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# TRANSFORM |

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**NEXT DIGITAL**

STOCK CODE: 00282

INTERIM REPORT 2017/18

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# TRANSCEND |

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**NEXT DIGITAL**

STOCK CODE: 00282

INTERIM REPORT 2017/18

## NEXT CULTURE



COMMUNICATION



CREATIVITY

ENCOURAGEMENT

FLEXIBLE

RESPONSIBILITY

SHARING

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FINANCIAL



HIGHLIGHTS



## FINANCIAL HIGHLIGHTS

	<b>(Unaudited)</b>	
	<b>Six months ended 30 September</b>	
<b>Financial Results</b>	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Revenue	<b>775,058</b>	940,953
Loss for the period	<b>(171,537)</b>	(148,738)
Basic loss per Share	<b>(HK7.0 cents)</b>	(HK6.1 cents)
Diluted loss per Share	<b>(HK7.0 cents)</b>	(HK6.1 cents)
	<b>(Unaudited)</b>	(Audited)
	<b>As at</b>	As at
<b>Statement of Financial Position</b>	<b>30 September 2017</b>	31 March 2017
	<b>HK\$'000</b>	HK\$'000
Non-current assets	<b>1,939,345</b>	1,961,855
Current assets	<b>950,097</b>	1,054,647
Total assets	<b>2,889,442</b>	3,016,502
Current liabilities	<b>588,136</b>	547,839
Non-current liabilities	<b>697,625</b>	695,243
Total liabilities	<b>1,285,761</b>	1,243,082
Net assets	<b>1,603,681</b>	1,773,420
<b>Ratio Analysis</b>		
Current ratio	<b>161.5%</b>	192.5%
Gearing ratio	<b>16.1%</b>	15.3%
Debt to equity ratio	<b>29.1%</b>	26.2%



360°

INSIGHT

“Apple VR” offers a range of VR360 (virtual reality) videos and explores your environment like you’re in the scene, it’s fun!

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360°

INSIGHT



“Apple VR” offers a range of VR360 (virtual reality) videos and explores your environment like you’re in the scene, it’s fun!

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MANAGEMENT DISCUSSION

AND ANALYSIS



# MANAGEMENT DISCUSSION AND ANALYSIS

On behalf of the Board of Next Digital, I would like to present the unaudited consolidated results of the Group for the six months ended 30 September 2017.

## FINANCIAL RESULTS

For the six months ended 30 September 2017, the Group's overall revenue decreased by 17.6% to HK\$775.1 million (six months ended 30 September 2016: HK\$941.0 million) of which HK\$294.4 million, HK\$388.4 million and HK\$92.3 million (six months ended 30 September 2016: HK\$333.9 million, HK\$474.1 million and HK\$133.0 million) were attributable to Digital Businesses Division, Newspapers Publication and Printing Division as well as Books and Magazines Publication and Printing Division respectively.

The Group recorded an unaudited consolidated loss of HK\$171.5 million for the period, representing an additional loss of 15.3% or HK\$22.8 million compared with the loss of HK\$148.7 million for same period of 2016. This was mainly attributable to the poor market sentiment and cautious advertisement spending driven by the sluggish economic growth in Hong Kong and Taiwan during the period under review, along with keen global competition of online programmatic advertising buying. In addition, the Group underwent restructuring procedures, which resulted in the layoff of relevant employees of the publications and incurred the payment in lieu of notice of HK\$8.1 million (six months ended 30 September 2016: HK\$37.8 million). Also closely associated to this decrease was the drop in circulation income of the Group's publications due to readers' preference of free online media over printed properties.

Accordingly, the Company recorded a basic loss per share of HK7.0 cents for the period against a basic loss per share of HK6.1 cents in the same period last year.

## OPERATIONAL REVIEW

The Group's operations in Hong Kong and elsewhere accounted for about 61.3% of total revenue during the six months ended 30 September 2017, compared with 62.0% in last corresponding period while its Taiwan operations contributed 38.7% of its total revenue, against 38.0% in the corresponding period of last year.

Although the performance of the Group's print operations was adversely affected by the accelerated transformation from traditional print publications to digital media in Hong Kong and Taiwan, the Group's digital business was able to capture this fast growing segment and has steadily increased its share of contribution to the Group's revenue.

## MANAGEMENT DISCUSSION AND ANALYSIS

### DIGITAL BUSINESSES DIVISION

Digitalisation is an unavoidable trend. The Group has embraced the digital revolution and is consistently developing creative solutions to serve content in digital form. A “super app” was created to include all the Group’s magazines, *Next Plus*, *Eat & Travel*, *Ketchuper*, *Auto Express*, *Trading Express* and *JF Digital* on an integrated *Apple Daily* platform, which attracted a significant number of readers and page views. The combined platforms for Hong Kong and Taiwan together have commanded an average monthly page view counts of 2.1 billion<sup>1</sup>, making it one of the top news sites in the world.

The digital versions of *Apple Daily*, in video and animated formats, have been accompanied by a signature style branded as *Apple Actionnews*, making it the most popular news source for mobile devices in Hong Kong and Taiwan. The *Apple Daily* news site has become a daily frequented destination for the majority news followers.

*Apple Daily* has a large user base of 4.9 million<sup>2</sup> monthly unique visitors in Hong Kong, 12.2 million<sup>2</sup> monthly unique visitors in Taiwan, 2.5 million<sup>1</sup> monthly unique visitors in the USA and 430 thousands<sup>1</sup> monthly unique visitors in Canada. The Group was able to generate advertising revenue through such an expansive user base. Moreover, the Group continued to diversify its client base into the potential market of the small to medium size merchants. The e-classified division in this segment recorded a revenue of HK\$4.6 million for the period. The platform has enlisted one thousand participating merchants, and is showing a promising future.

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

Although the digital platform of *Apple Daily* has maintained its market leadership position, 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\$294.4 million during the period under review, representing a decrease of 11.8% or HK\$39.5 million against the figure of HK\$333.9 million recorded in the same period last year, 73.0% of this revenue was generated in Hong Kong during the period under review. The drop in revenue is mainly attributed to a downturn in advertising spending of the major categories, and the proliferation of programmatic buying in the industry which has drastically affected advertising rates.

The Division’s segment loss amounted to HK\$22.9 million during the period under review, compared with a segment profit of HK\$9.3 million, a drop of 346.2% or HK\$32.2 million. This was mainly attributed by global competition and heavy operational costs.

## NEWSPAPERS PUBLICATION AND PRINTING DIVISION

*Apple Daily*, known for its liberalist content, vivid editorial style, and a relentless quest for the truth, 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 2017. Its sales averaged 124,967<sup>3</sup> copies per day between January and June 2017, compared with 147,443<sup>4</sup> copies per day in the same period last year. *Apple Daily's* revenue stood at HK\$141.4 million during the period under review, representing a decrease of 21.1% or HK\$37.9 million against the figure of HK\$179.3 million recorded in the same period last year. Advertising revenue accounted for HK\$46.5 million of its revenue, while its circulation income was HK\$94.9 million, representing a decrease of 40.7 % or HK\$31.9 million and 5.9% or HK\$6.0 million as compared to the respective figures of HK\$78.4 million and HK\$100.9 million recorded in the same period last year. The advertising categories contributing the largest shares to revenue came from the sectors of loan, travel agent, automobile, household and real estate in overseas markets.

*Taiwan Apple Daily*, known for its unbiased editorial content and eye-catching layouts, is one of the most widely read paid-for daily newspaper on the island. Its sales averaged 209,537 copies per day in the period, compared with 263,000 copies per day in the last corresponding period. Its revenue amounted to HK\$195.8 million during the period under review, a decline of 15.5% or HK\$35.8 million against the HK\$231.6 million recorded in the last corresponding period. Advertising revenue accounted for HK\$129.3 million of the *Taiwan Apple Daily's* revenue, whilst its circulation income was HK\$65.7 million, representing a decrease of 15.1% or HK\$23.0 million and 16.4% or HK\$12.9 million as compared to the respective figures of HK\$152.3 million and HK\$78.6 million earned in the same period last year. The main sources of advertising revenue were generated from automobile, decoration and furnishing sectors, travel and department stores.

*Taiwan Sharp Daily*, the Group's free newspaper with a daily mix of news, entertainment and features, remains highly popular. Copies of the newspaper are distributed to the public outside the city's metro stations in Taipei every morning from Monday to Friday. Its print run was around 90,162 copies (2016: 113,390 copies) daily during the period under review. *Taiwan Sharp Daily* particularly appeals to local advertisers from restaurants, banking institutions, government agencies, department stores and education establishments.

During the six months ended 30 September 2017, the total revenue of the Newspapers Publication and Printing Division stood at HK\$388.4 million, representing a decrease of 18.1% or HK\$85.7 million against the figure of HK\$474.1 million for the last corresponding period.

*Apple Daily* and *Taiwan Apple Daily* remained the largest contributors to the Division's revenue, which amounted to HK\$337.2 million and accounted for 43.5% of the Group's total revenue. Against the figure of HK\$410.9 million for the same period last year, this represented a decrease of 17.9% or HK\$73.7 million. Accordingly, the Division's segment loss increased by 24.4% to segment loss of HK\$75.9 million, compared with the segment loss of HK\$61.0 million recorded in the same period of 2016. 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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\$74.9 million, a decrease of 22.6% or HK\$21.9 million over the figure of HK\$96.8 million achieved in the corresponding period last year.

ADPL derived HK\$41.0 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 19.1% or HK\$9.7 million less than the figure of HK\$50.7 million it earned in the last corresponding period.

### BOOKS AND MAGAZINES PUBLICATION AND PRINTING DIVISION

The continuous transition from print publications to digital platforms and the intense competition in the magazine market caused the Books and Magazines Publication and Printing Division to suffer a substantial revenue decline. Its revenue amounted to HK\$92.3 million, a decrease of 30.6% or HK\$40.7 million against the figure of HK\$133.0 million achieved in the same period last year.

The Division recorded a segment loss of HK\$67.6 million during the period under review, a decrease in loss of HK\$19.8 million compared with a segment loss of HK\$87.4 million in the same period last year, which was mainly attributable to the redundancy payment of HK\$18.2 million in the same period last year. Under depressed market conditions, the advertising revenue of *Hong Kong Next Magazine* and *Taiwan Next Magazine* for the period under review amounted to HK\$9.8 million and HK\$12.3 million, compared with HK\$14.8 million and HK\$29.0 million in the same period last year, a decrease of 33.8% and 57.6% respectively.

In August 2017, *Eat & Travel Weekly* ceased its print version and switched its focus to digital on the Group's portal.

### Commercial Printing

Despite facing formidable factors such as intense and rival competition in the industry, changes in reader behaviour and a decrease in overseas printing orders, the commercial printing operation recorded a revenue of HK\$43.1 million in the six months ended 30 September 2017, which was 9.7% or HK\$3.8 million more than its revenue of HK\$39.3 million in the same period last year.

## SALE OF CERTAIN MAGAZINE BUSINESS

Reference is made to the announcements of Next Digital dated 25 August 2017, 14 September 2017, 27 September 2017 and 6 November 2017 and the circular dated 29 September 2017 in relation to, among other things, the sale of *Hong Kong Next Magazine* and *Taiwan Next Magazine* businesses by Next Digital.

On 25 August 2017 (after trading hours), Next Media Magazines Limited and Ideal Vegas Limited (the "Sellers", the indirect wholly-owned subsidiaries of the Company), Next Digital (the Guarantor) and Gossip Daily Limited (the "Buyer", an independent third party) entered into a Sale and Purchase Agreement pursuant to which the Sellers have conditionally agreed to sell and the Buyer has conditionally agreed to purchase the entire issued share capital of the Next Magazine Advertising Limited and Next Media Publishing Limited and its Taiwan Branch (indirect wholly-owned subsidiaries of Next Digital for holding the abovementioned magazine businesses) together with the related business intellectual property rights at a consideration at HK\$320,000,000.

The sale of certain magazine business presented a good opportunity for the Group to realise its investment with a considerable gain of disposal to enhance the Group's working capital position in meeting its financial needs and funding for future business ventures. The initial long stop date of the transaction is 21 November 2017.

## PROSPECTS AND OUTLOOK

Realizing the inevitable digitalization of the media industry, the Group has further streamlined its cost structure through transitioning content online and optimizing our portfolio to ensure strategic alignment across the board. At this moment, our product offering is better positioned to serve needs amongst readers and advertisers alike. The Group is constantly developing new sources of revenue stream, and will be introducing an innovative *iBeacon* service to the market. *iBeacon* is a smartphone solution that provides information based on local proximity positioning. The Group's new *iBeacon* service will provide readers with tailored information and advertisements based on their geographic location. This will offer a very effective "last mile" solution to local establishments and events, and deliver a new and high quality experience to our readers. Initial pilot testing of the product has validated an overwhelming positive feedback and interest from local merchants. The Group is confident that this initiative will greatly enrich our product offering.

The Group continues to invest and deploy resources to building a strong digital business. The team is dedicated to enhancing our online presence through continuously improving our integrated digital platform and creating original and engaging content through new technologies. Through continuous innovating, the Group will be able to accumulate a loyal viewer base and in turn, open up potential business opportunities and partnerships.



## MANAGEMENT DISCUSSION AND ANALYSIS

### PROSPECTS AND OUTLOOK (CONTINUED)

Although the current landscape favours digital sources, traditional print media is still considered mainstream. Therefore, the Group will continue to preserve its leading position in the print media industry through maintaining stringent cost control, making improvements in work flow efficiencies as well as restructuring and streamlining management and operational processes. To secure a presence on the digital media front and maintain ownership of the print media, the Group will upkeep its continued dedication and promise to creating high quality, engaging and creative digital and print content for all audiences.

The rebalancing of economy to the services and consumption sectors with the Belt and Road Initiative will open new opportunities to the media industry. The Group is prepared on all fronts to seize these opportunities and continuously innovate products and services, diversify revenue sources and realise potential synergies.

#### Sources:

1. *Apple Daily Internal Server Log*
2. *ComScore*
3. *Hong Kong Audit Bureau of Circulations Limited (January – June 2017)*
4. *Hong Kong Audit Bureau of Circulations Limited (January – June 2016)*

## FINANCIAL REVIEW

### Financial Position

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 2017, the Group recorded net cash of approximately HK\$400.2 million (31 March 2017: HK\$502.0 million).

As at 30 September 2017, the Group had available banking facilities in a total of HK\$598.0 million, of which HK\$470.6 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 2017, the Group's aggregate bank balances and cash reserves amounted to HK\$400.2 million. The Group's current ratio on the same date was 161.5%, compared to 192.5% as at 31 March 2017. On the same date, its gearing ratio amounted to 16.1%, compared to 15.3% as at 31 March 2017. These figures were calculated by dividing its long-term liabilities, including current portions, by total asset value.

During last financial year, the Group obtained new term loan facilities in an aggregate amount of NT\$1,800 million (equivalent to HK\$464.8 million) from a bank in Taiwan for general working capital purpose and replacing the mortgage loan facility granted by a bank in Taiwan.

## Assets Pledged

As at 30 September 2017, the Group had pledged its properties situated in Taiwan with an aggregate carrying value of HK\$623.0 million to various banks as security for banking facilities granted to it.

## Share Capital

As at 30 September 2017, the Company's total amount of issued and fully paid share capital was HK\$2,435.6 million (31 March 2017: HK\$2,435.3 million) and the total number of issued Shares with no par value was 2,432,026,881 Shares (31 March 2017: 2,431,726,881 Shares).

## 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. It reduces this exposure by arranging bank loans in NT\$.

As at 30 September 2017, the Group's net currency exposure stood at NT\$2,702.2 million (equivalent to HK\$697.7 million), a decrease of 26.8% on the figure of NT\$3,690.0 million (equivalent to HK\$945.2 million) as at 31 March 2017.

The Group's capital expenditure for the six months ended 30 September 2017 was in total of HK\$16.8 million (six months ended 30 September 2016: HK\$16.2 million). As at 30 September 2017, the Group's outstanding capital commitments were HK\$1.8 million (31 March 2017: HK\$5.5 million).

## MANAGEMENT DISCUSSION AND ANALYSIS

### CONTINGENT LIABILITIES

#### (a) Pending Litigations

As at 30 September 2017, the Group had contingent liabilities in respect of a number of legal proceedings in Hong Kong and Taiwan arising in the normal course of its publishing business.

The Group has accrued for HK\$95.9 million (31 March 2017: HK\$98.4 million) as provisions. These provisions were recognised in respect of the outstanding legal proceedings based on advice obtained from the Company's legal counsel.

#### (b) Contingent Liabilities Arising from the Acquisition of Database Gateway Limited

In connection with the acquisition of Database Gateway Limited and its subsidiaries (the "Acquired Group") 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, the 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\$60.0 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.

#### (c) Guarantee

Next Digital and its subsidiaries also maintain contingent liabilities that are related to various corporate guarantees the Group has provided to financial institutions for facilities utilised by certain of its subsidiaries and fellow subsidiaries. As at 30 September 2017, these contingent liabilities amounted to HK\$598.0 million (31 March 2017: HK\$603.8 million), HK\$470.6 million (31 March 2017: HK\$466.9 million) of which has been utilised by certain of its subsidiaries.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 September 2017, the Group employed a total of 2,960 employees, of whom 1,454 were in Hong Kong, 1,499 were in Taiwan, 5 were in Canada and 2 were in the USA. There were no material changes to the policies regarding employee remuneration, bonuses, share incentive schemes and staff development disclosed in the 2016/2017 annual report of the Company.

During the period under review, the total staff costs of the Group amounted to HK\$536.5 million, compared to HK\$598.4 million incurred for the same period last year. This decrease was mainly attributable to the disposal of the Group's certain magazines business and consolidation of other operations during the period.

## **INTERIM DIVIDEND**

The Directors have resolved not to declare an interim dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: 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. These statements are subject to risks, uncertainties and other factors beyond the control of the Group.

NEXT  
DIGITAL



# READING DISCOVER

Next Digital publishes Hong Kong and Taiwan's most-popular and highly regarded newspapers, and operates their most-visited news portals.

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DISCLOSURE OF

INTERESTS



## DISCLOSURE OF INTERESTS

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of 30 September 2017, the interests and short positions of the Directors and Chief Executive of the Company and their associates 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, were as follows:

#### (a) Interests in the Company (long positions)

Name of Directors	Number of Shares held		Number of underlying Shares held under equity derivatives	Total Shares	Percentage of issued Shares
	Personal interests	Family interests			
Ip Yut Kin	10,200,377	2,630,000	–	12,830,377	0.53
Cheung Ka Sing, Cassian	18,172,000	–	15,000,000 (Note 1)	33,172,000	1.36
Chow Tat Kuen, Royston	300,000	–	1,500,000 (Note 1)	1,800,000	0.07
Wong Chi Hong, Frank	300,000	–	–	300,000	0.01
Lee Ka Yam, Danny	300,000	–	–	300,000	0.01
Bradley Jay Hamm [“Dr. Hamm”]	300,000 (Note 2)	–	510,000 (Note 1)	810,000	0.03

## DISCLOSURE OF INTERESTS

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

#### (b) Interests in Associated Corporations (long positions)

Name of associated corporations	Name of Director	Number of underlying shares held under equity derivatives	Total shares	Percentage of issued shares
nxTomo Ltd. ("nxTomo")	Cheung Ka Sing, Cassian	50,000 (Note 3)	50,000	0.50
nxTomo Games Limited ("nxTomo Games")	Cheung Ka Sing, Cassian	50,000 (Note 4)	50,000	0.49

Notes:

- (1) These interests represented options granted to the Directors as beneficial owners under the 2014 Share Option Scheme.
- (2) It included Dr. Hamm's interests in 100,000 award shares which remained unvested and subject to vesting conditions granted to the INED on 13 April 2015.
- (3) These interests represent options granted to the Director as a beneficial owner under the 2013 nxTomo Share Option Scheme.
- (4) These interests represent options granted to the Director as a beneficial owner under the 2008 nxTomo Games Share Option Scheme.

Save as disclosed above, none of the Directors or 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 2017.

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

As of 30 September 2017, the interests and short positions of every person (other than Directors or Chief Executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

<b>Name of Shareholders</b>	<b>Capacity</b>	<b>Number of Shares held (long position)</b>	<b>Percentage of issued Shares</b>
Lai Chee Ying, Jimmy	Beneficial owner	1,786,533,165	73.46
Li Wan Kam, Teresa	Interest of spouse	1,786,533,165 (Note 1)	73.46
David Michael Webb	Beneficial owner and interest of controlled corporation	122,136,000 (Note 2)	5.02

Notes:

1. Ms. Li Wan Kam, Teresa was deemed to be interested in these Shares through the interests of her spouse, Mr. Lai.
2. Of his interests in 122,136,000 Shares, Mr. David Michael Webb had interests in 40,236,000 Shares as beneficial owner and in 81,900,000 Shares through his 100% controlled corporation.

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 or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30 September 2017.

## DISCLOSURE OF INTERESTS

### SHARE INCENTIVE SCHEMES

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

##### 2007 Share Option Scheme

The Company adopted the 2007 Share Option Scheme on 30 July 2007 which expired on 30 July 2017. Its terms complied with the requirements under Chapter 17 of the Listing Rules. Details of movements of the 2007 Share Option Scheme during the period from 1 April 2017 to 30 September 2017 were as follows:

Name or category of participants	Date of grant	Exercise price per Share	Vesting date (%)	Exercise period	Number of shares options				
					At 01.04.2017	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	At 30.09.2017
<b>Directors</b>									
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%)						
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)

#### 2007 Share Option Scheme (continued)

Name or category of participants	Date of grant	Exercise price per Share	Vesting date (%)	Exercise period	Number of shares options				At 30.09.2017
					At 01.04.2017	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	
<b>Employees</b>									
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	1,500,000	-	-	(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)	-
	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	13,200,000	-	-	(13,200,000)	-
<b>Total</b>					43,076,000	-	-	(43,076,000)	-

Note: Following Mr. Fok Kwong Hang, Terry resigned as an INED on 1 April 2017, a total of 510,000 share options granted to him lapsed.

## DISCLOSURE OF INTERESTS

### SHARE INCENTIVE SCHEMES (CONTINUED)

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

##### 2014 Share Option Scheme

The 2007 Share Option Scheme expired on 30 July 2017. In order to provide the Company with the flexibility of granting share options to selected persons including but not limited to Directors and employees as incentives or reward for their contribution or potential contribution to the Group. On 31 July 2014, the Company adopted the 2014 Share Option Scheme with terms which are in compliance with the requirements of Chapter 17 of the Listing Rules. Details of movements of the 2014 Share Option Scheme during the period from 1 April 2017 to 30 September 2017 were as follows:

Name or category of participants	Date of grant	Exercise price per Share	Vesting date (%)	Exercise period	Number of shares options				At 30.09.2017
					At 01.04.2017	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	
<b>Directors</b>									
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
	01.02.2017	HK\$0.373	01.02.2018 (100%)	02.02.2017 – 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%)						
<b>Employees</b>									
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%)						
<b>Total</b>					19,010,000	–	–	(500,000)	18,510,000

## SHARE INCENTIVE SCHEMES (CONTINUED)

### (b) Subsidiary Share Option Schemes

During the period under review, 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 of Chapter 17 of the Listing Rules.

Name of Subsidiaries	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 International Limited (NMIL)	20 March 2012	2012 NMIL 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 2017:

#### 2007 ADPDL Share Option Scheme

Category of participants	Date of grant	Exercise price per share	Vesting date (%)	Exercise period	Number of shares options				At 30.09.2017
					At 01.04.2017	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	
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	45,000	-	-	(45,000)	-
<b>Total</b>					45,000	-	-	(45,000)	-



## DISCLOSURE OF INTERESTS

### SHARE INCENTIVE SCHEMES (CONTINUED)

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

##### 2008 nxTomo Games Option Share Scheme

Category of participants	Date of grant	Exercise price per share	Vesting date (%)	Exercise period	Number of shares options				At 30.09.2017
					At 01.04.2017	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	
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	320,000	–	–	(25,000)	295,000
	03.10.2014	HK\$0.01	03.10.2015 (100%)	04.10.2015 – 20.02.2018	100,000	–	–	(5,000)	95,000
	15.12.2014	HK\$0.01	15.12.2015 (100%)	16.12.2015 – 20.02.2018	10,000	–	–	–	10,000
<b>Total</b>					480,000	–	–	(30,000)	450,000

##### 2013 nxTomo Share Option Scheme

Category of participants	Date of grant	Exercise price per share	Vesting date (%)	Exercise period	Number of shares options				At 30.09.2017
					At 01.04.2017	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	
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	215,000	–	–	(165,000)	50,000
	03.10.2014	HK\$0.01	03.10.2015 (100%)	04.10.2015 – 14.06.2023	48,000	–	–	(18,000)	30,000
	27.01.2015	HK\$0.01	27.01.2016 (100%)	28.01.2016 – 14.06.2023	50,000	–	–	(50,000)	–
<b>Total</b>					363,000	–	–	(233,000)	130,000

## SHARE INCENTIVE SCHEMES (CONTINUED)

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

2015 ADEC Share Option Scheme

Category of participants	Date of grant	Exercise price per share	Vesting date (%)	Exercise period	Number of shares options				
					At 01.04.2017	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	At 30.09.2017
Employees	07.10.2015	HK\$0.01	07.10.2016 (100%)	08.10.2016 – 28.08.2025	120,000	–	–	(20,000)	100,000
<b>Total</b>					120,000	–	–	(20,000)	100,000

Apart from the above movements in the abovementioned Subsidiary Share Option Schemes, no options were granted, exercised, lapsed or cancelled under the Subsidiary Share Option Schemes during the six months ended 30 September 2017.

### (c) Share Award To Directors

The Company on 30 June 2014 and 13 April 2015 (the "Award Dates") had conditionally awarded the award shares to the following INEDs subject to the vesting conditions as set out below:

Name of INEDs	Award Dates	No. of award shares	Vesting date/ No. of award shares
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	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, 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 second tranche of the award shares a total of 100,000 Shares were issued and allotted to Dr. Hamm on 13 April 2017.

On 30 June 2017, the last tranche of the award shares a total of 200,000 Shares were issued and allotted to two INEDs, Mr. Wong as to 100,000 Shares and Dr. Lee as to 100,000 Shares pursuant to the terms of the award shares.

The Company has used the Binomial Model to assess the fair value of the award shares granted to the INEDs during the period under review. For the period ended 30 September 2017, the Group recognised a total expense of HK\$33,000 (for the period ended 30 September 2016: HK\$107,000) for such award shares.

BE DIGITAL

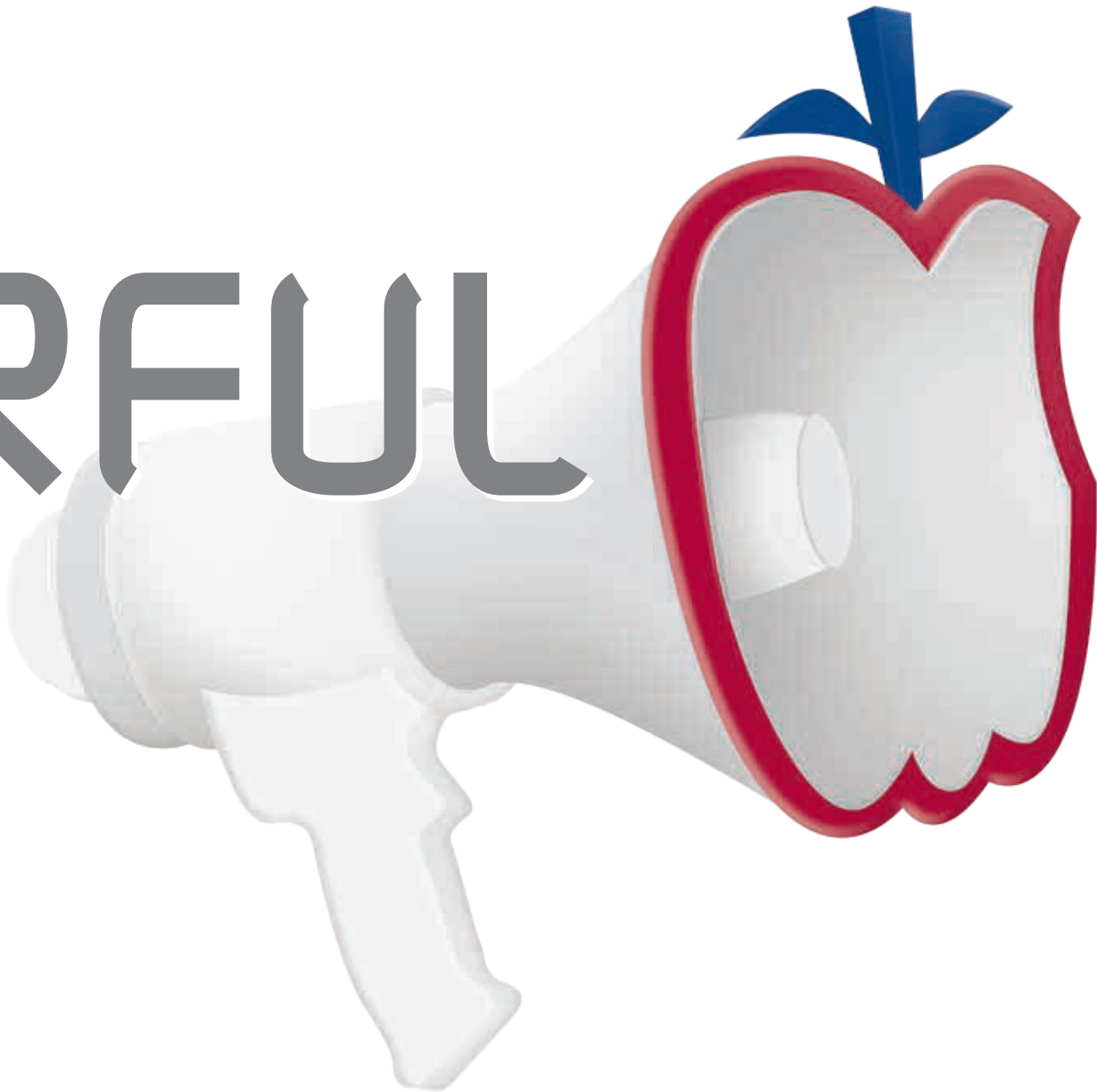
BE POWER

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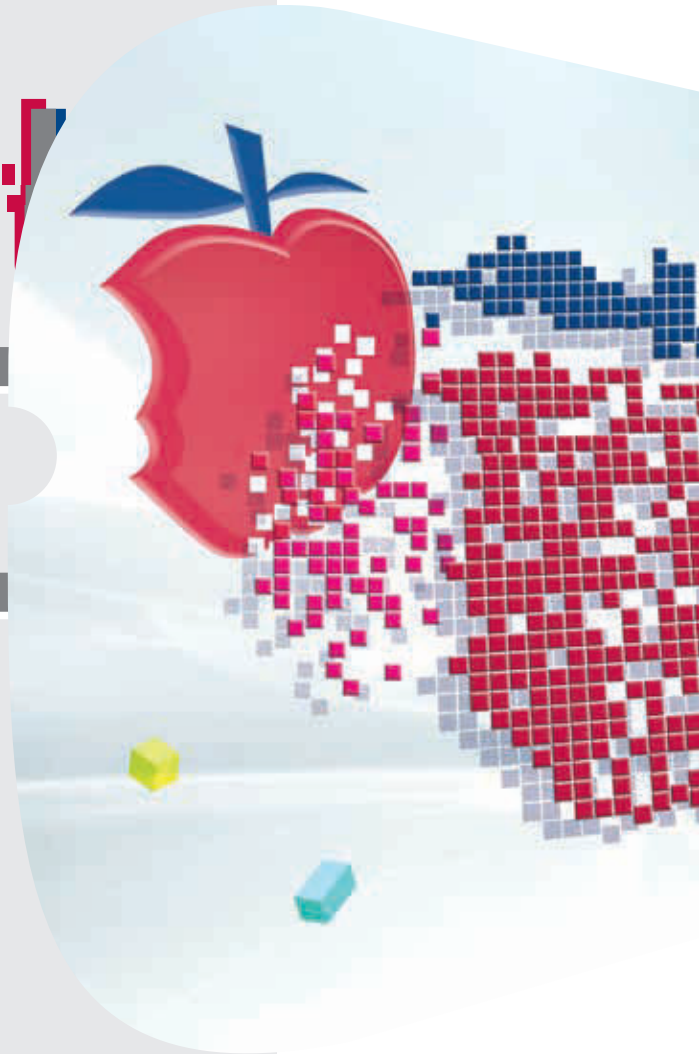
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Take a tour around our media empire today, and visit us again often to check the latest news about Next Digital.





CORPORATE



INFORMATION



# 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

Wong Chi Hong, Frank

Lee Ka Yam, Danny

Bradley Jay Hamm

## AUDIT COMMITTEE

Lee Ka Yam, Danny (Chairman)

Wong Chi Hong, Frank

Ip Yut Kin

## REMUNERATION COMMITTEE

Wong Chi Hong, Frank (Chairman)

Lee Ka Yam, Danny

Chow Tat Kuen, Royston

## NOMINATION COMMITTEE

Bradley Jay Hamm (Chairman)

Wong Chi Hong, Frank

Cheung Ka Sing, Cassian

## 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

Taichung Commercial Bank Co., Ltd.

The Shanghai Commercial & Savings Bank, Ltd.

DBS Bank (Hong Kong) Limited

KGI Bank

## 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

## 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](mailto:ir@nextdigital.com.hk)

## WEBSITE

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



SHARE



INFORMATION



# SHARE INFORMATION

As at 30 September 2017

## Shareholders

Mr. Lai Chee Ying, Jimmy	73.46%
Directors	1.32%
Others	25.22%

## Issued Shares

2,432,026,881 Shares

## Market Capitalisation

at HK\$0.39 per Share (closing price on 29 September 2017) HK\$0.95 billion

## Stock Code

The Stock Exchange of Hong Kong Limited Main Board 00282

## Board Lot

2,000 Shares

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

Exercise price per Share	Number of Shares
HK\$0.373	5,000,000
HK\$0.420	6,500,000
HK\$0.710	5,000,000
HK\$0.760	510,000
HK\$0.860	1,500,000
<b>Total</b>	<b>18,510,000</b>

OTHER



INFORMATION



## OTHER INFORMATION

### CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the CG Code throughout the six months ended 30 September 2017, except for a slight deviation from Code Provisions A.6.7 and E.1.2.

Under the Code Provision A.6.7 of the CG Code, the independent non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. As provided for in the Code Provision E.1.2 of CG Code, the chairmen of the audit, remuneration and nomination committees should be invited to attend the annual general meeting. During the period under review, Mr. Wong Chi Hong, Frank, being an INED and Chairman of the Remuneration Committee, was unable to attend the 2017 AGM due to his other business engagements.

### DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by Directors. Specific enquiries have been made on all Directors who have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 September 2017.

### 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 2017.

### REVIEW OF INTERIM RESULTS

The Audit Committee has discussed with the management and independent auditor the accounting policies and practices adopted by the Group, and has reviewed the Group's unaudited interim condensed consolidated financial statements for the six months ended 30 September 2017.

### APPRECIATION

On behalf of the Board, I would like to express our sincere appreciation to the Group's management and staff for their invaluable service and contribution. We are also grateful to our customers, shareholders, strategic partners and bankers for their support and trust which have contributed towards the Group's success.

On behalf of the Board

**Cheung Ka Sing, Cassian**

*Executive Director and Chief Executive Officer*

Hong Kong, 13 November 2017

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

# Deloitte.

# 德勤

**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 37 to 74, which comprise the condensed consolidated statement of financial position as of 30 September 2017 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 “HKICPA”). 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 HKICPA. 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

13 November 2017

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2017

	Notes	Six months ended 30 September	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue	4	775,058	940,953
Production costs			
Cost of raw materials consumed		(116,109)	(148,227)
Other overheads		(152,587)	(172,077)
Staff costs		(306,056)	(326,191)
Personnel costs excluding direct production staff costs		(230,475)	(272,171)
Other income	4	14,595	15,726
Net exchange gain (loss)		5,948	(876)
Allowance for bad and doubtful debts		(2,429)	(8,143)
Depreciation of property, plant and equipment		(46,618)	(47,301)
Release of prepaid lease payments		(900)	(900)
Other expenses		(101,687)	(115,523)
Finance costs	6	(5,427)	(4,795)
Loss before tax		(166,687)	(139,525)
Income tax expense	7	(4,850)	(9,213)
Loss for the period	8	(171,537)	(148,738)
<b>Other comprehensive income</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		1,858	24,116
Total comprehensive expense for the period		(169,679)	(124,622)

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2017

	Note	Six months ended 30 September	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Loss for the period attributable to:			
Owners of the Company		<b>(171,010)</b>	(147,476)
Non-controlling interests		<b>(527)</b>	(1,262)
		<b>(171,537)</b>	(148,738)
Total comprehensive expense attributable to:			
Owners of the Company		<b>(169,194)</b>	(123,437)
Non-controlling interests		<b>(485)</b>	(1,185)
		<b>(169,679)</b>	(124,622)
Loss per share	10		
Basic		<b>(HK7.0 cents)</b>	(HK6.1 cents)
Diluted		<b>(HK7.0 cents)</b>	(HK6.1 cents)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2017

	Notes	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Intangible assets	11	817,925	817,925
Property, plant and equipment	12	1,059,353	1,082,670
Prepaid lease payments	13	51,670	52,570
Deposits for acquisition of property, plant and equipment		10,397	8,690
		<b>1,939,345</b>	1,961,855
<b>CURRENT ASSETS</b>			
Inventories		67,952	69,730
Trade and other receivables	14	453,409	445,685
Prepaid lease payments	13	1,797	1,797
Tax recoverable		19,958	28,163
Restricted bank balances	15	1,500	1,500
Amounts due from related parties		6,792	7,226
Bank balances and cash		398,689	500,546
		<b>950,097</b>	1,054,647
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	488,692	444,360
Deferred revenue		3,412	4,930
Provisions	18	95,909	98,426
Tax liabilities		123	123
		<b>588,136</b>	547,839
<b>NET CURRENT ASSETS</b>		<b>361,961</b>	506,808
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,301,306</b>	2,468,663
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	17	464,756	461,066
Retirement benefits plans		52,876	55,756
Deferred tax liabilities		179,993	178,421
		<b>697,625</b>	695,243
<b>NET ASSETS</b>		<b>1,603,681</b>	1,773,420



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2017

	Note	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
<b>CAPITAL AND RESERVES</b>			
Share capital	19	2,435,582	2,435,345
Reserves		(840,412)	(678,278)
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<b>1,595,170</b>	1,757,067
<b>NON-CONTROLLING INTERESTS</b>		<b>8,511</b>	16,353
<b>TOTAL EQUITY</b>		<b>1,603,681</b>	1,773,420

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Attributable to owners of the Company					Attributable to non-controlling interests			
	Share capital HK\$'000	Translation reserve HK\$'000	Share-based payment reserve HK\$'000	Accumulated 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	Total HK\$'000
<b>At 31 March 2016 (audited)</b>	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 20d)	335	-	(335)	-	-	-	-	-	-
Lapse of share options	-	-	(2,421)	4,790	2,369	(2,369)	-	(2,369)	-
Exercise of share options (Note i)	-	-	-	-	-	(2,141)	2,141	-	-
Acquisition of additional interests in subsidiaries (Note i)	-	-	-	7,335	7,335	-	(19,806)	(19,806)	(12,471)
<b>At 30 September 2016 (unaudited)</b>	2,435,345	(97,137)	16,862	(390,549)	1,964,521	10,194	5,804	15,998	1,980,519
<b>At 31 March 2017 (audited)</b>	<b>2,435,345</b>	<b>(67,900)</b>	<b>17,297</b>	<b>(627,675)</b>	<b>1,757,067</b>	<b>10,294</b>	<b>6,059</b>	<b>16,353</b>	<b>1,773,420</b>
Exchange differences on translating foreign operations	-	1,816	-	-	1,816	-	42	42	1,858
Loss for the period	-	-	-	(171,010)	(171,010)	-	(527)	(527)	(171,537)
Total comprehensive income (expense) for the period	-	1,816	-	(171,010)	(169,194)	-	(485)	(485)	(169,679)
Payment of dividend	-	-	-	-	-	-	(585)	(585)	(585)
Recognition of equity-settled share-based payments	-	-	505	-	505	20	-	20	525
Issue of ordinary shares in relation to award of new shares (note 20d)	237	-	(237)	-	-	-	-	-	-
Lapse of share options	-	-	(13,592)	20,201	6,609	(6,609)	-	(6,609)	-
Acquisition of additional interest in a subsidiary (Note ii)	-	(112)	-	295	183	-	(183)	(183)	-
<b>At 30 September 2017 (unaudited)</b>	<b>2,435,582</b>	<b>(66,196)</b>	<b>3,973</b>	<b>(778,189)</b>	<b>1,595,170</b>	<b>3,705</b>	<b>4,806</b>	<b>8,511</b>	<b>1,603,681</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

Note i: 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 Limited (“nxTomo Games”), 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 Investments Limited, a wholly owned subsidiary of the Company, 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”), 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.

Note ii: On 27 September 2017, Ideal Vegas Limited, a wholly owned subsidiary of the Company, purchased a total of 38,561 shares of NMPL from a shareholder at a consideration of HK\$1.00. As a result, the Group holds 100% equity interest of NMPL.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
<b>OPERATING ACTIVITIES</b>		
Loss for the period	(171,537)	(148,738)
Adjustments for:		
Income tax expense	4,850	9,213
Finance costs	5,427	4,795
Interest income	(443)	(498)
Allowance for bad and doubtful debts	2,429	8,143
Share-based payment expense	525	1,635
Depreciation of property, plant and equipment	46,618	47,301
Release of prepaid lease payments	900	900
Loss on disposal of property, plant and equipment	107	49
Operating cash flows before movements in working capital	(111,124)	(77,200)
Decrease in inventories	2,049	16,665
(Increase) decrease in trade and other receivables	(9,062)	47,859
Decrease (increase) in amounts due from related parties	434	(641)
Increase (decrease) in trade and other payables	43,411	(7,091)
Decrease in retirement benefits plans	(3,326)	(709)
(Decrease) increase in provision for litigation	(2,604)	6,579
Decrease in deferred revenue	(1,518)	(1,294)
Net cash used in operations	(81,740)	(15,832)
Income tax refunded (paid)	5,031	(6,420)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(76,709)</b>	<b>(22,252)</b>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
<b>INVESTING ACTIVITIES</b>		
Deposit for acquisition of property, plant and equipment	(10,376)	(5,342)
Purchases of property, plant and equipment	(6,448)	(10,851)
Interest received	443	498
Proceeds from disposal of property, plant and equipment	132	333
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(16,249)</b>	(15,362)
<b>FINANCING ACTIVITIES</b>		
Dividends paid	(585)	–
Interest paid	(5,427)	(4,795)
Acquisition of additional interests in subsidiaries	–	(12,471)
Repayments of bank borrowings	–	(306,696)
New bank loans raised	–	445,104
<b>NET CASH (USED IN) FROM FINANCING ACTIVITIES</b>	<b>(6,012)</b>	121,142
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(98,970)</b>	83,528
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>500,546</b>	457,333
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>(2,887)</b>	4,667
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash</b>	<b>398,689</b>	545,528

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

## 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 2017 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 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong 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. SIGNIFICANT EVENT IN THE CURRENT INTERIM PERIOD

On 25 August 2017, Next Media Magazines Limited and Ideal Vegas Limited, wholly-owned subsidiaries of the Company (the "Sellers"), the Company (the "Guarantor") and Gossip Daily Limited, an independent third party (the "Buyer") entered into the Sale and Purchase Agreement (the "SPA") pursuant to which the Sellers have conditionally agreed to sell and the Buyer has conditionally agreed to purchase the entire issued share capital of Next Magazine Advertising Limited and Next Media Publishing Limited (including Next Media Publishing Limited, Taiwan Branch) (the "Target Companies") and the Business Intellectual Property Rights, as defined in the SPA, at the consideration of HK\$320,000,000 in accordance with the terms and conditions of the SPA. The latest date by which the Sellers and the Guarantor shall use all reasonable endeavours to fulfil or procure the fulfilment of the terms and conditions of the SPA ("Initial Long Stop Date") is 5 October 2017.

On 27 September 2017, the Buyer, the Sellers and the Guarantor executed a side letter pursuant to which the Initial Long Stop Date in respect of the fulfilment (or waiver, as the case may be) of the terms and conditions has been extended from 5 October 2017 to 31 October 2017. On 6 November 2017, the Company has been notified by the Buyer that it wishes to further extend the Initial Long Stop Date to 21 November 2017.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

## 3. 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 2017 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2017.

In the current interim period ended 30 September 2017, 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.

## 4. REVENUE AND OTHER INCOME

An analysis of the Group's revenue and other income during the period is as follows:

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue		
Internet advertising income, internet subscription income, content provision and development of mobile games and apps income ("Digital businesses")	<b>294,368</b>	333,867
Sales of newspapers	<b>160,697</b>	179,547
Sales of books and magazines	<b>19,020</b>	28,416
Newspapers advertising income	<b>185,981</b>	243,148
Books and magazines advertising income	<b>30,184</b>	65,263
Printing and reprographic services income	<b>84,808</b>	90,712
	<b>775,058</b>	940,953
Other income		
Sales of waste materials	<b>2,341</b>	2,674
Interest income on bank deposits	<b>443</b>	498
Rental income	<b>8,564</b>	8,420
Others	<b>3,247</b>	4,134
	<b>14,595</b>	15,726
Total	<b>789,653</b>	956,679



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

## 5. SEGMENT INFORMATION

Information reported to the Company's chief executive officer (who is the Group's chief operating decision maker "CODM") for the purposes of resource allocation and assessment of performance focuses on types of goods delivered and services rendered. This is also the basis upon which the Group is organised and specifically focuses on the Group's operating divisions. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

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

<b>Operating segments</b>	<b>Principal activities</b>
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.

## 5. SEGMENT INFORMATION (CONTINUED)

### Segment revenue and results

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 2017 (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	294,368	388,362	92,328	-	775,058
Inter-segment sales	-	103,942	5,959	(109,901)	-
Total	294,368	492,304	98,287	(109,901)	775,058
Segment results	(22,873)	(75,857)	(67,643)	-	(166,373)
Unallocated expenses					(7,141)
Unallocated income					12,254
Finance costs					(5,427)
Loss before tax					(166,687)

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

## 5. SEGMENT INFORMATION (CONTINUED)

### Segment revenue and results (continued)

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

Segment results represent the profit earned (loss incurred) by each segment without the allocation of income or expenses resulted from interest income, certain rental and other income, finance costs and certain corporate and administrative expenses. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

**5. SEGMENT INFORMATION** (CONTINUED)  
**Segment assets and segment liabilities**  
**As at 30 September 2017 (unaudited)**

	Digital businesses HK\$'000	Newspapers publication and printing HK\$'000	Books and magazines publication and printing HK\$'000	Consolidated HK\$'000
Segment assets	484,929	1,568,894	412,157	2,465,980
Unallocated assets				423,462
<b>Total assets</b>				<b>2,889,442</b>
Segment liabilities	(85,664)	(319,981)	(176,248)	(581,893)
Unallocated liabilities				(703,868)
<b>Total liabilities</b>				<b>(1,285,761)</b>

As at 31 March 2017 (audited)

	Digital businesses HK\$'000	Newspapers publication and printing HK\$'000	Books and magazines publication and printing HK\$'000	Consolidated HK\$'000
Segment assets	473,029	1,601,725	407,878	2,482,632
Unallocated assets				533,870
<b>Total assets</b>				<b>3,016,502</b>
Segment liabilities	(86,010)	(309,074)	(188,626)	(583,710)
Unallocated liabilities				(659,372)
<b>Total liabilities</b>				<b>(1,243,082)</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

## 5. SEGMENT INFORMATION (CONTINUED)

### Segment assets and segment liabilities (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 2017 (unaudited)

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

	Digital businesses HK\$'000	Newspapers publication and printing HK\$'000	Books and magazines publication and printing HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Addition to non-current assets	10,071	4,884	1,890	-	16,845
Depreciation of property, plant and equipment	10,241	28,387	5,711	2,279	46,618
Release of prepaid lease payments	-	497	-	403	900
Allowance (reversal of allowance) for bad and doubtful debts	1,213	3,077	(1,861)	-	2,429
Share-based payment expense	-	20	-	505	525
Loss on disposal of property, plant and equipment	63	15	29	-	107
Provision for litigation expense, net of reversal	-	9,695	(5,953)	-	3,742
Legal and professional fee	4,787	529	1,965	-	7,281
Redundancy payment	3,594	2,104	2,451	-	8,149

## 5. SEGMENT INFORMATION (CONTINUED)

### Other segment information (continued)

For the six months ended 30 September 2016 (unaudited)

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

	Digital businesses HK\$'000	Newspapers publication and printing HK\$'000	Books and magazines publication and printing HK\$'000	Unallocated 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
Provision for litigation expense, net of reversal	–	8,895	7,343	–	16,238
Legal and professional fee	3,802	684	2,613	–	7,099
Redundancy payment	784	18,773	18,206	–	37,763

## 6. FINANCE COSTS

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest expenses on bank borrowings	5,427	4,795

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

## 7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
Hong Kong	3,208	8,960
Other jurisdictions	6	529
	3,214	9,489
Deferred tax:		
Current period	1,636	(276)
	4,850	9,213

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% (2016: 16.5%) for the six months ended 30 September 2017.

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

## 8. LOSS FOR THE PERIOD

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging:		
Auditor's remuneration	662	662
Operating lease expenses on:		
Properties	542	1,379
Plant and equipment	6,769	8,192
Loss on disposal of property, plant and equipment (included in other expenses)	107	49
Allowance for doubtful debts	2,429	8,143
Provision for litigation expenses (note 18) (included in other expenses)	3,742	16,238
Share-based payment expense (included in personnel costs)	525	1,635
Redundancy payment (included in personnel costs)	8,149	37,763

## 9. DIVIDENDS

No interim dividend was proposed for the six months ended 30 September 2017 (six months ended 30 September 2016: nil), nor has any dividend been proposed since the end of the reporting period.

## 10. 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	
	2017	2016
	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	(171,010)	(147,476)



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

## 10. LOSS PER SHARE (CONTINUED) Number of shares

	Six months ended 30 September	
	2017	2016
	No. of shares	No. of shares
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<b>2,431,921,963</b>	2,431,565,624

The computation of diluted loss per share for the six months ended 30 September 2017 and 30 September 2016 does not assume the exercise of outstanding share options and award of new shares of the Company and its subsidiaries since these would result in a decrease in loss per share for both periods.

## 11. INTANGIBLE ASSETS

	Masthead and publishing rights HK\$'000
<b>COST</b>	
At 1 April 2017 (audited) and 30 September 2017 (unaudited)	<b>1,482,799</b>
<b>ACCUMULATED IMPAIRMENT</b>	
At 1 April 2017 (audited) and 30 September 2017 (unaudited)	<b>664,874</b>
<b>CARRYING VALUES</b>	
At 30 September 2017 (unaudited)	<b>817,925</b>
At 31 March 2017 (audited)	<b>817,925</b>

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.

## 12. PROPERTY, PLANT AND EQUIPMENT

	HK\$'000
<b>COST</b>	
At 1 April 2017 (audited)	2,863,058
Exchange difference	14,219
Additions	15,138
Disposals	(6,026)
At 30 September 2017 (unaudited)	2,886,389
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>	
At 1 April 2017 (audited)	1,780,388
Exchange difference	5,817
Charge for the period	46,618
Eliminated on disposals	(5,787)
At 30 September 2017 (unaudited)	1,827,036
<b>CARRYING VALUES</b>	
At 30 September 2017 (unaudited)	1,059,353
At 31 March 2017 (audited)	1,082,670

## 13. 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 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Analysed for reporting purposes as:		
Current asset	1,797	1,797
Non-current asset	51,670	52,570
	<b>53,467</b>	54,367

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

## 14. TRADE AND OTHER RECEIVABLES

	<b>30 September 2017 HK\$'000 (unaudited)</b>	31 March 2017 HK\$'000 (audited)
Trade receivables	<b>382,477</b>	386,584
Less: allowance for doubtful debts	<b>(47,244)</b>	(44,756)
	<b>335,233</b>	341,828
Prepayments	<b>65,188</b>	71,933
Rental and other deposits	<b>12,435</b>	12,582
Others	<b>40,553</b>	19,342
Trade and other receivables	<b>453,409</b>	445,685

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:

	<b>30 September 2017 HK\$'000 (unaudited)</b>	31 March 2017 HK\$'000 (audited)
0 – 1 month	<b>119,393</b>	129,622
1 – 3 months	<b>127,961</b>	120,954
3 – 4 months	<b>44,645</b>	51,149
Over 4 months	<b>43,234</b>	40,103
	<b>335,233</b>	341,828

Included in the Group's trade receivable balances are debtors with an aggregate carrying amount of HK\$43,234,000 (31 March 2017: HK\$40,103,000) 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.

## 14. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	<b>30 September 2017 HK\$'000 (unaudited)</b>	31 March 2017 HK\$'000 (audited)
Over 4 months	<b>43,234</b>	40,103

## Movement in the allowance for doubtful debts

	<b>Six months ended 30 September</b>	
	<b>2017 HK\$'000</b>	2016 HK\$'000
At 1 April (audited)	<b>44,756</b>	58,104
Impairment loss recognised	<b>2,429</b>	8,143
Exchange difference	<b>82</b>	204
Amounts written off as uncollectible	<b>(23)</b>	(17)
At 30 September (unaudited)	<b>47,244</b>	66,434

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK\$47,244,000 (31 March 2017: HK\$44,756,000) which have delayed payments with poor settlement record. The Group does not hold any collateral over these balances.

## 15. RESTRICTED BANK BALANCES

As at 30 September 2017, bank balance amounting to HK\$1,500,000 (31 March 2017: 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 0.50% per annum for the period (31 March 2017: 0.50% per annum for the year). The management expects that the restricted bank balances will be withdrawn within one year from 30 September 2017.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

## 16. TRADE AND OTHER PAYABLES

	<b>30 September 2017 HK\$'000 (unaudited)</b>	31 March 2017 HK\$'000 (audited)
Trade payables	<b>55,693</b>	72,847
Accrued staff costs	<b>210,093</b>	185,491
Accrued charges	<b>126,625</b>	110,829
Other payables	<b>96,281</b>	75,193
Trade and other payables	<b>488,692</b>	444,360

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

	<b>30 September 2017 HK\$'000 (unaudited)</b>	31 March 2017 HK\$'000 (audited)
0 – 1 month	<b>34,225</b>	40,071
1 – 3 months	<b>13,951</b>	20,784
Over 3 months	<b>7,517</b>	11,992
	<b>55,693</b>	72,847

## 17. BORROWINGS

	<b>30 September 2017 HK\$'000 (unaudited)</b>	31 March 2017 HK\$'000 (audited)
Carrying amount repayable		
– on demand or within one year	–	–
– in the second year	<b>51,640</b>	–
– in the third year	<b>103,279</b>	102,459
– in the fourth year	<b>103,279</b>	102,459
– in the fifth year	<b>103,279</b>	102,459
– more than five years	<b>103,279</b>	153,689
	<b>464,756</b>	461,066
Less: Amount due within one year or on demand shown under current liabilities	–	–
Non-current portion	<b>464,756</b>	461,066

### Notes:

- (i) During the current interim period, the Group repaid bank loans amounting to HK\$nil (six months ended 30 September 2016: HK\$306,696,000).
- (ii) At 30 September 2017, bank loans balance of HK\$464,756,000 (31 March 2017: HK\$461,066,000) carry interests at 3 months Taipei Interbank Offered Rate plus 1.55% per annum (31 March 2017: 3 months Taipei Interbank Offered Rate plus 1.55% 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 2017: 2.33% 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 2017, the Group had total unutilised bank loan facilities of HK\$127,439,000 (31 March 2017: HK\$136,865,000).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

## 18. PROVISIONS

	<b>Litigations HK\$'000</b>
At 1 April 2017 (audited)	<b>98,426</b>
Additional provision during the period	<b>9,742</b>
Payment during the period	<b>(6,346)</b>
Reversal during the period	<b>(6,000)</b>
Exchange difference	<b>87</b>
At 30 September 2017 (unaudited)	<b>95,909</b>

As at 30 September 2017, the Group had provisions classified as current liabilities in respect of a number of legal proceedings in Hong Kong and Taiwan arising in the normal course of its publishing business.

This provision was recognised based on management's best estimate after consultation with the legal counsel on the possible outcome and liability of the Group. In cases where the actual future outcomes differ from the estimation, further provision may be required.

Included in the Group's total provision is a litigation with BaWang International (Group) Holding 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% of the Plaintiffs' legal costs. Next Magazine Publishing Limited has paid the damages to the Plaintiffs on 3 June 2016. Upon further negotiation between both parties, the Plaintiffs have accepted HK\$18.0 million in full and final settlement of all their claim for costs, disbursements and interest in this case on 16 December 2016. The litigation between Next Magazine Publishing Limited and the Plaintiffs have been wholly concluded as at the date hereof.

## 19. SHARE CAPITAL

	Number of shares		Share capital	
	30 September 2017	31 March 2017	30 September 2017 HK\$'000	31 March 2017 HK\$'000
Issued and fully paid:				
At beginning of the period/year	<b>2,431,726,881</b>	2,431,316,881	<b>2,435,345</b>	2,435,010
Issue of ordinary shares in relation to award of new shares (Note 20d)	<b>300,000</b>	410,000	<b>237</b>	335
At end of the period/year	<b>2,432,026,881</b>	2,431,726,881	<b>2,435,582</b>	2,435,345

## 20. SHARE INCENTIVE SCHEMES

The Company's share option scheme (the "2007 Share Option Scheme") was adopted pursuant to resolutions passed on 30 July 2007 and expired on 30 July 2017. 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. As at 30 September 2017, all outstanding options under 2007 Share Option Scheme were lapsed pursuant to its terms.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

## 20. 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 before its expiry on 30 July 2017.

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:

	<b>Number of options</b>
At 1 April 2017	<b>43,586,000</b>
Lapsed during the period	<b>(43,586,000)</b>
At 30 September 2017	<b>-</b>

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

## 20. SHARE INCENTIVE SCHEMES (CONTINUED)

### (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, 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 2014 Share Option Scheme are as follows:

	<b>Number of options</b>
At 1 April 2017	<b>19,010,000</b>
Lapsed during the period	<b>(500,000)</b>
At 30 September 2017	<b>18,510,000</b>

Except for the above, during the current interim period, no options were granted, exercised, lapsed or cancelled under the 2014 Share Option Scheme.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

## 20. SHARE INCENTIVE SCHEMES (CONTINUED)

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

On 30 July 2007, both ADPDL and Next Media Publishing Limited ("NMPL") adopted share option schemes (the "2007 Subsidiary Share Option Schemes"). On 20 February 2008, both Next Media Distribution Limited ("NMDL") and nxTomo Games adopted share option schemes (the "2008 Subsidiary Share Option Schemes"). On 12 June 2009, Aim High Investments Limited ("AHIL") adopted a share option scheme (the "2009 AHIL Share Option Scheme"). On 20 March 2012, each of Anyplex Company Limited ("Anyplex"), Next Mobile International Limited ("NMIL"), Next E-Shopping Limited ("Next E-Shopping") and Sharp Daily Limited ("Sharp Daily") adopted share option schemes (the "2012 Subsidiary Share Option Schemes"). On 14 June 2013, nxTomo Ltd. ("nxTomo") adopted a share option scheme (the "2013 nxTomo Share Option Scheme"). On 28 August 2015, Apple Daily E-Classified Limited ("ADEC") adopted a share option scheme (the "2015 ADEC Share Option Scheme"). nxTomo together with ADPDL, NMPL, NMDL, nxTomo Games, AHIL, Anyplex, NMIL, 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 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, NMIL, 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.

## 20. SHARE INCENTIVE SCHEMES (CONTINUED)

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

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

	<b>Number of options ADPDL</b>
At 1 April 2017	<b>45,000</b>
Lapsed during the period	<b>(45,000)</b>
At 30 September 2017	<b>-</b>

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

	<b>Number of options nxTomo Games</b>
At 1 April 2017	<b>480,000</b>
Lapsed during the period	<b>(30,000)</b>
At 30 September 2017	<b>450,000</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

## 20. SHARE INCENTIVE SCHEMES (CONTINUED)

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

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

	<b>Number of options nxTomo</b>
At 1 April 2017	<b>363,000</b>
Lapsed during the period	<b>(233,000)</b>
At 30 September 2017	<b>130,000</b>

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

	<b>Number of options ADEC</b>
At 1 April 2017	<b>120,000</b>
Lapsed during the period	<b>(20,000)</b>
At 30 September 2017	<b>100,000</b>

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.

## 20. 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 the following award shares to the independent non-executive directors ("INEDs") subject to the vesting conditions as set out below:

Name of INEDs	Award Dates	No. of award shares	Vesting Date/ No. of award shares
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 second tranche of the award shares a total of 100,000 Shares were issued and allotted to Dr. Hamm on 13 April 2017.

On 30 June 2017, the last tranche of the award shares a total of 200,000 Shares were issued and allotted to two INEDs, 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\$525,000 for the six months ended 30 September 2017 (30 September 2016: HK\$1,635,000) in relation to options granted under the share option schemes and the award shares of the Group.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

## 21. CONTINGENT LIABILITIES AND GUARANTEES

### 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, the 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.

## 22. COMMITMENTS

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

	<b>30 September 2017 HK\$'000 (unaudited)</b>	31 March 2017 HK\$'000 (audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	<b>1,790</b>	5,468

## 22. 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 2017			31 March 2017		
	Properties	Plant and	Total	Properties	Plant and	Total
	HK\$'000	equipment	HK\$'000	HK\$'000	equipment	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Within one year	691	11,422	12,113	741	12,940	13,681
In the second to fifth years inclusive	432	7,665	8,097	261	13,145	13,406
	<b>1,123</b>	<b>19,087</b>	<b>20,210</b>	1,002	26,085	27,087

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.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

## 22. COMMITMENTS (CONTINUED)

### (b) Commitments under operating leases (continued)

The Group as lessor

Rental income earned during the period was HK\$8,564,000 (six months ended 30 September 2016: HK\$8,420,000).

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

	<b>30 September 2017 HK\$'000 (unaudited)</b>	31 March 2017 HK\$'000 (audited)
Within one year	<b>15,327</b>	15,776
In the second to fifth years inclusive	<b>57,090</b>	56,907
	<b>72,417</b>	72,683

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.

## 23. 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	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Short-term benefits	10,928	11,406
Retirement benefits	81	81
Share-based payments	487	1,025
	<b>11,496</b>	12,512

### (b) Related party transactions

Nature of transaction	Name of related company/person	Relationship with the Group	Six months ended 30 September	
			2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Office rental received by the Group (note i)	Next Animation Studio Limited ("NASL") – Taiwan Branch	100% beneficially owned by Mr. Lai	-	(655)
Animation production service charge paid by the Group (note ii)	NASL	100% beneficially owned by Mr. Lai	16,982	34,854
Acquisition of interest in a subsidiary (note iii)	Mr. Ip Yut Kin	Non-executive Director	-	8,841

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

## 23. 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 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 and no rental is recognised afterward.

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 2017, the Company and NASL entered into 2017 Business Framework Agreement and the NASL Intellectual Properties Revenue Sharing Agreement for a term of three years with effect from 1 April 2017. Annual Cap is also updated with the announcement made on 31 March 2017.

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 (now known as Next Mobile International 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

<b>2007 Share Option Scheme</b>	the share option scheme adopted by the Company on 30 July 2007
<b>2014 Share Option Scheme</b>	the share option scheme adopted by the Company on 31 July 2014
<b>2017 AGM</b>	the Company's annual general meeting held on 28 July 2017
<b>ADPL</b>	Apple Daily Printing Limited, an indirect wholly owned subsidiary of the Company
<b>Board</b>	the board of Directors of the Company
<b>CEO</b>	the Chief Executive Officer of the Group
<b>CFO</b>	the Chief Financial Officer of the Group
<b>CG Code</b>	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
<b>Companies Ordinance</b>	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
<b>Company or Next Digital</b>	Next Digital Limited
<b>Deloitte</b>	Deloitte Touche Tohmatsu, the external auditor of the Group
<b>Director(s)</b>	Director(s) of the Company
<b>ED(s)</b>	Executive Director(s) of the Company
<b>Group</b>	Next Digital together with its subsidiaries

# GLOSSARY

<b>HK\$</b>	Hong Kong dollars, the lawful currency of Hong Kong
<b>INED(s)</b>	Independent Non-executive Director(s) of the Company
<b>Listing Rules</b>	the Rules Governing the Listing of Securities on The Stock Exchange
<b>Model Code</b>	Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Appendix 10 of the Listing Rules
<b>Mr. Lai</b>	Mr. Lai Chee Ying, Jimmy, the controlling shareholder of the Company
<b>NT\$</b>	New Taiwan dollars, the lawful currency of Taiwan
<b>SFO</b>	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
<b>Share(s)</b>	Ordinary share(s) of the Company
<b>Shareholder(s)</b>	Holder(s) of the Share(s)
<b>Stock Exchange</b>	The Stock Exchange of Hong Kong Limited
<b>Taiwan</b>	Republic of China
<b>UDL</b>	UDL Contracting Limited, the contractor for the construction of a printing facility of the Company's subsidiary, ADPL

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