end of the year | | | | | | | | – |
| Weighted average exercise price | | | | – | | | | HK$0.01 |

The 240,000 options granted to the employees of ADEC on 7 October 2015 will be fully vested on 7 October 2016.

# 30. SHARE INCENTIVE SCHEMES (continued)

## (d) Share option schemes adopted by certain subsidiaries (continued)

During the year ended 31 March 2016, share options were granted on 7 October 2015 with nil fair value.

The Binomial Model has been used for assessing the fair values of the options granted under the 2015 ADEC Share Option Scheme, the 2007 Subsidiary Share Option Scheme of ADPDL, the 2008 Subsidiary Share Option Scheme of nxTomo Games and the 2013 nxTomo Share Option Scheme.

| Grant date | 23 September 2013 | 23 September 2013 |
|---|---|---|
| Subsidiary scheme | nxTomo Games | nxTomo |
| Valuation date | 23 September 2013 | 23 September 2013 |
| Share price | HK$3.02 | HK$2.09 |
| Exercise price | HK$0.01 | HK$0.01 |
| Expected volatility | 116.31% | 42.61% |
| Risk-free rate | 0.93% | 1.73% |
| Expected dividend yield | 0% | 0% |
| Exercisable period | 4.41 years | 9.73 years |
| Vesting period | 1 year | 1 year |
| Fair value per option | HK$3.010 | HK$2.080 |

| Grant date | 16 April 2014 | 3 October 2014 | 3 October 2014 |
|---|---|---|---|
| Subsidiary scheme | ADPDL | nxTomo Games | nxTomo |
| Valuation date | 16 April 2014 | 3 October 2014 | 3 October 2014 |
| Share price | HK$79.06 | HK$18.35 | HK$32.06 |
| Exercise price | HK$0.01 | HK$0.01 | HK$0.01 |
| Expected volatility | 22.75% to 46.52% | 86.79% | 46.49% |
| Risk-free rate | 0.52% to 0.59% | 1.07% | 1.95% |
| Expected dividend yield | 0% | 0% | 0% |
| Exercisable period | 0 to 1 year | 3.39 years | 8.70 years |
| Vesting period | 1 to 3 years | 1 year | 1 year |
| Fair value per option | HK$79.060 | HK$18.340 | HK$32.050 |

## 30. SHARE INCENTIVE SCHEMES (continued)

### (d) Share option schemes adopted by certain subsidiaries (continued)

| Grant date | 15 December 2014 | 27 January 2015 | 7 October 2015 |
|---|---|---|---|
| Subsidiary scheme | nxTomo Games | nxTomo | ADEC |
| Valuation date | 15 December 2014 | 27 January 2015 | 7 October 2015 |
| Share price | HK$19.02 | HK$37.39 | HK$0 |
| Exercise price | HK$0.01 | HK$0.01 | HK$0.01 |
| Expected volatility | 86.89% | 46.10% | 51.47% |
| Risk-free rate | 0.89% | 1.41% | 1.70% |
| Expected dividend yield | 0% | 0% | 0% |
| Exercisable period | 3.19 years | 8.38 years | 9.9 years |
| Vesting period | 1 year | 1 year | 1 year |
| Fair value per option | HK$19.010 | HK$37.380 | HK$ 0 |

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.

### (e) Award of new shares to Directors of the Company

The Company has on 30 June 2014 and 13 April 2015 (the "Award Date") conditionally awarded a total of 930,000 and 300,000 Award Shares of the Company (the "Award Shares") to the three INEDs and one INED respectively subject to the vesting conditions as set out below:

| Name of INED | No. of Award Shares | Vesting Date/ No. of Award Shares |
|---|---|---|
| Mr. Fok | 330,000 | 30 June 2015/110,000 |
| | | 30 June 2016/110,000 |
| | | 30 June 2017/110,000 |
| Mr. Wong | 300,000 | 30 June 2015/100,000 |
| | | 30 June 2016/100,000 |
| | | 30 June 2017/100,000 |
| Dr. Lee | 300,000 | 30 June 2015/100,000 |
| | | 30 June 2016/100,000 |
| | | 30 June 2017/100,000 |
| Dr. Hamm | 300,000 | 13 April 2016/100,000 |
| | | 13 April 2017/100,000 |
| | | 13 April 2018/100,000 |

## 30. SHARE INCENTIVE SCHEMES (continued)

### (e) Award of new shares to Directors of the Company (continued)

Subject to the payment of nominal amount of subscription price by the INEDs and the INEDs remaining as directors of the Company, the Company will allot and issue the Award Shares to each of the INEDs on the respective vesting dates as stated above.

On 30 June 2015, a total of 310,000 Shares were issued and allotted to the three INEDs, Mr. Fok as to 110,000 Shares, Mr. Wong as to 100,000 Shares and Dr. Lee as to 100,000 Shares pursuant to the terms of Award Shares.

On 13 April 2015, the Company has awarded 300,000 new Shares to Dr. Hamm, an INED, subject to the issuing terms and vesting conditions as stipulated in the offer letter dated 13 April 2015 issued to him.

Since Dr. Hamm is a connected persons of the Company, the issue of the Award Shares is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The ordinary resolutions approving the issue of the Award Shares to Dr. Hamm has been approved by the independent shareholders at an extraordinary general meeting duly held on 31 July 2015. The Hong Kong Stock Exchange has also granted the listing of and permission to deal in the Award Shares.

During the year ended 31 March 2016, the estimated fair value, which was determined by the Company's share price at grant date, on the Award Shares was HK$203,000.

The Group recognised the total expense of HK$11,984,000 for the year ended 31 March 2016 (2015: HK$18,718,000) in relation to options granted under the share option schemes and the Award Shares of the Group.

## 31. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

| | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|
| **NON-CURRENT ASSETS** | | |
| Property, plant and equipment | **124,203** | 117,033 |
| Prepaid lease payments | **24,369** | 25,174 |
| Interests in subsidiaries | **1,956,735** | 2,106,735 |
| | **2,105,307** | 2,248,942 |
| **CURRENT ASSETS** | | |
| Other receivables | **3,317** | 3,525 |
| Prepaid lease payments | **806** | 806 |
| Amounts due from subsidiaries | **153,181** | 332,317 |
| Amounts due from related parties | **3** | – |
| Tax recoverable | **1,880** | – |
| Restricted bank balances | **1,500** | 1,500 |
| Bank balances and cash | **756** | 1,001 |
| | **161,443** | 339,149 |
| **CURRENT LIABILITIES** | | |
| Other payables | **24,187** | 20,368 |
| Amounts due to subsidiaries | **857** | 539 |
| Tax liabilities | **–** | 373 |
| | **25,044** | 21,280 |
| **NET CURRENT ASSETS** | **136,399** | 317,869 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | **2,241,706** | 2,566,811 |
| **NON-CURRENT LIABILITY** | | |
| Deferred tax liabilities | **18,749** | 17,754 |
| **NET ASSETS** | **2,222,957** | 2,549,057 |
| **CAPITAL AND RESERVES** | | |
| Share capital | **2,435,010** | 2,434,747 |
| Reserves | **(212,053)** | 114,310 |
| **TOTAL EQUITY** | **2,222,957** | 2,549,057 |

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 13 June 2016 and is signed on its behalf by:

**Cheung Ka Sing, Cassian**
*DIRECTOR*

**Chow Tat Kuen, Royston**
*DIRECTOR*

## 31. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(continued)

| | Share-based payment reserve HK$'000 | Accumulated (losses) profits HK$'000 | Total HK$'000 |
|---|---|---|---|
| At 1 April 2014 | 10,933 | (920,430) | (909,497) |
| Profit and total comprehensive income for the year | – | 287,444 | 287,444 |
| Recognition of equity-settled share-based payments | 8,313 | – | 8,313 |
| Lapse of share options | (1,726) | 1,726 | – |
| Payment of dividends (note 14) | – | (196,912) | (196,912) |
| Capital reduction *(Note)* | – | 924,962 | 924,962 |
| At 31 March 2015 | 17,520 | 96,790 | 114,310 |
| Loss and total comprehensive expense for the year | – | (282,616) | (282,616) |
| Issue of ordinary shares in relation to award of new shares | (263) | – | (263) |
| Recognition of equity-settled share-based payments | 5,142 | – | 5,142 |
| Lapse of share options | (4,137) | 4,137 | – |
| Payment of dividends (note 14) | – | (48,626) | (48,626) |
| At 31 March 2016 | 18,262 | (230,315) | (212,053) |

**Note:** *On 9 May 2014, the Hong Kong High Court made an order confirming the reduction of the share premium account of the Company by HK$924,962,000 which has become effective upon the registration of such order with the Companies Registry on 22 May 2014. The Company reduced its share capital account by HK$924,962,000 to set off against the Company's total accumulated losses during the year ended 31 March 2015.*

## 32. DEFERRED TAX

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxable entity) during the current and prior years is as follows:

### Deferred tax liabilities

| | Retirement benefit obligations | | Accelerated tax depreciation | | Intangible assets | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| At beginning of the year | **(10,083)** | (5,474) | **59,614** | 58,958 | **223,386** | 223,386 | **272,917** | 276,870 |
| Exchange difference | **–** | – | **287** | 127 | **–** | – | **287** | 127 |
| (Credit) charge to profit or loss | **–** | – | **(4,796)** | 529 | **(55,035)** | – | **(59,831)** | 529 |
| Charge (credit) to other comprehensive income (note 27) | **688** | (4,609) | **–** | – | **–** | – | **688** | (4,609) |
| At end of the year | **(9,395)** | (10,083) | **55,105** | 59,614 | **168,351** | 223,386 | **214,061** | 272,917 |

### Deferred tax assets

| | Tax losses | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| At beginning of the year | **–** | (1,361) |
| (Credit) charge to profit or loss | **(554)** | 1,361 |
| At end of the year | **(554)** | – |

For the purpose of the statement of financial position presentation, deferred tax assets and liabilities have been offset.

The movement on the deferred tax liabilities (assets) account is as follows:

| | **2016** | 2015 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| At beginning of the year | **272,917** | 275,509 |
| Exchange difference | **287** | 127 |
| (Credit) charge to profit or loss | **(60,385)** | 1,890 |
| Charge (credit) to other comprehensive income | **688** | (4,609) |
| At end of the year (shown as non-current liabilities) | **213,507** | 272,917 |

## 32. DEFERRED TAX (continued)

### Deferred tax assets (continued)

As at 31 March 2016, the Group has estimated unused tax losses of approximately HK$1,627,157,000 (2015: HK$1,416,764,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$3,357,000 (2015: nil) of such loss. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$1,623,800,000 (2015: HK$1,416,764,000) due to the unpredictability of future profits streams. In addition, tax losses of HK$2,362,000 (2015: HK$6,263,000) have not yet been approved by Taiwan tax authority and no deferred tax assets have been recognised. Unrecognised tax losses of approximately HK$8,625,000 will expire from 2017 to 2025 (2015: HK$6,263,000 will expire from 2016 to 2024) and HK$1,615,175,000 (2015: HK$1,410,501,000) may be carried forward indefinitely.

## 33. PROVISIONS

| | **Litigations** | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| At beginning of the year | **105,844** | 113,959 |
| Additional provision during the year | **25,431** | 24,178 |
| Payment during the year | **(4,298)** | (30,519) |
| Reversal during the year | **(2,493)** | (823) |
| Exchange difference | **(854)** | (951) |
| At end of the year | **123,630** | 105,844 |

As at 31 March 2016 and 2015, the Group had provisions classified as current liabilities in respect of a number of legal proceedings in Hong Kong and Taiwan arising in the normal course of its publishing business.

This provision was recognised based on management's best estimate after consultation with the legal counsel on the possible outcome and liability of the Group. In cases where the actual future outcomes differ from the estimation, further provision may be required.

Included in the Group's total provision is a litigation with BaWang International (Group) Holdings Limited ("BaWang International") and BaWang (Guangzhou) Company Limited ("BaWang Guangzhou"). In July 2010, BaWang International (as 1st Plaintiff) and BaWang Guangzhou (as 2nd Plaintiff) (collectively referred to as the "Plaintiffs") issued a writ against Next Magazine Publishing Limited ("Next Magazine") in respect of an article published in the weekly magazine – *Next Magazine* alleging, amongst other things, that certain parts of such article were defamatory and/or amounted to a malicious falsehood. Next Magazine filed a Defense to such claim in January 2011.

## 33. PROVISIONS (continued)

Trial commenced on 2 March 2015 and concluded on 29 August 2015. The judgment (the "Judgment") made by the High Court has been handed down on 23 May 2016. The High Court has found in favour of the Plaintiffs on certain grounds but has dismissed the Plaintiffs' claim in malicious falsehood and in conclusion has ordered, amongst other matters, Next Magazine to pay a total of approximately HK$3.0 million in damages and 80.0% of the Plaintiffs' legal costs. The Board, upon receipt of further legal advice, will consider filing an appeal to the High Court in respect of liability and/or quantum of damages, within 28 days from 23 May 2016, the date on which the Judgment has been handed down. Having taken into account the amount of damages being ordered to pay, the Board considered that the Judgment will not have any material adverse impact on the Group's ordinary operations and financial position.

## 34. CONTINGENT LIABILITIES

### (a) Pending litigations

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 ("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, the ex-Chairman and substantial shareholder of the Company, in the High Court during 2007.

Pursuant to a judgement issued by the High Court on 18 January 2008, the default judgement against ADPL was set aside and the proceedings against ADPL were referred to arbitration. UDL was ordered to pay 20% of ADPL's costs for the application to set aside the default judgement. ADPL also obtained an order for the payment of all of its costs relating to an application for a stay of proceedings to arbitration from UDL. This amount was received in July 2008. This litigation case has no further development since then.

The directors of the Company 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 and that the provision made at the end of the reporting period is based on the opinion of the legal advisors on the possible outcome and liability of the Group.

### (b) Contingent liabilities arising from the acquisition of Database Gateway Limited

In connection with the acquisition of Database Gateway Limited ("DGL") and its subsidiaries (the "Acquired Group") acquired from Mr. Lai on 26 October 2001, the Group may be subject to contingent liabilities including 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.

## 34. CONTINGENT LIABILITIES (continued)

### (b) Contingent liabilities arising from the acquisition of Database Gateway Limited (continued)

Mr. Lai, a controlling shareholder of the Company, has undertaken to provide unlimited personal indemnities to the Acquired Group against all contingent liabilities (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 up to 25 October 2016 in favour of the Company and the Acquired Group in respect of his obligations under the Indemnity. At the end of both reporting periods, no amount has been recognised in the consolidated statement of financial position as liabilities.

## 35. COMMITMENTS

### (a) Capital commitments in respect of acquisition of property, plant and equipment

| | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|
| Authorised but not contracted for | 79 | 56 |
| Contracted but not provided for | 7,313 | 5,539 |
| | 7,392 | 5,595 |

### (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:

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | Properties<br>HK$'000 | Plant and equipment<br>HK$'000 | Total<br>HK$'000 | Properties<br>HK$'000 | Plant and equipment<br>HK$'000 | Total<br>HK$'000 |
| Within one year | 2,473 | 13,425 | 15,898 | 2,363 | 10,298 | 12,661 |
| In the second to fifth years inclusive | 1,389 | 10,747 | 12,136 | 983 | 2,964 | 3,947 |
| | 3,862 | 24,172 | 28,034 | 3,346 | 13,262 | 16,608 |

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.

## 35. COMMITMENTS (continued)

### (b) Commitments under operating leases (continued)

**The Group as lessor**

Rental income earned during the year was HK$19,759,000 (2015: HK$20,874,000).

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:

| | **2016 HK$'000** | 2015 HK$'000 |
|---|---|---|
| Within one year | **18,241** | 19,664 |
| In the second to fifth years inclusive | **57,394** | 54,568 |
| | **75,635** | 74,232 |

Operating lease payments represent rental receivable by the Group from leasing certain of its property, plant and equipment. Typically, leases are negotiated and rentals are fixed for lease term of one to five years.

## 36. RELATED PARTY DISCLOSURE

Details of related party transactions are as follows:

### (a) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management during the year was as follows:

| | **2016 HK$'000** | 2015 HK$'000 |
|---|---|---|
| Short-term benefits | **26,201** | 22,817 |
| Share-based payments | **3,218** | 2,567 |
| Post-employment benefits | **–** | 645 |
| | **29,419** | 26,029 |

## 36. RELATED PARTY DISCLOSURE (continued)

### (b) Related party transactions

| Nature of transaction | Name of related company/person | Relationship with the Group | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|---|---|
| Marketing service income received by the Group *(Note iii)* | Fog City Digital Ltd and its subsidiary | 95% and 1% beneficially owned by Mr. Lai and Mr. Cheung, Chief Executive of the Company respectively | **–** | (668) |
| Office rental received by the Group (*Note i* & note 21) | Next Animation Studio Limited ("NASL") – Taiwan Branch (Formerly known as "Next Media Animation Limited – Taiwan Branch") | 100% beneficially owned by Mr. Lai | **(4,192)** | (4,682) |
| Animation production service charge paid by the Group *(Note ii)* | NASL | 100% beneficially owned by Mr. Lai | **54,535** | 45,916 |
| Revenue sharing paid by the Group *(Note ii)* | NASL | 100% beneficially owned by Mr. Lai | **75** | 254 |
| Supporting services fee received by the Group (*Note ii* & note 21) | NASL | 100% beneficially owned by Mr. Lai | **(1,125)** | (1,610) |
| Advertising income received by the Group *(Note ii)* | NASL | 100% beneficially owned by Mr. Lai | **–** | (36) |
| Payment for non-compete agreement | Mr. Ting | ex-director of the Company *(Note iv)* | **2,513** | – |

## 36. RELATED PARTY DISCLOSURE (continued)

### (b) Related party transactions (continued)

***Notes:***

*(i) A lease agreement was entered into between Next Media Broadcasting Limited ("NMBL") as landlord and Taiwan Branch of NASL for a term of 32 months from 1 August 2013 to 31 March 2016. This agreement was terminated on 15 September 2015.*

*On the same date, the Taiwan Branch of NASL entered into a new lease agreement with NMBL in respect of lease of office premises to the Taiwan Branch of NASL for a term from 16 September 2015 to 31 March 2018.*

*Rental of HK$4,192,000 for the year ended 31 March 2016 (2015: HK$4,682,000) is recognised in profit or loss. As at 31 March 2016, total commitment for rental amounted to approximately NT$34,272,000 (2015: NT$19,365,000), out of which approximately NT$17,136,000 (2015: NT$19,365,000) is payable in the next twelve months and NT$17,136,000 (2015: nil) in second to third years respectively.*

*The extent of the continuing connected transactions did not exceed the limit as set out in the announcement of the Group on 15 September 2015.*

*On 9 May 2016, NMBL and NASL entered into a termination agreement to terminate the lease agreement with effect from 31 May 2016.*

*(ii) On 10 June 2011, the Group entered into a Business Framework Agreement with NASL, a company formerly 70% beneficially owned by Mr. Lai, a controlling shareholder of the Company, in respect of the animation services to be rendered by NASL and its subsidiaries (collectively as "NASL Group") to the Group and the advertising services and the supporting services to be rendered by the Group to the NASL Group for a term of 29 months from 31 October 2011 to 31 March 2014. On 31 December 2012, an announcement was made by the Group for revising the annual caps of the supporting services under the Business Framework Agreement. On 31 March 2014, the Company and NASL entered into 2014 Business Framework Agreement and the NASL Intellectual Properties Revenue Sharing Agreement for a term of three years with effect from 1 April 2014. Annual Cap is also updated with the announcement made on 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 31 December 2012.*

*(iii) On 18 December 2014, the Group entered into a Marketing Services Agreement with Fog City Digital Limited, a company of which 95% and 1% of the total issued shares are beneficially owned by Mr. Lai, a controlling shareholder of the Company, and Mr. Cheung, Chief Executive of the Company respectively, in respect of the provision of marketing services by the Group to Fog City Digital Limited and its subsidiaries (collectively as "Fog City Group") for the period from 1 October 2014 to 31 March 2015.*

*The extent of these continuing connected transactions did not exceed the limit as set out in the Directors' Report of this annual report.*

*(iv) Mr. Ting has resigned as an Executive Director and Authorised Representative of the Company, Chief Operating Officer and Chief Financial Officer of the Group and a member of the Remuneration Committee of the Company with effect from 1 January 2016.*

## 37. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2016, a deposit for acquisition of property, plant and equipment amounting to HK$3,568,000 (2015: HK$12,857,000) was transferred to plant and machinery.

## 38. PARTICULARS OF PRINCIPAL SUBSIDIARIES

### (a) Particulars of the principal subsidiaries of the Company as at 31 March 2016 and 2015 are as follows:

| Name | Place of incorporation | Paid up issued share capital | Proportion of nominal value of issued capital held by the Company | | Proportion of voting power held by the Company | | Principal activities |
|---|---|---|---|---|---|---|---|
| | | | **2016** | 2015 | **2016** | 2015 | |
| | | | **%** | % | **%** | % | |
| ADEC | Hong Kong | 10,000,000 ordinary shares of HK$0.01 each *(Note e)* | **100** | – | **100** | – | Advertising *(Note b)* |
| Apple Daily | British Virgin Islands | 1 ordinary share of US$1 | **100** | 100 | **100** | 100 | Holding of masthead and publishing rights of newspaper *(Note d)* |
| Apple Daily Limited | Hong Kong | 200,000,000 ordinary shares of HK$0.01 each *(Note e)* | **100** | 100 | **100** | 100 | Publication and selling of newspaper and selling of newspaper advertising space *(Note b)* |
| ADPL | Hong Kong | 100,000,000 ordinary shares of HK$1 each *(Note e)* | **100** | 100 | **100** | 100 | Printing of newspaper *(Note b)* |
| ADPDL | Hong Kong | 10,834,250 ordinary shares of HK$0.01 each *(Note e)* | **96.30** *(Note a)* | 95.05 | **96.30** | 95.05 | Publication and selling of newspaper and selling of newspaper advertising space *(Note c)* |
| DGL | British Virgin Islands | 739,001,531 ordinary shares of HK$1 each | **100** | 100 | **100** | 100 | Investment holding *(Note b)* |
| Easy Finder I.P. Limited | British Virgin Islands | 11,000 ordinary shares of US$1 each | **100** | 100 | **100** | 100 | Holding of masthead and publishing rights of magazines *(Note b)* |

## 38. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

### (a) Particulars of the principal subsidiaries of the Company as at 31 March 2016 and 2015 are as follows: (continued)

| Name | Place of incorporation | Paid up issued share capital | Proportion of nominal value of issued capital held by the Company | | Proportion of voting power held by the Company | | Principal activities |
|---|---|---|---|---|---|---|---|
| | | | **2016** **%** | 2015 % | **2016** **%** | 2015 % | |
| FACE Magazine Limited | Hong Kong | 10,000 ordinary shares of HK$1 each *(Note e)* | **100** | 100 | **100** | 100 | Publication and selling of magazines *(Note b)* |
| 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 *(Note e)* | **95.17** | 95.17 | **99.93** | 99.93 | Selling of magazines advertising spaces *(Note c)* |
| Eat and Travel Weekly Company Limited | Hong Kong | 2 ordinary shares of HK$1 each *(Note e)* | **100** | 100 | **100** | 100 | Publication and selling of magazines and selling of magazines advertising space *(Note b)* |
| ME! Publishing Limited | Hong Kong | 1 ordinary share of HK$1 each *(Note e)* | **100** | 100 | **100** | 100 | Publication and selling of magazines and selling of magazines advertising space *(Note b)* |
| Next Magazine Advertising Limited | Hong Kong | 1,000 ordinary shares of HK$1 each *(Note e)* | **100** | 100 | **100** | 100 | Publication and selling of magazines and selling of magazines advertising space *(Note b)* |
| Next Magazine | Hong Kong | 1,000 ordinary shares of HK$1 each *(Note e)* | **100** | 100 | **100** | 100 | Publication and selling of magazines *(Note b)* |
| Next Media | British Virgin Islands | 1,000 ordinary shares of HK$1 each | **100** | 100 | **100** | 100 | Holding of masthead and publishing rights of magazines *(Note b)* |

## 38. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

### (a) Particulars of the principal subsidiaries of the Company as at 31 March 2016 and 2015 are as follows: (continued)

| Name | Place of incorporation | Paid up issued share capital | Proportion of nominal value of issued capital held by the Company | | Proportion of voting power held by the Company | | Principal activities |
|---|---|---|---|---|---|---|---|
| | | | **2016** | 2015 | **2016** | 2015 | |
| | | | **%** | % | **%** | % | |
| Next Media Management Services Limited | Hong Kong | 2 ordinary shares of HK$1 each *(Note e)* | **100** | 100 | **100** | 100 | Provision of management services *(Note b)* |
| NMPL | Hong Kong | 10,282,778 ordinary shares of HK$0.01 each *(Note e)* | **97.87** | 97.87 | **97.87** | 97.87 | Publication and selling of magazines and selling of magazines advertising space *(Note c)* |
| Next Mobile | Hong Kong | 10,000,000 ordinary shares of HK$0.01 each *(Note e)* | **100** | 100 | **100** | 100 | Mobile business and platform development, mobile commerce and advertising *(Note c)* |
| nxTomo Games | Hong Kong | 10,000,000 ordinary shares of HK$0.01 each *(Note e)* | **100** | 100 | **100** | 100 | Mobile games design and development *(Note c)* |
| nxTomo | British Virgin Islands | 10,000,000 ordinary shares of HK$0.01 each | **100** | 100 | **100** | 100 | Investment holding *(Note b)* |
| Paramount Printing Company Limited | Hong Kong | 15,000 ordinary shares of HK$100 each *(Note e)* | **100** | 100 | **100** | 100 | Provision of printing services *(Note b)* |
| Sudden Weekly Limited | Hong Kong | 2 ordinary shares of HK$1 each *(Note e)* | **100** | 100 | **100** | 100 | Publication and selling of magazines and selling of magazines advertising space *(Note b)* |

## 38. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

### (a) Particulars of the principal subsidiaries of the Company as at 31 March 2016 and 2015 are as follows: (continued)

The above table includes the subsidiaries of the Company which, in the opinion of the directors of the Company, 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 of the Company, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

***Note a:*** *The Group acquired additional 1.25% equity interest of the subsidiary during the year ended 31 March 2016.*

***Note b:*** *The subsidiary operates in Hong Kong.*

***Note c:*** *The subsidiary operates in both Hong Kong and Taiwan.*

***Note d:*** *The subsidiary is directly held by the Company. Other subsidiaries are indirectly held by the Company.*

***Note e:*** *The Hong Kong Companies Ordinance (Chapter 622 of the laws of Hong Kong) abolished the concept of par value for shares with effect from 3 March 2014. However, since the subsidiaries do not have share premium, the value per share of each of the subsidiaries remains unchanged from 3 March 2014 to 31 March 2016.*

### (b) Composition of other subsidiaries

At the end of the reporting period, the Group has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in Hong Kong. The principal activities of these subsidiaries are summarised as follows:

| | | Number of subsidiaries | |
|---|---|---|---|
| **Principal activities** | **Principal place of businesses** | **2016** | 2015 |
| Digital Businesses | Hong Kong | **16** | 14 |
| | Hong Kong & Taiwan | **3** | 3 |
| | Taiwan | **6** | 6 |
| | Netherlands | **2** | 2 |
| | USA | **1** | 0 |
| | | **28** | 25 |
| Newspapers Publication and Printing | Hong Kong | **5** | 5 |
| | Hong Kong & Taiwan | **2** | 2 |
| | Taiwan | **2** | 2 |
| | | **9** | 9 |
| Books and Magazines Publication and Printing | Hong Kong | **11** | 12 |
| | Hong Kong & Taiwan | **6** | 6 |
| | Canada | **2** | 2 |
| | | **19** | 20 |
| Supporting and Others | Hong Kong | **7** | 7 |

## 38. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

### (c) Details of non-wholly owned subsidiary that has material non-controlling interests

The table below shows details of non-wholly-owned subsidiary of the Group that have material non-controlling interests:

| Name of subsidiary | Place of incorporation and principal place of business | Proportion of ownership interests and voting rights held by non-controlling interests | | Profit allocated to non-controlling interests | | Accumulated non-controlling interests | |
|---|---|---|---|---|---|---|---|
| | | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 |
| | | **%** | % | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| ADPDL | Hong Kong | **3.70** | 4.95 | **469** | 4,378 | **18,754** | 28,782 |
| Individually immaterial subsidiaries with non-controlling interests | | | | | | **20,325** | 17,450 |
| | | | | | | **39,079** | 46,232 |

Summarised financial information in respect of each of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

**ADPDL**

| | **2016** | 2015 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Current assets | **489,760** | 478,310 |
| Non-current assets | **269,666** | 311,872 |
| Current liabilities | **(225,635)** | (248,468) |
| Non-current liabilities | **(56,122)** | (62,561) |
| Equity attributable to owners of ADPDL | **458,915** | 450,371 |

## 38. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

### (c) Details of non-wholly owned subsidiary that have material non-controlling interests (continued)

**ADPDL (continued)**

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| Revenue | **748,350** | 955,192 |
| Expenses | **(739,608)** | (866,744) |
| Profit for the year | **8,742** | 88,448 |
| Other comprehensive expense for the year | **(12,680)** | (34,716) |
| Total comprehensive (expense) income for the year | **(3,938)** | 53,732 |
| Net cash inflow from operating activities | **69,053** | 173,228 |
| Net cash outflow from investing activities | **(10,497)** | (11,502) |
| Net cash inflow (outflow) from financing activities | **636** | (172,877) |
| Net cash inflow (outflow) | **59,192** | (11,151) |

# FIVE-YEAR FINANCIAL SUMMARY

For the year ended 31 March 2016

| | Year ended 31 March | | | | |
|---|---|---|---|---|---|
| | **2016** | 2015 | 2014 | 2013 | 2012 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **RESULTS** | | | | | |
| **Continuing operations** | | | | | |
| Revenue | **2,327,730** | 2,956,934 | 3,268,892 | 3,474,096 | 3,602,561 |
| (Loss) profit from continuing operations | **(324,244)** | 168,638 | 339,098 | 163,256 | 208,534 |
| **Discontinued operations** | | | | | |
| Loss for the year from discontinued operations | **–** | – | (90,622) | (1,107,858) | (388,726) |
| (Loss) profit for the year | **(324,244)** | 168,638 | 248,476 | (944,602) | (180,192) |
| (Loss) profit attributable to owners of the Company | **(324,688)** | 164,300 | 240,146 | (968,004) | (188,006) |
| Non-controlling interests | **444** | 4,338 | 8,330 | 23,402 | 7,814 |
| (Loss) profit for the year | **(324,244)** | 168,638 | 248,476 | (944,602) | (180,192) |

| | As at 31 March | | | | |
|---|---|---|---|---|---|
| | **2016** | 2015 | 2014 | 2013 | 2012 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **ASSETS AND LIABILITIES** | | | | | |
| Total assets | **3,294,739** | 3,824,650 | 4,204,300 | 4,649,774 | 5,515,323 |
| Total liabilities | **(1,178,762)** | (1,310,419) | (1,614,119) | (2,304,773) | (2,162,788) |
| | **2,115,977** | 2,514,231 | 2,590,181 | 2,345,001 | 3,352,535 |
| Equity attributable to owners of the Company | **2,076,898** | 2,467,999 | 2,556,400 | 2,317,529 | 3,341,582 |
| Non-controlling interests | **39,079** | 46,232 | 33,781 | 27,472 | 10,953 |
| | **2,115,977** | 2,514,231 | 2,590,181 | 2,345,001 | 3,352,535 |

# GLOSSARY

| | |
|---|---|
| 2007 ADPDL Share Option Scheme | The share option scheme of ADPDL approved by the Company on 30 July 2007 |
| 2007 Share Option Scheme | The share option scheme adopted by the Company on 30 July 2007 |
| 2014 Share Option Scheme | The share option scheme adopted by the Company on 31 July 2014 |
| 2015 AGM | The Company's Annual General Meeting held on 31 July 2015 |
| 2015 EGM | The Company's Extraordinary General Meeting held on 31 July 2015 |
| 2016 AGM | The Company's Annual General Meeting to be held on 29 July 2016 |
| ADL | Apple Daily Limited, an indirect wholly owned subsidiary of the Company |
| ADPDL | Apple Daily Publication Development Limited, an indirect non-wholly owned subsidiary of the Company |
| ADPL | Apple Daily Printing Limited, an indirect wholly owned subsidiary of the Company |
| Annual General Meeting or AGM | The Company's annual general meeting |
| Articles of Association | The Company's Articles of Association as amended, supplemented or modified from time to time |
| Best Combo | Best Combo Limited, a company incorporated in Hong Kong with limited liability and is 100% beneficially owned by Mr. Lai |
| Board | The Board of Directors of the Company |
| CEO | The Chief Executive Officer of the Group |
| CFO | The Chief Financial Officer of the Group |
| COO | The Chief Operating Officer of the Group |
| CG Code | The Corporate Governance Code and Corporate Governance Report, Appendix 14 to the Listing Rules |
| Colored World | Colored World Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, is the intermediate holding company of NAS |
| Colored World Group | Colored World and its subsidiaries |
| Companies Ordinance or CO | The Companies Ordinance (Chapter 622 of the Laws of Hong Kong) |
| Company or Next Digital | Next Digital Limited (formerly known as Next Media Limited) |

| | |
|---|---|
| Computershare | Computershare Hong Kong Investor Services Limited, the share registrar of the Company |
| Deloitte | Deloitte Touche Tohmatsu, the external auditor of the Group |
| Director(s) | Director(s) of the Company |
| EDs | Executive director(s) of the Company |
| EGM | The Company's extraordinary general meeting |
| Financial Statements | The audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 March 2016 |
| Group | Next Digital 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 respective share option schemes adopted by Aim High Investments Limited, Anyplex Company Limited, Next Media Distribution Limited, ADPDL, Next E-Shopping Limited, Next Media Publishing Limited, Next Mobile Limited, nxTomo Ltd., nxTomo Games Limited, Sharp Daily Limited and Apple Daily E-Classified Limited |
| INEDs | 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. Cassian Cheung | Mr. Cheung Ka Sing, Cassian, the then Interim Chairman of the Board, an ED of the Company and the CEO |
| Mr. Lai | Mr. Lai Chee Ying, Jimmy, the controlling shareholder of the Company |
| NAS | Next Animation Studio Limited (formerly known as Next Media Animation Limited), a company incorporated in Hong Kong with limited liability, is a wholly owned subsidiary of Colored World |

# GLOSSARY

| | |
|---|---|
| NAS Group | NAS and its subsidiaries |
| NED | Non-executive Director |
| NMBL | 壹傳媒傳訊播放股份有限公司 (Next Media Broadcasting Limited)*, a private company incorporated in Taiwan with limited liability and is an indirect wholly owned subsidiary of the Company |
| NT$ | New Taiwanese dollars |
| RSM | RSM Consulting (Hong Kong) Limited, an independent professional firm engaged by the Group to carry out internal audit services for the Group |
| SFO | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| Share(s) | Ordinary share(s) of the Company |
| Shareholder(s) | Holder(s) of the Company |
| Stock Exchange | The Stock Exchange of Hong Kong Limited |
| Taiwan | Republic of China |

* *Company's English name is for identification only*

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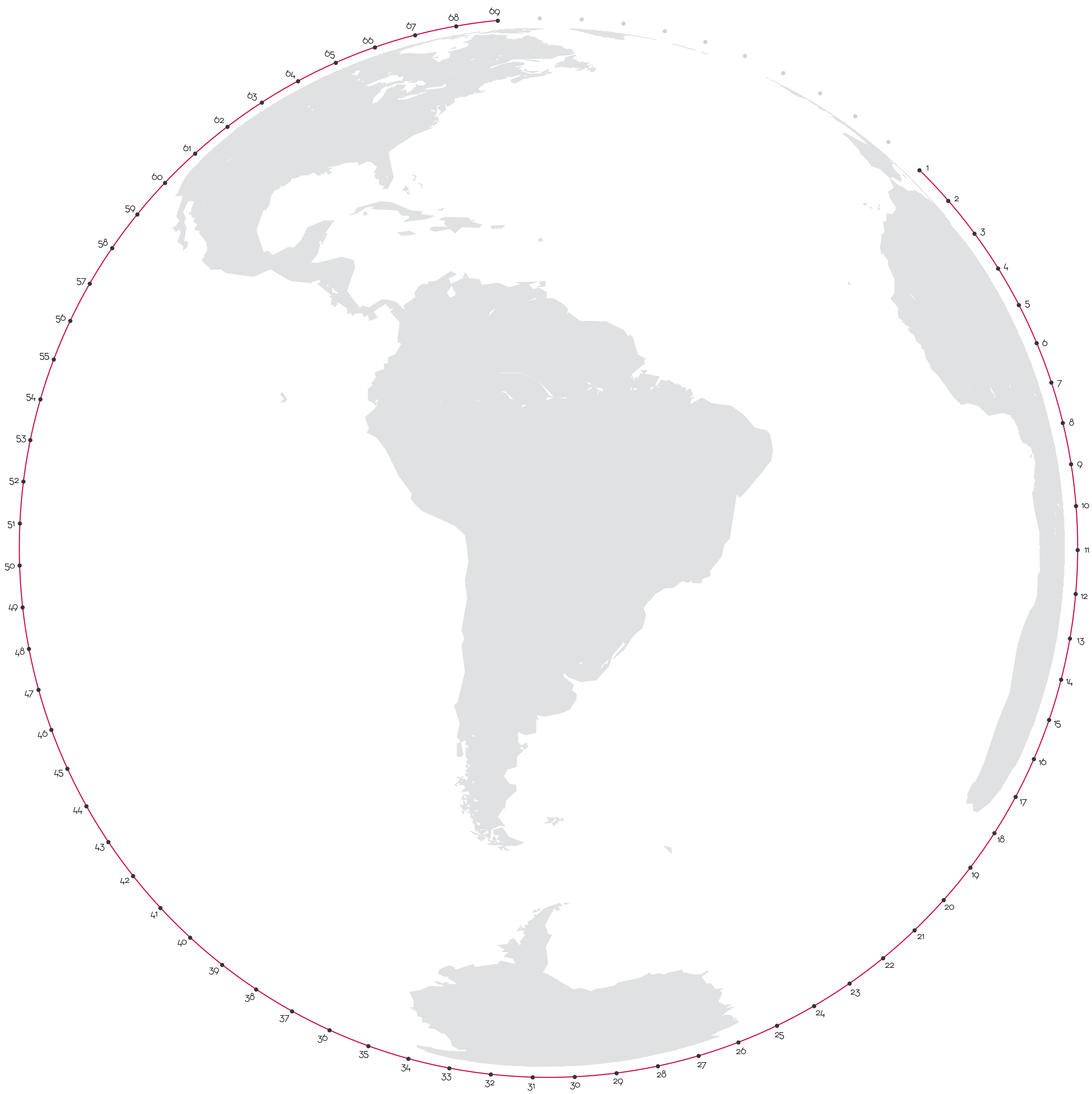


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