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NEXTTMDIGITAL

Stock Code : 00282

2016 / 17
INTERIM REPORT

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NEXT DIGITAL

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

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FINANCIAL HIGHLIGHTS

	(Unaudited)	
	Six months ended 30 September	
	2016	2015
Financial Results	HK\$'000	HK\$'000
Revenue	940,953	1,251,646
Loss for the period	(148,738)	(122,784)
Basic loss per share	(HK6.1 cents)	(HK5.1 cents)
Diluted loss per share	(HK6.1 cents)	(HK5.1 cents)

	(Unaudited)	(Audited)
	As at	As at
	30 September 2016	31 March 2016
Statement of Financial Position	HK\$'000	HK\$'000
Non-current assets	2,172,164	2,178,170
Current assets	1,143,027	1,116,569
Total assets	3,315,191	3,294,739
Current liabilities	598,456	665,893
Non-current liabilities	736,216	512,869
Total liabilities	1,334,672	1,178,762
Net assets	1,980,519	2,115,977

Ratio Analysis		
Current ratio	191.0%	167.7%
Gearing ratio	13.4%	9.1%
Debt to equity ratio	22.7%	14.4%



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MANAGEMENT DISCUSSION AND ANALYSIS

The Board of Next Digital announces the Group's unaudited consolidated interim results for the six months ended 30 September 2016, as well as comparative figures for the same period in 2015.

BUSINESSES

The Group's main business activities include publishing newspapers, magazines and books in digital and print forms, generating online subscription revenue and selling advertising space in newspapers and magazines and on digital platform. Other business activities include printing and reprographic services, and mobile and online games and apps development.

FINANCIAL RESULTS

The revenue of Next Digital and its subsidiaries amounted to HK\$941.0 million during the six months ended 30 September 2016. This was HK\$310.6 million or 24.8% less than the figure of HK\$1,251.6 million in the same period last year. The decline was mainly attributable to the decrease in advertising revenue, circulation income and other income of the Group's print publications.

The Group has undergone a series of consolidation exercises for its publication and printing operations in Hong Kong during the period under review. The Group ceased the publication of *FACE* and *ME!* in April and May 2016 respectively. In June 2016, *Ketchup* ceased its print version and switched its focus to solely digital on the Group's portal. *Auto Express* and *Trading Express* have been packaged with *Next Magazine* and *Eat & Travel Weekly* as a new bundle to streamline the magazine's operations and reduce operating costs.

The Group recorded an unaudited consolidated loss of HK\$148.7 million for the period, representing an additional loss of 21.1% or HK\$25.9 million compared with the loss of HK\$122.8 million for same period of 2015. This was mainly attributable to the sluggish economy in Hong Kong and Taiwan during the first half of 2016, which led to a decline in advertising spending. Another factor driving the decrease is the expenses incurred from the consolidation of the Group's Books and Magazines Publication and Printing Division and the restructuring of *Taiwan Apple Daily*, *Taiwan Next Magazine* and *Apple Daily* as well as *Next Magazine* in Hong Kong. The restructuring resulted in the layoff of relevant employees of the publications which incurred the payment in lieu of notice of HK\$37.8 million. Also closely associated to this decrease was the drop in circulation income of the Group's publications due to the readers' preference of free online media over printed properties. In the same period of 2015, the impairment of the masthead and publishing rights of *Sudden Weekly* of HK\$96.9 million was incurred.

Accordingly, the Company recorded a basic loss per share of HK6.1 cents for the period against a basic loss per share of HK5.1 cents in the same period last year.

OPERATIONAL REVIEW

The Group operations in Hong Kong and elsewhere accounted for about 62.0% of total revenue during the six months ended 30 September 2016, compared with 60.5% in last corresponding period while its Taiwan operations contributed 38.0% of its total revenue, against 39.5% in the same period last year.

Given the transition from traditional print publications to digital media, performance of the Group's print operations was adversely affected in Hong Kong and Taiwan. However, the Group's digital business was able to maintain its leading position in this fast growing segment and made significant contribution to the Group's revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

DIGITAL BUSINESSES DIVISION

The Group has continued to invest its resources to further develop the most popular digital news platforms in Hong Kong and Taiwan. As a result, the combined platforms for Hong Kong and Taiwan together have commanded an average monthly page view counts of 2.2 billion¹, making it one of the top news sites in the world.

One of the Group's key digital strategies is to leverage on *Apple Daily's* user base of 4.3 million¹ monthly unique visitors in Hong Kong and 11.9 million¹ monthly unique visitors in Taiwan. All of the Group's magazine contents are now available on an integrated *Apple Daily* platform, so that a cross platform synergy can be realised on a "super app". As such, the number of readers and page views of the Group's magazines, *Next Plus*, *Eat & Travel* and *Ketchuper*, are all seeing a healthy growth that augers well for the Group's future.

The Group has always regarded the small to medium size merchants as the backbone of Hong Kong's economic success. This market has been underserved in the digital space. The e-classified division of the group has now gained a solid foothold in this segment, and close to 20,000 merchants in Hong Kong have signed up for the digital Red Page service on *Apple Daily*, paving the way for a more diversified client base for the Group.

In North America, *Apple Daily* has launched an USA version that immediately built up significant traffic. To-date, *Apple Daily* has recorded over 1.5 million² monthly unique visitors in the USA, and 420 thousands² in Canada, showing the popularity of the paper among the overseas Chinese population.

The Group's online games business has stabilised over the reporting period, and a line-up of new games have been scheduled for launch in the second half of the year.

Overall, the Division's external revenue, which consists of subscription fees, online advertising revenue, content licensing payments, games and content sponsorship, and in-app purchase of virtual products, amounted to HK\$333.9 million during the period under review, representing an increase of 2.1% or HK\$7.0 million against the figure of HK\$326.9 million recorded in the same months last year, 75.5% of this revenue was generated in Hong Kong during the period under review.

The Division's segment profit stood at HK\$9.3 million during the period under review, compared with a segment profit of HK\$25.5 million, a drop of 63.5% or HK\$16.2 million. This was mainly attributed by the initial development costs incurred for the launching of "e-classified", *USA Apple Daily* and *Ketchuper* digital version.

NEWSPAPERS PUBLICATION AND PRINTING DIVISION

During the six months ended 30 September 2016, the total revenue of the Newspapers Publication and Printing Division stood at HK\$474.1 million, representing a decrease of 27.1% or HK\$176.5 million against the figure of HK\$650.6 million for the last corresponding period.

Apple Daily and *Taiwan Apple Daily* remained as the largest contributors to the Division's revenue, which amounted to HK\$410.9 million and accounted for 43.7% of the Group's total revenue. Against the figure of HK\$575.2 million for the same period last year, this represented a decrease of 28.6% or HK\$164.3 million. Accordingly, the Division's segment profit decreased by 419.4% to segment loss of HK\$61.0 million, compared with the segment profit of HK\$19.1 million recorded in the same period of 2015. This was mainly attributable to the significant decrease in advertising revenue and circulation income derived from the Group's newspapers during the period under review.

Apple Daily maintained its position as Hong Kong's most widely read paid-for daily and one of its best-selling newspapers during the first half of 2016. Its sales averaged 147,443 copies³ per day between January and June 2016, compared with 163,186 copies⁴ in the same period last year. *Apple Daily's* revenue stood at HK\$179.3 million during the period under review, representing a decrease of 25.2% or HK\$60.3 million against the figure of HK\$239.6 million recorded in the same period last year. Advertising revenue accounted for HK\$78.4 million of its revenue, while its circulation income was HK\$100.9 million, representing a decrease of 38.2% or HK\$48.4 million and 10.5% or HK\$11.9 million as compared to the respective figures of HK\$126.8 million and HK\$112.8 million recorded in the same period last year. The advertising categories contributing the largest shares to revenue came from sectors of health food, automobiles, pharmaceuticals, finance and travel.

Taiwan Apple Daily, widely known for its unbiased editorial style and vivid layout, is one of the most widely read paid-for daily newspaper on the island. Its sales averaged 263,000 copies per day between January and June 2016, compared with 306,382 copies per day in the last corresponding period. Its revenue amounted to HK\$231.6 million during the period under review, a decline of 31.0% or HK\$104.0 million against the HK\$335.6 million recorded in the last corresponding months. Advertising revenue accounted for HK\$152.3 million of its revenue, while its circulation income was HK\$78.6 million, representing a decrease of 34.3% or HK\$79.6 million and 23.5% or HK\$24.2 million as compared to the respective figures of HK\$231.9 million and HK\$102.8 million earned in the same period last year. The main sources of advertising revenue were derived from the following sectors: property, computer/communication/consumer electronic, decoration, department stores, and chain and lifestyle stores.

Taiwan Sharp Daily, the Group's free newspaper in Taipei, remains highly popular. Copies of the newspaper are distributed to commuters outside the city's metro stations every morning from Mondays to Fridays. Its print run was around 113,390 copies daily between January and June 2016 with an average readership of 184,000 people per day. *Taiwan Sharp Daily* particularly appeals to local advertisers, especially small business operators.

ADPL

Although the newspaper printing operation was adversely affected by the decline in print runs of *Apple Daily*, it continues to make contributions to the Group. Its revenue during the period under review amounted to HK\$96.8 million, a decrease of 19.9% or HK\$24.1 million over the figure of HK\$120.9 million achieved in the corresponding period last year.

ADPL derived HK\$50.7 million in revenue (total revenue minus transactions related to printing the Group's own publications) from external customers, including printing jobs for local and overseas newspapers, during the period under review. This was 13.2% or HK\$7.7 million less than the figure of HK\$58.4 million it earned in the last corresponding months.

MANAGEMENT DISCUSSION AND ANALYSIS

BOOKS AND MAGAZINES PUBLICATION AND PRINTING DIVISION

The trend of switching from print publications to digital platforms continues and as a result, the Books and Magazines Publication and Printing Division suffered a substantial decline in its revenue. During the period under review, its revenue amounted to HK\$133.0 million, a decrease of 51.5% or HK\$141.1 million against the figure of HK\$274.1 million it achieved in the same period last year.

The Division recorded a segment loss of HK\$87.4 million during the period under review, a decrease in loss of HK\$77.5 million compared with a segment loss of HK\$164.9 million in the same period last year. The decrease in loss was mainly due to the impairment of *Sudden Weekly* masthead and publishing rights amounting to HK\$96.9 million in the same period last year.

The Group continued its magazine consolidation in the period under review to maintain competitiveness and enhance value to our readers. In April 2016, the Group 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 May 2016, *ME!* ceased publication and in June 2016, *Ketchup* ceased its print version and switched its focus to digital version on the Group's portal. In June 2016, *Auto Express* and *Trading Express* were bundled with *Next Magazine* and *Eat & Travel Weekly* as a new bundle to enhance the appeal of *Next Magazine* at the same selling price of HK\$20.0 (the "New Next Magazine Bundle").

Under the depressed market conditions, the advertising revenue of the *New Next Magazine Bundle* for the period from June to September 2016 was HK\$31.1 million.

Taiwan Next Magazine's advertising revenue amounted to HK\$29.0 million during the first half of the financial year, compared with HK\$49.5 million in the same period last year, a decrease of 41.4% or HK\$20.5 million.

Commercial Printing

Despite several daunting factors such as intense competition in the industry, the trim down of print runs of the Group's magazines and a decrease in overseas printing orders, the commercial printing operation recorded a revenue of HK\$39.3 million in the six months ended 30 September 2016, which was 9.2% or HK\$3.3 million more than its revenue of HK\$36.0 million in the same period last year.

FUTURE PROSPECTS AND OUTLOOK

The Group is currently maneuvering through a challenging industrial and economic landscape. There is a steep upward trend of readers opting for digital media outlets over the conventional print media, leading to a decrease in circulation and advertising space of our print publications. To accommodate this upcoming trend, the Group made strategic moves to diversify revenue sources and direct resources towards building a substantial digital business. Through a robust digital news media platform and leading news and entertainment content, Next Digital has accumulated a well-established online user base and will continue to attract users.

Although the current landscape favours digital sources, print media is still seen as irreplaceable and invaluable by many. Therefore it is necessary to safeguard the Group's print business and preserve its leading position in the industry. To secure a presence on the digital media front and maintain ownership of the print media, the Group will continue to create high quality, engaging and creative digital and print content for its audiences and readers.

In light of economic uncertainties in Hong Kong and Taiwan in the second half of 2016, the Group is now operating under leaner organization and is prepared to meet obstacles and challenges with increased agility.

Sources:

1. *ComScore*
2. *Apple Daily Internal Server Log*
3. *Hong Kong Audit Bureau of Circulations Limited (January – June 2016)*
4. *Hong Kong Audit Bureau of Circulations Limited (January – June 2015)*

LIQUIDITY AND FINANCIAL RESOURCES

The Group finances its operations principally with cash flow generated by its continuing operating activities and, to a lesser extent, bank facilities by its principal bankers.

As at 30 September 2016, the Group had available banking facilities in a total of HK\$563.9 million, of which HK\$450.9 million had been utilised. There was no seasonality in the Group's bank borrowing requirements, and all the monies borrowed bearing interest at floating rates. The Group's bank borrowings are denominated in NT\$.

As at 30 September 2016, the Group's aggregate bank balances and cash reserves amounted to HK\$547.0 million. The Group's current ratio on the same date was 191.0%, compared to 167.7% as at 31 March 2016. On the same date, its gearing ratio amounted to 13.4%, compared to 9.1% as at 31 March 2016. These figures were calculated by dividing its borrowings including non-current and current portions, by total asset value.

During the current interim period, the Group obtained new term loan facilities in an aggregate amount of NT\$1,800.0 million (equivalent to HK\$445.1 million) from Industrial Bank of Taiwan and a revolving credit facility in an aggregate amount of NT\$40.0 million (equivalent to HK\$9.9 million) from KGI Bank by pledging certain properties in Taiwan as securities for general working capital purpose and replacing existing term loan facilities in Taiwan.

MANAGEMENT DISCUSSION AND ANALYSIS

ASSETS PLEDGED

As at 30 September 2016, the Group had pledged its properties situated in Taiwan with an aggregate carrying value of HK\$604.9 million to various banks as security for banking facilities granted to it.

EXCHANGE EXPOSURE AND CAPITAL EXPENDITURE

The Group's assets and liabilities are mainly denominated in HK\$ or NT\$. Its exchange exposure to NT\$ is due to its existing magazines and newspapers publishing and digital businesses in Taiwan.

As at 30 September 2016, the Group's net currency exposure stood at NT\$3,937.2 million (equivalent to HK\$973.6 million), a decrease of 7.4% on the figure of NT\$4,252.4 million (equivalent to HK\$1,024.7 million) as at 31 March 2016.

SHARE CAPITAL

As at 30 September 2016, the Company's total amount of issued and fully paid share capital was HK\$2,435.3 million.

As of 30 September 2016, the Company's total number of issued shares with no par value was 2,431,726,881 shares.

CONTINGENT LIABILITIES

As at 30 September 2016, the Group had contingent liabilities in respect of a number of legal proceedings in Hong Kong and Taiwan arising in the normal course of its publishing business.

In addition, the Group had a dispute with UDL Contracting Limited ("UDL") as contractor for the construction of a printing facility of 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 Chee Ying, Jimmy ("Mr. Lai"), a controlling shareholder of the Company, in the High Court during 2007.

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. The litigation case and dispute between UDL and ADPL and Mr. Lai have been concluded as at 30 September 2016.

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.

CONTINGENT LIABILITIES (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 Publishing Limited to pay a total of approximately HK\$3.0 million in damages and 80.0% of the Plaintiffs' legal costs. Next Magazine Publishing Limited has paid the damages to the Plaintiffs on 3 June 2016. The only outstanding matter is the question of costs. Next Magazine Publishing Limited is now negotiating with the Plaintiffs' solicitors in an attempt to agree the amount payable. Having taken into account the potential liability for costs, the Board considered that such liability will not have any material adverse impact on the Group's ordinary operations and financial position. All outstanding matters between Next Magazine Publishing Limited and the Plaintiffs (apart from costs) have been dealt with in the Judgment.

The Group has accrued for HK\$130.6 million (as at 31 March 2016: HK\$123.6 million) as provisions. These provisions were recognised in respect of the outstanding legal proceedings based on advice obtained from the Company's legal counsel.

In connection with the acquisition of Database Gateway Limited and its subsidiaries (the "Acquired Group") 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 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 contents 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 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, and the guarantee was renewed on 26 October 2016 for a further term of three years up to 25 October 2019, in favour of the Company and the Acquired Group in respect of his obligations under the Indemnity.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2016, the Group employed a total of 3,106 employees, of whom 1,628 were in Hong Kong, 1,471 were in Taiwan, 6 were in Canada and 1 was in USA. There were no material changes to the policies regarding employee remuneration, bonuses, share incentive schemes and staff development disclosed in the 2015/2016 annual report of the Company.

During the period under review, the total staff costs of the Group amounted to HK\$598.4 million, compared to HK\$683.4 million incurred for the same period last year.

INTERIM DIVIDEND

The Directors have resolved not to declare an interim dividend for the six months ended 30 September 2016 (2015: Nil).

FORWARD-LOOKING STATEMENTS

This interim 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.

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BOARD OF DIRECTORS

As of 30 September 2016, the Board consisted of seven Directors, two of whom were EDs, one was NED and four were INEDs. The EDs were Mr. Cheung Ka Sing, Cassian, CEO (“Mr. Cassian Cheung”) and Mr. Chow Tat Kuen, Royston, CFO. The NED was Mr. Ip Yut Kin (“Mr. Ip”). The INEDs were Mr. Fok Kwong Hang, Terry; Mr. Wong Chi Hong, Frank; Dr. Lee Ka Yam, Danny; and Dr. Bradley Jay Hamm. During the period under review, Mr. Cassian Cheung relinquished the position of Interim Chairman of the Group on 8 June 2016 and Mr. Ip was appointed as the Non-executive Chairman of the Group on 8 June 2016.

Detailed profiles of the current Directors are posted on the Company’s website at www.nextdigital.com.hk and disclosed in the Company’s 2015/2016 annual report.

The INEDs participated in the Company’s Board meetings in order to bring their independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct. They also served on the Audit Committee, Remuneration Committee and Nomination Committee.

CORPORATE GOVERNANCE POLICY

The Board’s mandate is to oversee the management of the Group’s business and affairs and to ensure that good governance practices and procedures are in place. The Board established a corporate governance policy that sets out the Company’s basic approach to these which has been revised on 8 June 2016 and further updated on 19 September 2016 due to the change in composition of the Board. Details of this can be found on the Company’s website at www.nextdigital.com.hk.

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 established a corporate disclosure policy that 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 this policy can be found on the Company’s website at www.nextdigital.com.hk.

BOARD DIVERSITY POLICY

The Company continuously seeks to enhance the effectiveness of its Board and recognizes and embraces the benefits of having a diverse Board as an essential element in maintaining competitiveness. The Board adopted a board diversity policy that sets out the Company’s approach to achieve diversity on board of directors of the Company. Selection of candidates 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 based on its own business model and specific needs from time to time. At any given time the Board may seek to improve one or more aspects of its diversity and measure progress accordingly. Details of this can be found on the Company’s website at www.nextdigital.com.hk.

CORPORATE GOVERNANCE

BOARD ACTIVITIES

Below is an overview of the dates of the various Board/Committee meetings and general meeting as well as a record of the attendance of its members during the six months ended 30 September 2016:

	Numbers of Meetings Attended/Held				Annual General Meeting ["AGM"] [Note 3]
	Board Meetings	Audit Committee Meeting	Remuneration Committee Meeting [Note 2]	Nomination Committee Meeting	
NED					
Ip Yut Kin (Non-executive Chairman) (Note 4)	3/3 (100%)	N/A	N/A	N/A	1/1 (100%)
EDs					
Cheung Ka Sing, Cassian (CEO) (Note 5)	3/3 (100%)	N/A	N/A	1/1 (100%)	1/1 (100%)
Chow Tat Kuen, Royston (CFO)	3/3 (100%)	N/A	N/A	N/A	1/1 (100%)
INEDs					
Fok Kwong Hang, Terry	2/3 (66.7%)	1/1 (100%)	N/A	1/1 (100%)	0/1 (0%)
Wong Chi Hong, Frank	3/3 (100%)	1/1 (100%)	N/A	1/1 (100%)	0/1 (0%)
Lee Ka Yam, Danny	2/3 (66.7%)	1/1 (100%)	N/A	N/A	1/1 (100%)
Bradley Jay Hamm	3/3 (100%)	N/A	N/A	1/1 (100%)	1/1 (100%)
Dates of Meetings	13.06.2016 27.06.2016 19.09.2016	10.06.2016	N/A	07.06.2016	29.07.2016

Notes:

- In accordance with the Articles of Association, the Directors may attend the Board and/or committee(s) meetings in person or by means of telephonic communication or similar communications equipment. 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.
- The Remuneration Committee did not hold any physical meetings during the six months ended 30 September 2016.
- The Company's external auditor, Deloitte, attended the 2016 AGM to answer questions from the Shareholders.
- 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.
- Mr. Cheung has relinquished the position of the Interim Chairman on 8 June 2016.

AUDIT COMMITTEE

The Audit Committee consisted solely of the Company's three INEDs. It was chaired by Dr. Lee Ka Yam, Danny. Full details of the Audit Committee, including its role and terms of reference, can be found on the Company's website at www.nextdigital.com.hk. During the period under review, all the members of the Audit Committee attended the meeting held on 10 June 2016 with the presence of the external auditor, Deloitte, and in the absence of the EDs. On 10 June 2016, the Audit Committee reviewed the following matters at its meeting before submitting them to the Board for its consideration:

- The Group's audited consolidated financial statements for the year ended 31 March 2016;
- The Group's continuing connected transactions for the year ended 31 March 2016;
- The internal control review report for the year ended 31 March 2016;
- The valuation report of the Group's mastheads and publishing rights for the year ended 31 March 2016; and
- The valuation reports of share options granted under the respective share option schemes of the Company and Apple Daily E-Classified Limited during the year ended 31 March 2016.

Mr. Chow Tat Kuen, Royston, CFO and the Company's Financial Controller were invited to attend the meeting in order to give a full account of the financial statements as well as to answer the Audit Committee's questions.

Working closely with Deloitte and EY, the Audit Committee also reviewed the adequacy and effectiveness of the Group's internal control measures. The Chairman of the Audit Committee reported to the Board on the work done by the Audit Committee and highlighted significant related issues.

The Audit Committee also reviewed, with the management, the Group's accounting principles and practices, internal controls and risk management systems, as well as financial reporting matters, including a review of the Interim Financial Statements.

Deloitte has reviewed the Interim Financial Statements in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", and HKAS 34 "Interim Financial Reporting", both issued by the HKICPA.

CORPORATE GOVERNANCE

REMUNERATION COMMITTEE

The Remuneration Committee consisted of a majority of INEDs. Its members were Mr. Fok Kwong Hang, Terry; Dr. Lee Ka Yam, Danny; and Mr. Cassian Cheung. Mr. Fok, an INED, was its chairman. Full details of the Remuneration Committee, including its role and terms of reference, can be found on the Company's website at www.nextdigital.com.hk.

The Remuneration Committee did not hold any physical meetings during the six months ended 30 September 2016.

NOMINATION COMMITTEE

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. Mr. Wong, an INED, was its chairman. Full details of the Nomination Committee, including its role and terms of reference, can be found on the Company's website at www.nextdigital.com.hk.

During the period under review, the Nomination Committee held a meeting on 7 June 2016 with all members present to consider and approve the re-designation of Mr. Ip Yut Kin from ED to NED of the Company and the appointment of Mr. Ip as the Non-executive Chairman of the Group, as well as Mr. Cassian Cheung would relinquish the position of Interim Chairman, all with effect from 8 June 2016.

DIRECTORS' TRAINING AND CONTINUOUS DEVELOPMENT

Pursuant to CG Code provision A.6.5, Directors should participate in continuous professional development to develop and refresh their knowledge and skills in order to ensure that their contribution to the Board remained informed and relevant. As and when necessary, the Company will arrange and fund the seminar(s) for the Directors, placing an appropriate emphasis on the roles, functions and duties of a listed company director.

Details of training record for the Directors will be disclosed in the upcoming Company's 2016/2017 Annual Report.

INTERNAL CONTROLS

The Board acknowledges its responsibility to maintain sound and effective internal controls to safeguard the Group's assets and shareholders' interests. Monthly management meetings are held to review the Company's financial performance and strategic planning objectives. Stringent internal control policies and procedures are also in place to ensure that transactions are carried out with proper approval by the senior management. The Board conducts half-yearly reviews of its internal control systems, particularly in the areas of financial reporting, operational controls, compliance and risk management, with the involvement of the Audit Committee and the assistance of Deloitte and EY. Since 1 April 2016, the Board has engaged EY to conduct assessments to evaluate the Group's entity-level controls with striking a desired balance between assurance and advisory to achieve an internal audit plan with a broader mandate and a comprehensive and dynamic program combining a refreshed assurance approach while conducting high impact audits that focus on areas of emerging risks covering risk management, core business cycle reviews (newspaper, magazine and online), analytics dashboard in core business cycle, corporate supporting functions reviews and control assessment.

The audit for each control unit was completed in accordance with the internal audit plan during the six months ended 30 September 2016. EY will issue a preliminary internal audit report to the Audit Committee and the Board for their consideration and comments in due course. This will include details of the findings that it identified and their possible impact, as well as recommendations to the management. The management's feedback, including action plans, will also be incorporated into the report's final version. Follow-up reviews of each control unit audit will also be conducted, and a report on these will review and summarise the status of the implementation of their action plans.

Based on its assessment and findings during the period under review, EY considers that a high level of awareness about these controls exists within the Group. Its findings and recommendations concerning improvements to the controls have been reported to the Audit Committee and the Board.

CORPORATE GOVERNANCE

INVESTOR RELATIONS AND CORPORATE COMMUNICATIONS

The Company has established various channels for communicating with its shareholders and investors. It disseminates information in a timely manner through the publication of press releases, formal announcements and corporate documents. The Company's general meetings also provide a forum for Board members and Shareholders to exchange opinions and ideas. The Company's AGM was held on 29 July 2016. All the resolutions tabled at the meeting were voted on by poll, and the result of each poll was published on the respective websites of the Stock Exchange and the Company after the closure of the general meeting.

Investors and Shareholders of the Company can obtain updated information about the Group via the Company's website at www.nextdigital.com.hk. They can also communicate directly with the Company 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: ir@nextdigital.com.hk.

This Interim Report is printed in English and Chinese and is available in the Investor Relations section of the Company's website at www.nextdigital.com.hk and the website of the Stock Exchange at www.hkexnews.hk. Shareholders may elect to receive either a printed or electronic version. They can change their choice of language or means of receiving the Company's corporate communications free of charge at any time by giving not less than 7 days' notice in writing to the Company by e-mail at ir@nextdigital.com.hk or to the Company's Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited, by post at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong. For environmental-protection purposes, Shareholders are encouraged to access the Company's corporate communications electronically via the Company's website.

Please note that the Chinese and English versions of all future corporate communications will be available on request in printed form from the Company or the Share Registrar and Transfer Office, as well as on the respective websites of the Company at www.nextdigital.com.hk or the Stock Exchange at www.hkexnews.hk.

SHAREHOLDER COMMUNICATION POLICY

In compliance with the CG Code, the Board established a shareholder communication policy to maintain an ongoing dialogue with the Shareholders and to review the policy regularly in order to ensure its effectiveness. Details of the policy can be found on the Company's website at www.nextdigital.com.hk.

SHAREHOLDER RIGHTS

The Shareholders' Guide has been posted on the Company's website at www.nextdigital.com.hk. It contains the following information:

- (i) The procedures for proposing a resolution at an AGM;
- (ii) The procedures for the election of Directors; and
- (iii) The procedures for convening an EGM on requisition.

CORPORATE GOVERNANCE

During the six months ended 30 September 2016, the Company complied fully with the applicable provisions of the CG Code as set out in Appendix 14 of the Listing Rules, except for the CG Code provisions A.2.1, A.6.7 and E.1.2.

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 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 will 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.

As announced on 8 June 2016, Mr. Ip Yut Kin ("Mr. Ip") has been re-designated from an ED to a NED and appointed as the Non-executive Chairman of the Group. On the same date, Mr. Cassian Cheung has relinquished the position of Interim Chairman of the Group. He will continue as an ED of the Company and CEO of the Group.

Due to other business engagements, Mr. Fok Kwong Hang, Terry and Mr. Wong Chi Hong, Frank (all being INEDs) did not attend the AGM held on 29 July 2016. Mr. Ip, the Non-executive Chairman, chaired the aforesaid meeting in accordance with the provisions of the Articles of Association.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code. Following specific enquiries by the Company, all the current Directors have confirmed that they fully complied with the required standards of the Model Code throughout the period under review.

MEDIA

EVOLUTION



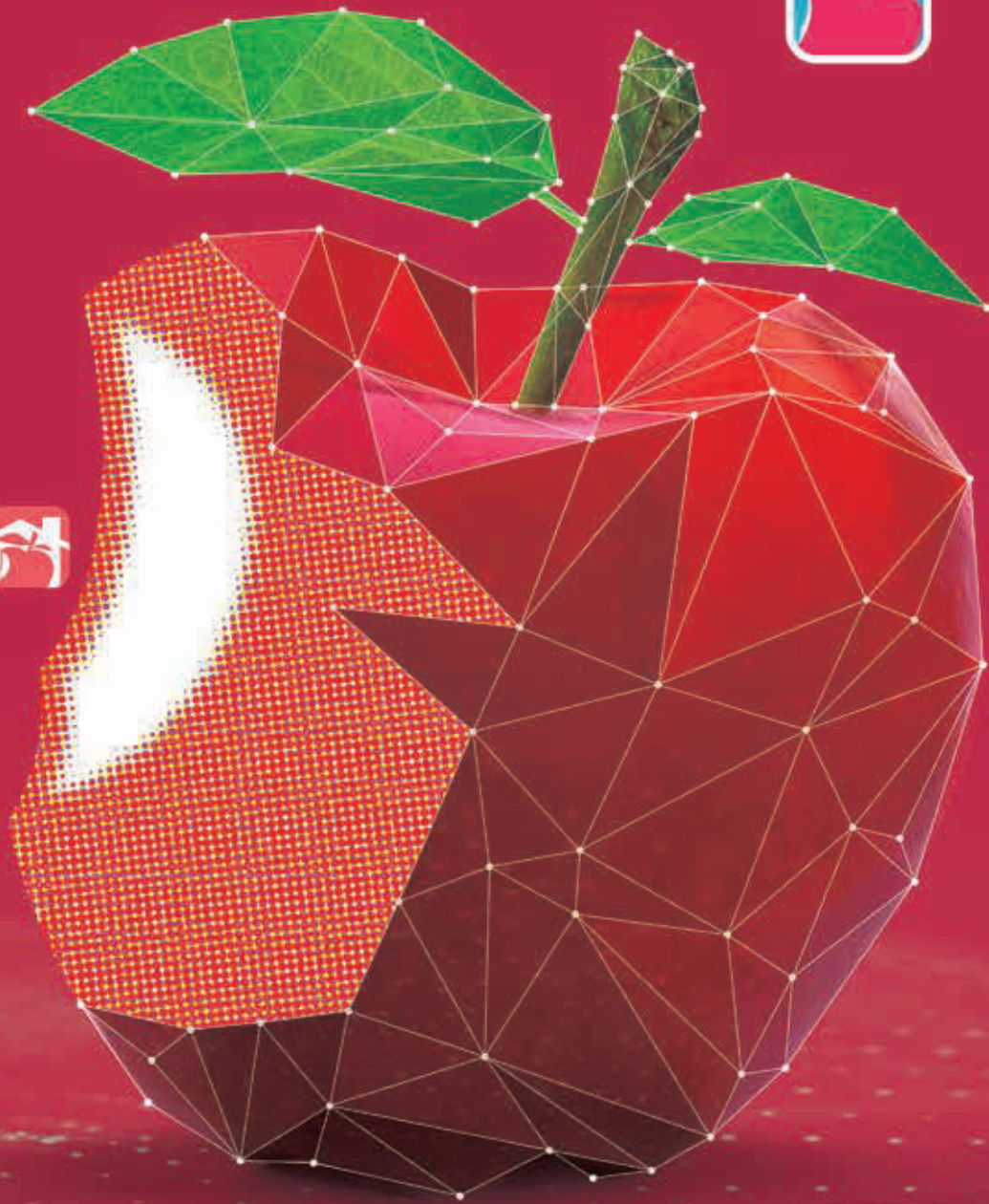
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CORPORATE INFORMATION

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

Chow Tat Kuen, Royston

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited

Industrial Bank of Taiwan Ltd.

Taichung Commercial Bank Co., Ltd.

KGI Bank

The Shanghai Commercial & Savings Bank, Ltd.

DBS Bank (Hong Kong) Limited

LEGAL ADVISORS

Reed Smith Richards Butler

Deacons

REGISTERED OFFICE

1/F., 8 Chun Ying Street

Tseung Kwan O Industrial Estate

Tseung Kwan O

New Territories

Hong Kong

SHARE 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

WEBSITE

<http://www.nextdigital.com.hk>

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S O C I A L

G O V E R N A N C E

E N V I R O N M E N T

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SHARE INFORMATION

As at 30 September 2016

Shareholders

Mr. Lai Chee Ying, Jimmy	73.47%
Directors other than Mr. Lai Chee Ying, Jimmy	1.39%
Others	25.14%

Issued Shares

2,431,726,881 Shares

Market Capitalisation

at HK\$0.43 per Share (closing price on 30 September 2016) HK\$1.05 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	35,300,000
HK\$1.05	4,686,000
HK\$1.42	5,000,000
Total	44,986,000

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

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OTHER INFORMATION

As at 30 September 2016

THE DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of 30 September 2016, the Directors and Chief Executive of the Company and their associates had the following interests and short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations (with 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 in the Listing Rules:-

(a) Interests in the Company

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

Name of Director/ Chief Executive	Number of Shares				Interests in underlying Shares/ equity derivatives	Total Shares	Percentage of issued share capital
	Personal interests	Family interests	Corporate interests	Other interests			
Ip Yut Kin	10,200,377	2,630,000	-	-	2,500,000 (Note 1)	15,330,377	0.63
Cheung Ka Sing, Cassian	18,172,000	-	-	-	19,000,000 10,000,000 (Note 2)	47,172,000	1.94
Chow Tat Kuen, Royston	300,000	-	-	-	2,656,000 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

OTHER INFORMATION

As at 30 September 2016

THE DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

(b) Interests in Associated Corporations

The table 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 of the Company:

nxTomo Ltd. ("nxTomo")

Name of Director/ Chief Executive	Number of shares				Interests in underlying shares/ equity derivatives	Total shares	Percentage of issued share capital
	Personal interests	Family interests	Corporate interests	Other interests			
Cheung Ka Sing, Cassian	-	-	-	-	50,000 (Note 6)	50,000	0.50

nxTomo Games Limited ("nxTomo Games")

Name of Director/ Chief Executive	Number of shares				Interests in underlying shares/ equity derivatives	Total shares	Percentage of issued share capital
	Personal interests	Family interests	Corporate interests	Other interests			
Cheung Ka Sing, Cassian	-	-	-	-	50,000 (Note 7)	50,000	0.49

Notes:

- (1) These interests represented options granted under the 2007 Share Option Scheme of the Company to the Directors as beneficial owners.
- (2) These interests represented options granted under the 2014 Share Option Scheme of the Company to the Directors as beneficial owners.
- (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 represent the award Shares subject to vesting conditions granted to the INEDs on 30 June 2014.
- (5) These interests represent the award Shares subject to vesting conditions granted to the INED on 13 April 2015.
- (6) These interests represent options granted to under the 2013 nxTomo Share Option Scheme to the Director as a beneficial owner.
- (7) These interests represent options granted to under the 2008 nxTomo Games Share Option Scheme to the Director as a beneficial owner.

THE DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

(b) Interests in Associated Corporations (continued)

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 and 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 30 September 2016.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As of 30 September 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 as recorded in the register required to be kept under Section 336 of the SFO and so far as is known to any of the Directors or Chief Executives 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	73.47
Li Wan Kam, Teresa	1,786,533,165 (Note 1)	73.47
David Michael Webb	122,163,000 (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 the Directors or Chief Executives 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 of the Directors or Chief Executives of the Company as at 30 September 2016.

OTHER INFORMATION

As at 30 September 2016

SHARE INCENTIVE SCHEMES

(a) Share Option Schemes of the Company

(1) 2007 Share Option Scheme

On 30 July 2007, the Company adopted the 2007 Share Option Scheme. Its terms complied with the requirements under Chapter 17 of the Listing Rules.

Details of outstanding options granted under the 2007 Share Option Scheme as at 30 September 2016 are as follows:-

Name or category of participant	Date of grant	Exercise price per Share	Vesting date (%)	Exercisable period	Balance as at 01.04.2016	Granted during the period	Exercised during the period	Lapsed during the period	Balance as at 30.09.2016
Directors									
Ip Yut Kin	24.01.2014	HK\$1.000	25.01.2015 (30%)	25.01.2014 – 29.07.2017	2,500,000	-	-	-	2,500,000
			25.01.2016 (60%)						
			25.01.2017 (100%)						
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
			01.02.2014 (100%)						
			04.02.2014 (100%)						
Chow Tat Kuen, Royston	10.12.2010	HK\$1.050	10.12.2011 (30%)	11.12.2010 – 29.07.2017	1,656,000	-	-	-	1,656,000
			10.12.2012 (60%)						
			10.12.2013 (100%)						
	24.01.2014	HK\$1.000	25.01.2015 (30%)	25.01.2014 – 29.07.2017	1,000,000	-	-	-	1,000,000
			25.01.2016 (60%)						
			25.01.2017 (100%)						
Fok Kwong Hang, Terry	10.12.2010	HK\$1.050	10.12.2011 (30%)	11.12.2010 – 29.07.2017	510,000	-	-	-	510,000
			10.12.2012 (60%)						
			10.12.2013 (100%)						
Wong Chi Hong, Frank	10.12.2010	HK\$1.050	10.12.2011 (30%)	11.12.2010 – 29.07.2017	510,000	-	-	-	510,000
			10.12.2012 (60%)						
			10.12.2013 (100%)						
Lee Ka Yam, Danny	10.12.2010	HK\$1.050	10.12.2011 (30%)	11.12.2010 – 29.07.2017	510,000	-	-	-	510,000
			10.12.2012 (60%)						
			10.12.2013 (100%)						

SHARE INCENTIVE SCHEMES (CONTINUED)

(a) Share Option Schemes of the Company (continued)

(1) 2007 Share Option Scheme (continued)

Name or category of participant	Date of grant	Exercise price per Share	Vesting date (%)	Exercisable period	Balance as at 01.04.2016	Granted during the period	Exercised during the period	Lapsed during the period	Balance as at 30.09.2016
Employees									
In aggregate	10.12.2010	HK\$1.050	10.12.2011 (30%) 10.12.2012 (60%) 10.12.2013 (100%)	11.12.2010 – 29.07.2017	1,980,000	-	-	(480,000)	1,500,000
	08.07.2011	HK\$1.000	08.07.2012 (30%) 08.07.2013 (60%) 08.07.2014 (100%)	09.07.2011 – 29.07.2017	200,000	-	-	-	200,000
	01.02.2012	HK\$1.050	01.02.2013 (60%) 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%) 26.09.2014 (60%) 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%) 25.01.2016 (60%) 25.01.2017 (100%)	25.01.2014 – 29.07.2017	20,900,000	-	-	(6,300,000)	14,600,000
Total outstanding					52,766,000	-	-	(7,780,000)	44,986,000

Notes:

1. Apart from the abovementioned movements, no options were granted, exercised, lapsed or cancelled under the 2007 Share Option Scheme during the six months ended 30 September 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.

OTHER INFORMATION

As at 30 September 2016

SHARE INCENTIVE SCHEMES (CONTINUED)

(a) Share Option Schemes of the Company (continued)

(2) 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, the Company adopted the 2014 Share Option Scheme on 31 July 2014. Its terms comply 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 as at 30 September 2016:

Name or category of participant	Date of grant	Exercise price per Share	Vesting date (%)	Exercisable period	Balance as at 01.04.2016	Granted during the period	Cancelled during the period	Lapsed during the period	Balance as at 30.09.2016
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%)	04.02.2016 - 30.07.2024	1,500,000	-	-	-	1,500,000
			03.02.2018 (60%)						
			03.02.2019 (100%)						
Bradley Jay Hamm	02.03.2015	HK\$0.760	02.03.2016 (30%)	03.03.2015 - 30.07.2024	510,000	-	-	-	510,000
			02.03.2017 (60%)						
			02.03.2018 (100%)						
Employees									
In aggregate	06.10.2014	HK\$0.860	06.10.2015 (33.3%)	07.10.2014 - 30.07.2024	1,500,000	-	-	-	1,500,000
			06.10.2016 (66.6%)						
			06.10.2017 (100%)						
	27.01.2015	HK\$0.690	27.01.2016 (30%)	28.01.2015 - 30.07.2024	500,000	-	-	-	500,000
			27.01.2017 (60%)						
			27.01.2018 (100%)						
Total outstanding					14,010,000	-	-	-	14,010,000

Apart from the abovemention, no options were granted, exercised, cancelled or lapsed under the 2014 Share Option Scheme during the six months ended 30 September 2016.

SHARE INCENTIVE SCHEMES (CONTINUED)

(b) Subsidiary Share Option Schemes

During the period, the following subsidiaries of the Company had their own respective share option schemes (collectively referred to as the "Subsidiary Share Option Schemes"). Their terms complied with the requirements under 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 tables below set out movements in options granted under the Subsidiary Share Option Schemes during the six months ended 30 September 2016:

2007 ADPDL Share Option Scheme

Name or category of participant	Date of grant	Exercise price per share	Vesting date (%)	Exercisable period	Balance	Granted	Exercised	Lapsed	Balance
					as at 01.04. 2016	during the period	during the period	during the period	as at 30.09.2016
Employees	16.04.2014	HK\$0.01	16.04.2015 (30%) 16.04.2016 (60%) 16.04.2017 (100%)	17.04.2015 – 30.07.2017	100,000	-	(24,000)	(31,000)	45,000
Total outstanding					100,000	-	(24,000)	(31,000)	45,000

OTHER INFORMATION

As at 30 September 2016

SHARE INCENTIVE SCHEMES (CONTINUED)

(b) Subsidiary Share Option Schemes (continued)

2008 nxTomo Games Option Scheme

Name or category of participant	Date of grant	Exercise price per share	Vesting date (%)	Exercisable period	Balance as at 01.04. 2016	Granted during the period	Exercised during the period	Lapsed during the period	Balance as at 30.09.2016
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	400,000	-	(20,000)	(50,000)	330,000
	03.10.2014	HK\$0.01	03.10.2015 (100%)	04.10.2015 – 20.02.2018	125,000	-	(10,000)	(15,000)	100,000
	15.12.2014	HK\$0.01	15.12.2015 (100%)	16.12.2015 – 20.02.2018	10,000	-	-	-	10,000
Total outstanding					585,000	-	(30,000)	(65,000)	490,000

2013 nxTomo Share Option Scheme

Name or category of participant	Date of grant	Exercise price per share	Vesting date (%)	Exercisable period	Balance as at 01.04.2016	Granted during the period	Lapsed during the period	Balance as at 30.09.2016
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	315,000	-	(50,000)	265,000
	03.10.2014	HK\$0.01	03.10.2015 (100%)	04.10.2015 – 14.06.2023	48,000	-	-	48,000
	27.01.2015	HK\$0.01	27.01.2016 (100%)	28.01.2016 – 14.06.2023	50,000	-	-	50,000
Total outstanding					463,000	-	(50,000)	413,000

2015 ADEC Share Option Scheme

Name or category of participant	Date of grant	Exercise price per share	Vesting date (%)	Exercisable period	Balance as at 01.04.2016	Granted during the period	Lapsed during the period	Balance as at 30.09.2016
Employees	07.10.2015	HK\$0.01	07.10.2016 (100%)	08.10.2016 – 28.08.2025	240,000	-	(20,000)	220,000
Total outstanding					240,000	-	(20,000)	220,000

Apart from the above movements in the abovementioned Subsidiary Share Option Schemes, no options were granted, exercised, lapsed or cancelled under the other Subsidiary Share Option Schemes during the six months ended 30 September 2016.

SHARE INCENTIVE SCHEMES (CONTINUED)

(b) Subsidiary Share Option Schemes (continued)

The Company has used the Binomial Model to assess the fair values of the options granted under the Subsidiary Share Option Schemes, 2007 Share Option Scheme and 2014 Share Option Scheme of the Company. This is an appropriate method for assessing the fair value of the options that can be exercised before the expiry of the option period. The fair value of the options granted under the aforesaid share option schemes was calculated as follows respectively:

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
2014 Share Option Scheme						
06.10.2014	1,500,000	2.065%	9.82	49.745%	0%	0.397 - 0.419
27.01.2015	500,000	1.484%	9.51	49.658%	1.879%	0.310 - 0.321
02.02.2015	5,000,000	1.291%	9.50	49.682%	1.879%	0.316
02.03.2015	510,000	1.586%	9.42	49.830%	1.879%	0.342 - 0.355
03.02.2016	6,500,000	1.595%	8.49	51.590%	0.873%	0.172 - 0.195

The fair value per option granted under the aforesaid respective Subsidiary Share Option Schemes, 2007 Share Option Scheme and 2014 Share Option Scheme of the Company is an averaged fair value of such option. The Group recognised an expense of HK\$1,528,000 in the consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2016 in respect of the aggregate fair value of the options granted under the above Share Option Schemes.

OTHER INFORMATION

As at 30 September 2016

SHARE SUBSCRIPTION AND FINANCING PLAN

The Subscription Plan allows the Board to invite eligible persons to subscribe for new Shares in the Company.

Invitations for subscription issued under the Subscription Plan were all lapsed during the year ended 31 March 2013. No invitations for subscriptions under the Subscription Plan were issued, subscribed for or cancelled during the period ended 30 September 2016. As at 30 September 2016, there were no outstanding invitations for subscription under the Subscription Plan.

SHARES AWARD TO DIRECTORS

The Company on 30 June 2014 and 13 April 2015 (the "Award Dates") had conditionally awarded a total of 930,000 Shares and 300,000 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.

Pursuant to the terms and vesting conditions, the first tranche of the Award Shares a total of 100,000 Shares were issued and allotted to Dr. Hamm, an INED, on 13 April 2016.

On 30 June 2016, the second tranche of the Award Shares 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.

SHARES AWARD TO DIRECTORS (CONTINUED)

The Company has used the Binomial Model to assess the fair value of such Award Shares granted to the INEDs as aforesaid. For the period ended 30 September 2016, the Group recognised a total expense of HK\$107,000 (for the period ended 30 September 2015: HK\$234,000) for such Award Shares.

Details of such Award Shares are disclosed in note 19d to the Interim Financial Statements.

CONNECTED TRANSACTION

On 8 June 2016, the Company announced that Amazing Sino International Limited ("ASIL"), an indirect wholly-owned subsidiary of the Company and a shareholder of ADPDL, purchased 216,688 shares, representing 2.0% of the total issued shares of ADPDL from Mr. Ip Yut Kin, being a NED of the Company, at a consideration of HK\$8,840,870 (the "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 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 Acquisition took place on 4 July 2016.

CONTINUING CONNECTED TRANSACTIONS

During the period, subsidiaries of the Company have entered into transactions which constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

On 15 September 2015, NMBL entered into the Termination Agreement to terminate the existing lease agreement dated 31 July 2013 with the Taiwan Branch of NASL, with effect from 16 September 2015. NMBL, on the same date, has also entered into the new lease agreement (the "New Lease Agreement") with the Taiwan Branch of NASL, 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 NASL for a term commencing from 16 September 2015 to 31 March 2018 (both days inclusive). The Taiwan Branch of NASL has 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 NASL 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 NASL 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

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

OTHER INFORMATION

As at 30 September 2016

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

The total rental of NT\$2,720,000 (equivalent to HK\$655,000) was paid by the Taiwan Branch of NASL in respect of the period from 1 April 2016 to 30 May 2016 (both days inclusive) to NMBL under the New Lease Agreement.

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\$1.0 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 has 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 is 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 22 to the Interim Financial Statements.

RELATED-PARTY TRANSACTIONS

During the period, the Group entered into certain transactions with parties regarded as "Related Parties" under applicable accounting principles, details of which are set out in note 22 to the Interim 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 22 to the Interim 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 period.

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 30 September 2016, the latest practicable date to ascertain such information prior to the issue of this interim report.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

There was no purchase, sale or redemption of the Company's listed Shares by the Company or any of its subsidiaries during the six months ended 30 September 2016.

On behalf of the Board

Cheung Ka Sing, Cassian

Director

Hong Kong, 14 November 2016

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

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TO THE BOARD OF DIRECTORS OF NEXT DIGITAL LIMITED

壹傳媒有限公司

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Next Digital Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 46 to 81, which comprise the condensed consolidated statement of financial position as of 30 September 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
14 November 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2016

	Notes	Six months ended 30 September	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Revenue	3	940,953	1,251,646
Production costs			
Cost of raw materials consumed		(148,227)	(227,902)
Other overheads		(172,077)	(190,564)
Staff costs		(326,191)	(398,725)
Personnel costs excluding direct production staff costs		(272,171)	(284,713)
Other income	3	15,726	20,120
Net exchange (loss) gain		(876)	2,273
Allowance for bad and doubtful debts		(8,143)	(9,054)
Depreciation of property, plant and equipment		(47,301)	(52,560)
Release of prepaid lease payments		(900)	(900)
Other expenses		(115,523)	(132,051)
Impairment loss recognised in respect of intangible assets		-	(96,928)
Finance costs	5	(4,795)	(5,125)
Loss before tax		(139,525)	(124,483)
Income tax (expense) credit	6	(9,213)	1,699
Loss for the period	7	(148,738)	(122,784)
Other comprehensive income (expense)			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		24,116	(52,650)
Total comprehensive expense for the period		(124,622)	(175,434)

	Note	Six months ended 30 September	
		2016	2015
		HK\$'000 (unaudited)	HK\$'000 (unaudited)
<hr/>			
Loss for the period attributable to:			
Owners of the Company		(147,476)	(123,479)
Non-controlling interests		(1,262)	695
		(148,738)	(122,784)
<hr/>			
Total comprehensive expense attributable to:			
Owners of the Company		(123,437)	(174,884)
Non-controlling interests		(1,185)	(550)
		(124,622)	(175,434)
<hr/>			
Loss per share	9		
Basic		(HK6.1 cents)	(HK5.1 cents)
Diluted		(HK6.1 cents)	(HK5.1 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2016

	Notes	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
NON-CURRENT ASSETS			
Intangible assets	10	1,020,299	1,020,299
Property, plant and equipment	11	1,093,009	1,094,647
Prepaid lease payments	12	53,467	54,367
Deposits for acquisition of property, plant and equipment		5,389	8,857
		2,172,164	2,178,170
CURRENT ASSETS			
Inventories		77,941	93,313
Trade and other receivables	13	488,630	539,790
Prepaid lease payments	12	1,797	1,797
Tax recoverable		23,425	19,271
Restricted bank balances	14	1,500	1,500
Amounts due from related parties		4,206	3,565
Bank balances and cash		545,528	457,333
		1,143,027	1,116,569
CURRENT LIABILITIES			
Trade and other payables	15	441,602	445,565
Deferred revenue		4,352	5,646
Borrowings	16	–	76,305
Provisions	17	130,646	123,630
Tax liabilities		21,856	14,747
		598,456	665,893
NET CURRENT ASSETS		544,571	450,676
TOTAL ASSETS LESS CURRENT LIABILITIES		2,716,735	2,628,846
NON-CURRENT LIABILITIES			
Borrowings	16	445,104	222,557
Retirement benefits plans		78,109	76,805
Deferred tax liabilities		213,003	213,507
		736,216	512,869
NET ASSETS		1,980,519	2,115,977

	Note	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
CAPITAL AND RESERVES			
Share capital	18	2,435,345	2,435,010
Reserves		(470,824)	(358,112)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		1,964,521	2,076,898
NON-CONTROLLING INTERESTS		15,998	39,079
TOTAL EQUITY		1,980,519	2,115,977

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

	Attributable to owners of the Company				Attributable to non-controlling interests				Total HK\$'000
	Share capital HK\$'000	Translation reserve HK\$'000	Share-based payment reserve HK\$'000	Accumulated profits (losses) HK\$'000	Sub total HK\$'000	Share-based payment reserve of subsidiaries HK\$'000	Share of net assets of subsidiaries HK\$'000	Sub total HK\$'000	
At 31 March 2015 (audited)	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	-	(51,405)	-	-	(51,405)	-	(1,245)	(1,245)	(52,650)
(Loss) profit for the period	-	-	-	(123,479)	(123,479)	-	695	695	(122,784)
Total comprehensive expense for the period	-	(51,405)	-	(123,479)	(174,884)	-	(550)	(550)	(175,434)
Payment of dividend	-	-	-	(48,626)	(48,626)	-	-	-	(48,626)
Recognition of equity-settled share-based payments	-	-	2,960	-	2,960	5,000	-	5,000	7,960
Issue of ordinary shares in relation to award of new shares (note 19d)	263	-	(263)	-	-	-	-	-	-
Lapse of share options	-	-	(2,161)	4,211	2,050	(2,050)	-	(2,050)	-
Exercise of share options (Note i)	-	-	-	-	-	(60)	60	-	-
Acquisition of additional interest in a subsidiary (Note i)	-	-	-	33	33	-	(60)	(60)	(27)
At 30 September 2015 (unaudited)	2,435,010	(138,584)	18,056	(64,950)	2,249,532	14,412	34,160	48,572	2,298,104
At 31 March 2016 (audited)	2,435,010	(121,176)	18,262	(255,198)	2,076,898	14,428	24,651	39,079	2,115,977
Exchange differences on translating foreign operations	-	24,039	-	-	24,039	-	77	77	24,116
Loss for the period	-	-	-	(147,476)	(147,476)	-	(1,262)	(1,262)	(148,738)
Total comprehensive income (expense) for the period	-	24,039	-	(147,476)	(123,437)	-	(1,185)	(1,185)	(124,622)
Recognition of equity-settled share-based payments	-	-	1,356	-	1,356	276	3	279	1,635
Issue of ordinary shares in relation to award of new shares (note 19d)	335	-	(335)	-	-	-	-	-	-
Lapse of share options	-	-	(2,421)	4,790	2,369	(2,369)	-	(2,369)	-
Exercise of share options (Note ii)	-	-	-	-	-	(2,141)	2,141	-	-
Acquisition of additional interests in subsidiaries (Note ii)	-	-	-	7,335	7,335	-	(19,806)	(19,806)	(12,471)
At 30 September 2016 (unaudited)	2,435,345	(97,137)	16,862	(390,549)	1,964,521	10,194	5,804	15,998	1,980,519

Notes:

- (i) During the six months ended 30 September 2015, 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. As a result, the Group's equity interest in nxTomo Games was changed from 100% to 99.8%. On 7 August 2015, Max Grand Investments Limited ("Max Grand"), a wholly owned subsidiary of the Company, purchased 20,000 shares of nxTomo Games from a shareholder. As a result, the Group holds 100% equity interest of nxTomo Games.
- (ii) During the six months ended 30 September 2016, 20,000 shares and 10,000 shares were exercised under the 2008 Share Option Scheme of nxTomo Games (note 19c), with fair value of HK\$3.01 per option and HK\$18.34 per option at the grant date respectively. As a result, the Group's equity interest in nxTomo Games was changed from 100% to 99.7%. On 5 September 2016, Max Grand purchased 30,000 shares of nxTomo Games from a shareholder. As a result, the Group holds 100% equity interest of nxTomo Games.

During the six months ended 30 September 2016, 24,000 shares were exercised under the 2007 Share Option Scheme of Apple Daily Publication Development Limited ("ADPDL") (note 19c), with fair value of HK\$79.05 per option at the grant date. As a result, the Group's equity interest in ADPDL was changed from 96.3% to 96.1%. On 14 June 2016, 28 June 2016, 29 June 2016 and 4 July 2016, Amazing Sino International Limited, a wholly owned subsidiary of the Company, purchased a total of 305,694 shares of ADPDL from shareholders. As a result, the Group holds 98.9% equity interest of ADPDL.

On 22 April 2016, 15 June 2016 and 21 June 2016, Ideal Vegas Limited, a wholly owned subsidiary of the Company, purchased a total of 179,949 shares of Next Media Publishing Limited ("NMPL") from shareholders. As a result, the Group holds 99.62% equity interest of NMPL.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2016

	Six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
OPERATING ACTIVITIES		
Loss for the period	(148,738)	(122,784)
Adjustments for:		
Income tax expense (credit)	9,213	(1,699)
Finance costs	4,795	5,125
Interest income	(498)	(733)
Impairment loss recognised in respect of intangible assets	–	96,928
Allowance for bad and doubtful debts	8,143	9,054
Share-based payment expense	1,635	7,960
Depreciation of property, plant and equipment	47,301	52,560
Release of prepaid lease payments	900	900
Loss on disposal of property, plant and equipment	49	46
Operating cash flows before movements in working capital	(77,200)	47,357
Decrease in inventories	16,665	1,586
Decrease in trade and other receivables	47,859	9,769
(Increase) decrease in amounts due from related parties	(641)	565
(Decrease) increase in trade and other payables	(7,091)	36,669
(Decrease) increase in retirement benefits plans	(709)	400
Increase (decrease) in provision for litigation	6,579	(6,603)
Decrease in deferred revenue	(1,294)	(7,462)
Net cash (used in) from operations	(15,832)	82,281
Income tax paid	(6,420)	(20,698)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(22,252)	61,583

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
INVESTING ACTIVITIES		
Deposit for acquisition of property, plant and equipment	(5,342)	(5,802)
Purchases of property, plant and equipment	(10,851)	(7,995)
Interest received	498	733
Proceeds from disposal of property, plant and equipment	333	336
NET CASH USED IN INVESTING ACTIVITIES	(15,362)	(12,728)
FINANCING ACTIVITIES		
Repayments of bank borrowings	(306,696)	(37,334)
Dividends paid	-	(48,626)
Interest paid	(4,795)	(5,125)
Acquisition of additional interests in subsidiaries	(12,471)	(27)
New bank loans raised	445,104	-
NET CASH FROM (USED IN) FINANCING ACTIVITIES	121,142	(91,112)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	83,528	(42,257)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	457,333	499,846
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	4,667	(16,982)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	545,528	440,607

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The financial information relating to the year ended 31 March 2016 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31 March 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2016 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2016.

In the current interim period ended 30 September 2016, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatorily effective for the current interim period.

The application of these amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND OTHER INCOME

The Group's operations comprise the sales of advertising space on its web portals, subscription to the web portals, delivery of internet contents, development of mobile games and apps, the publication of newspapers, books and magazines, the sales of advertising space in newspapers, books and magazines, as well as the provision of printing and reprographic services.

Revenue recognised during the period is as follows:

	Six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Revenue		
Internet advertising income, internet subscription income, content provision and development of mobile games and apps income ("Digital businesses")	333,867	326,932
Sales of newspapers	179,547	215,561
Sales of books and magazines	28,416	52,383
Newspapers advertising income	243,148	375,744
Books and magazines advertising income	65,263	185,742
Printing and reprographic services income	90,712	95,284
	940,953	1,251,646
Other income		
Sales of waste materials	2,674	4,754
Interest income on bank deposits	498	733
Rental income	8,420	10,235
Others	4,134	4,398
	15,726	20,120
Total	956,679	1,271,766

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

4. SEGMENT INFORMATION

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

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

Operating segments	Principal activities
Digital businesses	Internet advertising, internet subscription, content provision and development of mobile games and apps in Hong Kong, Taiwan and North America
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.

4. SEGMENT INFORMATION (CONTINUED)

The following is an analysis of the Group's revenue and results by operating segments for the period under review:

Six months ended 30 September 2016 (unaudited)

	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	333,867	474,120	132,966	-	940,953
Inter-segment sales	-	116,815	6,699	(123,514)	-
Total	333,867	590,935	139,665	(123,514)	940,953
Segment results	9,255	(60,981)	(87,397)	-	(139,123)
Unallocated expenses					(8,660)
Unallocated income					13,053
Finance costs					(4,795)
Loss before tax					(139,525)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

4. SEGMENT INFORMATION (CONTINUED) Six months ended 30 September 2015 (unaudited)

	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	326,932	650,570	274,144	-	1,251,646
Inter-segment sales	-	112,299	3,905	(116,204)	-
Total	326,932	762,869	278,049	(116,204)	1,251,646
Segment results	25,456	19,051	(164,879)	-	(120,372)
Unallocated expenses					(14,352)
Unallocated income					15,366
Finance costs					(5,125)
Loss before tax					(124,483)

Segment result represents 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 the CODM for the purpose of resource allocation and performance assessment.

4. SEGMENT INFORMATION (CONTINUED)
As at 30 September 2016 (unaudited)

	Digital businesses HK\$'000	Newspapers publication and printing HK\$'000	Books and magazines publication and printing HK\$'000	Consolidated HK\$'000
Segment assets	467,327	1,835,609	438,405	2,741,341
Unallocated assets				573,850
Total assets				3,315,191
Segment liabilities	(80,324)	(327,773)	(227,323)	(635,420)
Unallocated liabilities				(699,252)
Total liabilities				(1,334,672)

As at 31 March 2016 (audited)

	Digital businesses HK\$'000	Newspapers publication and printing HK\$'000	Books and magazines publication and printing 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)

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For the six months ended 30 September 2016

4. SEGMENT INFORMATION (CONTINUED)

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

- all assets are allocated to operating segments other than 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.

Other segment information

For the six months ended 30 September 2016 (unaudited)

	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	8,357	4,319	3,564	-	16,240
Depreciation of property, plant and equipment	8,737	28,037	8,246	2,281	47,301
Release of prepaid lease payments	-	497	-	403	900
Allowance for bad and doubtful debts	3,280	3,856	1,007	-	8,143
Share-based payment expense	-	279	-	1,356	1,635
Loss (gain) on disposal of property, plant and equipment	89	6	(46)	-	49
Redundancy payment	784	18,773	18,206	-	37,763

4. SEGMENT INFORMATION (CONTINUED)

Other segment information (continued)

For the six months ended 30 September 2015 (unaudited)

	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	4,737	4,918	4,056	–	13,711
Depreciation of property, plant and equipment	8,502	30,917	11,212	1,929	52,560
Impairment loss recognised in respect of intangible assets	–	–	96,928	–	96,928
Release of prepaid lease payments	–	497	–	403	900
Allowance for bad and doubtful debts	1,414	5,699	1,941	–	9,054
Share-based payment expense	3,719	1,281	–	2,960	7,960
(Gain) loss on disposal of property, plant and equipment	(5)	18	33	–	46
Redundancy payment	132	3,650	17,126	–	20,908

5. FINANCE COSTS

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest expenses on bank borrowings	4,795	5,125

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For the six months ended 30 September 2016

6. INCOME TAX EXPENSE (CREDIT)

	Six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Current tax:		
Hong Kong	8,960	12,339
Taiwan	–	3,126
Other jurisdictions	529	–
	9,489	15,465
Deferred tax:		
Credit for the period	(276)	(17,164)
	9,213	(1,699)

Hong Kong Profits Tax is recognised based on management's best estimate of the average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 16.5% (2015: 16.5%) for the six months ended 30 September 2016.

Taiwan Income Tax is recognised based on management's best estimate of the average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 17% (2015: 17%) which is the rate prevailing in the relevant jurisdiction.

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

The deferred tax credit mainly related to the tax effect of temporary difference between the tax base of certain assets and liabilities and the carrying value of the assets and liabilities.

7. LOSS FOR THE PERIOD

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging:		
Auditor's remuneration	662	630
Operating lease expenses on:		
Properties	1,379	1,841
Plant and equipment	8,192	8,776
Loss on disposal of property, plant and equipment (included in other expenses)	49	46
Provision for litigation expenses (note 17) (included in other expenses)	16,238	16,444
Share-based payment expense (included in personnel costs)	1,635	7,960
Redundancy payment (included in personnel costs)	37,763	20,908

8. DIVIDENDS

No interim dividend was proposed for the six months ended 30 September 2016 (six months ended 30 September 2015: nil), nor has any dividend been proposed since the end of the reporting period.

9. LOSS PER SHARE

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

Loss

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the purposes of basic and diluted loss per share for the period attributable to the owners of the Company	(147,476)	(123,479)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

9. LOSS PER SHARE (CONTINUED) Number of shares

	Six months ended 30 September	
	2016	2015
	No. of shares	No. of shares
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	2,431,565,624	2,431,316,881

The computation of diluted loss per share for the six months ended 30 September 2016 and 30 September 2015 does not assume the exercise of the Company's outstanding share options and award shares (the "Award Shares") since the exercise would result in a decrease in loss per share for both periods.

10. INTANGIBLE ASSETS

	Masthead and publishing rights HK\$'000
COST	
At 1 April 2016 (audited) and 30 September 2016 (unaudited)	1,482,799
ACCUMULATED IMPAIRMENT	
At 1 April 2016 (audited) and 30 September 2016 (unaudited)	462,500
CARRYING VALUES	
At 30 September 2016 (unaudited)	1,020,299
At 31 March 2016 (audited)	1,020,299

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.

11. PROPERTY, PLANT AND EQUIPMENT

	HK\$'000
COST	
At 1 April 2016 (audited)	2,744,223
Exchange difference	43,128
Additions	19,708
Disposals	(11,370)
At 30 September 2016 (unaudited)	2,795,689
ACCUMULATED DEPRECIATION AND IMPAIRMENT	
At 1 April 2016 (audited)	1,649,576
Exchange difference	16,791
Charge for the period	47,301
Eliminated on disposals	(10,988)
At 30 September 2016 (unaudited)	1,702,680
CARRYING VALUES	
At 30 September 2016 (unaudited)	1,093,009
At 31 March 2016 (audited)	1,094,647

12. PREPAID LEASE PAYMENTS

Leasehold land situated in Hong Kong is released on a straight-line basis over the lease terms of 50 years.

	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
Analysed for reporting purposes as:		
Current asset	1,797	1,797
Non-current asset	53,467	54,367
	55,264	56,164

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

13. TRADE AND OTHER RECEIVABLES

	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
Trade receivables	429,380	485,405
Less: allowance for doubtful debts	(66,434)	(58,104)
	362,946	427,301
Prepayments	69,378	58,327
Rental and other deposits	12,666	13,603
Others	43,640	40,559
Trade and other receivables	488,630	539,790

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:

	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
0 – 1 month	141,933	149,335
1 – 3 months	138,537	162,516
3 – 4 months	50,869	56,827
Over 4 months	31,607	58,623
	362,946	427,301

Included in the Group's trade receivable balances are debtors with an aggregate carrying amount of HK\$31,607,000 (31 March 2016: HK\$58,623,000) 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.

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	30 September	31 March
	2016	2016
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Over 4 months	31,607	58,623

Movement in the allowance for doubtful debts

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
At 1 April (audited)	58,104	76,851
Impairment loss recognised	8,143	9,054
Exchange difference	204	(563)
Amounts written off as uncollectible	(17)	(128)
At 30 September (unaudited)	66,434	85,214

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK\$66,434,000 (31 March 2016: HK\$58,104,000) which have delayed payments with poor settlement record. The Group does not hold any collateral over these balances.

14. RESTRICTED BANK BALANCES

As at 30 September 2016, bank balance amounting to HK\$1,500,000 (31 March 2016: 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 0.25% per annum for the period (31 March 2016: 0.20% per annum for the year). The management expects that the restricted bank balances will be withdrawn within one year from 30 September 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

15. TRADE AND OTHER PAYABLES

	30 September	31 March
	2016	2016
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Trade payables	58,638	68,759
Accrued staff costs	185,491	176,285
Accrued charges	128,432	120,808
Other payables	69,041	79,713
Trade and other payables	441,602	445,565

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

	30 September	31 March
	2016	2016
	HK\$'000	HK\$'000
	(unaudited)	(audited)
0 – 1 month	35,923	47,600
1 – 3 months	15,774	16,359
Over 3 months	6,941	4,800
	58,638	68,759

16. BORROWINGS

	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
Carrying amount repayable		
– on demand or within one year	–	76,305
– in the second year	–	76,305
– in the third year	49,456	76,305
– in the fourth year	98,912	69,947
– in the fifth year	98,912	–
– more than five years	197,824	–
	445,104	298,862
Less: Amount due within one year or on demand shown under current liabilities	–	(76,305)
Non-current portion	445,104	222,557

Notes:

- (i) During the current interim period, the Group repaid bank loans amounting to HK\$306,696,000 (six months ended 30 September 2015: HK\$37,334,000).
- (ii) At 30 September 2016, bank loans balance of HK\$445,104,000 carry interests at 3 months Taipei Interbank Offered Rate plus 1.55% per annum. At 31 March 2016, bank loans balance of HK\$298,862,000 carry 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 2.32% per annum for the period (31 March 2016: 2.59% per annum for the year).

The Group's borrowings are denominated in New Taiwan Dollar ("NT\$"), functional currencies of the relevant group entities.

- (iii) At 30 September 2016, the Group had total unutilised bank loan facilities of HK\$112,963,000 (31 March 2016: HK\$100,546,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

17. PROVISIONS

	Litigations HK\$'000
At 1 April 2016 (audited)	123,630
Additional provision during the period	16,238
Payment during the period	(9,659)
Exchange difference	437
At 30 September 2016 (unaudited)	130,646

As at 30 September 2016, 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.

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 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 Defense 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. Next Magazine Publishing Limited has paid the damages to the Plaintiffs on 3 June 2016. The only outstanding matter is the question of costs. Next Magazine Publishing Limited is now negotiating with the Plaintiffs' solicitors in an attempt to agree the amount payable. Having taken into account the potential liability for costs, the Board considered that such liability will not have any material adverse impact on the Group's ordinary operations and financial position. All outstanding matters between Next Magazine Publishing Limited and the Plaintiffs (apart from costs) have been dealt with in the Judgment.

18.SHARE CAPITAL

	Number of shares		Share capital	
	30 September 2016	31 March 2016	30 September 2016 HK\$'000	31 March 2016 HK\$'000
Issued and fully paid:				
At beginning of the period/year	2,431,316,881	2,431,006,881	2,435,010	2,434,747
Issue of ordinary shares in relation to award of new shares (note 19d)	410,000	310,000	335	263
At end of the period/year	2,431,726,881	2,431,316,881	2,435,345	2,435,010

19.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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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19. SHARE INCENTIVE SCHEMES (CONTINUED)

(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, 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, 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.

Movements in the number of options granted pursuant to the 2007 Share Option Scheme are as follows:

	Number of options
At 1 April 2016	52,766,000
Lapsed during the period	(7,780,000)
At 30 September 2016	44,986,000

Except for the above, during the current interim period, no options were granted, exercised, lapsed or cancelled under the 2007 Share Option Scheme.

(b) 2014 Share Option Scheme adopted by the Company

The 2014 Share Option Scheme was adopted 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.

During the current interim period, no options were granted, exercised, lapsed or cancelled under the 2014 Share Option Scheme.

19.SHARE INCENTIVE SCHEMES (CONTINUED)

(c) Share Option Schemes adopted by certain subsidiaries

On 30 July 2007, each of ADPDL and Next Media Publishing Limited ("NMPL") adopted a share option scheme (the "2007 Subsidiary Share Option Schemes"). On 20 February 2008, each of Next Media Distribution Limited ("NMDL") and nxTomo Games adopted a share option scheme (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 a share option scheme (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"). nxTomo together with ADPDL, NMPL, NMDL, nxTomo Games, AHIL, Anyplex, Next Mobile, Next E-Shopping, Sharp Daily and ADEC are, collectively referred to as the "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 Subsidiaries may grant options to any of their full-time employees and directors or full-time 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 Share Option Schemes, the 2013 nxTomo Share Option Scheme, the 2015 ADEC Share Option Scheme and any other share option schemes of the Subsidiaries is limited to 30% of the respective subsidiaries' shares in issue from time to time.

- (i) Movements in the number of options granted pursuant to the 2007 Subsidiary Share Option Schemes during the period are as follows:

	Number of options ADPDL
At 1 April 2016	100,000
Exercised during the period	(24,000)
Lapsed during the period	(31,000)
At 30 September 2016	45,000

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19. SHARE INCENTIVE SCHEMES (CONTINUED)

(c) Share Option Schemes adopted by certain subsidiaries (continued)

- (ii) Movements in the number of options granted pursuant to the 2008 Subsidiary Share Option Schemes during the period are as follows:

	Number of options nxTomo Games
At 1 April 2016	585,000
Exercised during the period	(30,000)
Lapsed during the period	(65,000)
At 30 September 2016	490,000

- (iii) Movements in the number of options granted pursuant to the 2013 nxTomo Share Option Scheme during the period are as follows:

	Number of options nxTomo
At 1 April 2016	463,000
Lapsed during the period	(50,000)
At 30 September 2016	413,000

- (iv) Movements in the number of options granted pursuant to the 2015 ADEC Share Option Scheme during the period are as follows:

	Number of options ADEC
At 1 April 2016	240,000
Lapsed during the period	(20,000)
At 30 September 2016	220,000

Except for the above, during the current interim period, no options were granted, exercised, lapsed or cancelled under the share option schemes adopted by the subsidiaries of the Company.

19.SHARE INCENTIVE SCHEMES (CONTINUED)

(d) Award of shares 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 to the three independent non-executive directors and one independent non-executive director ("INEDs") 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

(i) Movement in the number of Award Shares granted to Mr. Fok are as follows:

	Number of Award Shares Mr. Fok
At 30 June 2014 (the Award Date) Shares granted	330,000 (110,000)
At 31 March 2016 Shares granted	220,000 (110,000)
At 30 September 2016	110,000

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19. SHARE INCENTIVE SCHEMES (CONTINUED)

(d) Award of shares to directors of the Company (continued)

(ii) Movement in the number of Award Shares granted to Mr. Wong are as follows:

	Number of Award Shares Mr. Wong
At 30 June 2014 (the Award Date)	300,000
Shares granted	(100,000)
At 31 March 2016	200,000
Shares granted	(100,000)
At 30 September 2016	100,000

(iii) Movement in the number of Award Shares granted to Dr. Lee are as follows:

	Number of Award Shares Dr. Lee
At 30 June 2014 (the Award Date)	300,000
Shares granted	(100,000)
At 31 March 2016	200,000
Shares granted	(100,000)
At 30 September 2016	100,000

(iv) Movement in the number of Award Shares granted to Dr. Hamm are as follows:

	Number of Award Shares Dr. Hamm
At 13 April 2015 (the Award Date)	300,000
Shares granted	(100,000)
At 30 September 2016	200,000

19.SHARE INCENTIVE SCHEMES (CONTINUED)

(d) Award of 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. Pursuant to the terms and vesting conditions, the first tranche of the Award Shares a total of 100,000 Shares were issued and allotted to Dr. Hamm, an INED, on 13 April 2016. On 30 June 2016, the second tranche of the Award Shares 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.

The Group recognised a total expenses of HK\$1,635,000 for the six months ended 30 September 2016 (30 September 2015: HK\$7,960,000) in relation to options granted under the share option schemes and the Award Shares of the Group.

20.CONTINGENT LIABILITIES AND GUARANTEES

(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 Chee Ying, Jimmy ("Mr. Lai"), a controlling shareholder of the Company, in the High Court during 2007.

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. The litigation case and dispute between UDL and ADPL and Mr. Lai have been concluded as at 30 September 2016.

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20. CONTINGENT LIABILITIES AND GUARANTEES (CONTINUED)

(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") 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 newspapers 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 also procured a bank guarantee of HK\$60,000,000 for a term of three years up to 25 October 2016 and the guarantee was renewed on 26 October 2016 for a further term of three years up to 25 October 2019, 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.

21. COMMITMENTS

(a) Capital commitments in respect of the acquisition of property, plant and equipment

	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
Authorised but not contracted for	15	79
Contracted but not provided for	7,738	7,313
	7,753	7,392

21.COMMITMENTS (CONTINUED)

(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:

	30 September 2016			31 March 2016		
	Properties	Plant and equipment	Total	Properties	Plant and equipment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Within one year	1,508	13,229	14,737	2,473	13,425	15,898
In the second to fifth years inclusive	533	10,258	10,791	1,389	10,747	12,136
	2,041	23,487	25,528	3,862	24,172	28,034

Operating leases payments include 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 leases payments also include rental payable by the Group for certain of its plant and equipment. Leases are negotiated for an average term of 3 years.

The Group as lessor

Rental income earned during the period was HK\$8,420,000 (2015: HK\$10,235,000).

At the end of reporting period, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases:

	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
Within one year	15,484	18,241
In the second to fifth years inclusive	55,639	57,394
	71,123	75,635

Operating lease payments represent rental receivable by the Group from leasing of its property, plant and equipment. Typically, leases are negotiated and rentals are fixed for lease term of one to five years.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

22. RELATED PARTY DISCLOSURES

(a) Compensation of key management personnel

The remuneration of the Directors and other members of key management personnel during the period was as follows:

	Six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Short-term benefits	11,487	12,540
Share-based payments	1,025	1,936
	12,512	14,476

(b) Related party transactions

Nature of transaction	Name of related company/person	Relationship with the Group	Six months ended 30 September	
			2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Office rental received by the Group (Note i)	Next Animation Studio Limited ("NASL") – Taiwan Branch (Formerly known as "Next Media Animation Limited – Taiwan Branch")	100% beneficially owned by Mr. Lai	(655)	(2,267)
Animation production service charge paid by the Group (Note ii)	NASL	100% beneficially owned by Mr. Lai	34,854	26,935
Revenue sharing paid by the Group (Note ii)	NASL	100% beneficially owned by Mr. Lai	–	75
Acquisition of interest in a subsidiary (Note iii)	Mr. Ip Yut Kin	Non-executive Director	8,841	–

22. RELATED PARTY DISCLOSURES (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\$655,000 for the period ended 30 September 2016 (30 September 2015: HK\$2,267,000) is recognised in profit or loss. On 9 May 2016, NMBL and NASL entered into a termination agreement to terminate the lease agreement with effect from 31 May 2016.

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.

- (ii) 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 8 June 2016, Amazing Sino International Limited, a wholly owned subsidiary of the Company, purchased 216,688 shares of ADPDL for a consideration of approximately HK\$8,841,000 from Mr. Ip Yut Kin, a Non-executive Director of the Group. The shares represented 2.0% of the total issued shares of ADPDL.

On 22 September 2015, Next Mobile Limited, a wholly owned subsidiary of the Company, has entered into a consultancy agreement with Mr. Lai, 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\$1.0 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.

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
2016 AGM	The Company's Annual General Meeting 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	Annual general meeting of the Company
Articles of Association	Articles of Association of the Company as amended, supplemented or modified from time to time
Board	The board of Directors of the Company
CEO	The Chief Executive Officer of the Group
CFO	The Chief Financial Officer of the Group
CG Code	The Corporate Governance Code as set out in Appendix 14 of 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 NASL
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

Computershare	Computershare Hong Kong Investor Services Limited, the share registrar and transfer office of the Company
Deloitte	Deloitte Touche Tohmatsu, the external auditor of the Group
Director(s)	Director(s) of the Company
ED(s)	Executive director(s) of the Company
EGM	The Company's extraordinary general meeting
EY	Ernst & Young Advisory Services Limited, an independent professional firm engaged by the Group to carry out internal audit services for the Group with effect from 1 April 2016
Group	Next Digital together with 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, the lawful currency of Hong Kong
Subsidiary Share Option Schemes	The respective share option schemes adopted by ADPDL, Aim High Investments Limited, Anyplex Company Limited, Next Media Distribution Limited, 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
INED(s)	Independent Non-executive Director(s) of the Company
Interim Financial Statements	The unaudited interim financial statements of the Company and its subsidiaries for the six months ended 30 September 2016
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 as set out in Appendix 10 of the Listing Rules

GLOSSARY

Mr. Lai	Mr. Lai Chee Ying, Jimmy, the controlling shareholder of the Company
NASL	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
NASL Group	NASL 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 Taiwan dollars, the lawful currency of Taiwan
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 Share(s)
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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