NEXT DIGITAL LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00282)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2018

The board of directors (the "Board" or the "Director") of Next Digital Limited ("Next Digital" or the "Company") announces the audited consolidated results of the Company and its subsidiaries (together, the "Group") for the year ended 31 March 2018, together with the comparative figures for the previous year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	NOTES	2018 HK$'000	2017 HK$'000
Revenue	4	**1,495,521**	1,783,757
Production costs			
Cost of raw materials consumed		**(230,948)**	(271,749)
Other overheads		**(329,783)**	(332,728)
Staff costs		**(577,773)**	(631,240)
		(1,138,504)	(1,235,717)
Personnel costs excluding direct production staff costs		**(464,279)**	(493,869)
Other income	4	**28,114**	34,384
Net exchange gain		**9,525**	1,002
Depreciation of property, plant and equipment		**(85,117)**	(108,167)
Release of prepaid lease payments		**(1,797)**	(1,797)
Other expenses		**(142,007)**	(197,044)
Impairment loss recognised in respect of intangible assets		**(159,886)**	(202,374)
(Allowance for) reversal of bad and doubtful debts, net		**(15,294)**	13,797
Finance costs	6	**(10,998)**	(9,972)
Loss before tax		**(484,722)**	(416,000)
Income tax credit	7	**7,803**	22,002
Loss for the year	8	**(476,919)**	(393,998)
Other comprehensive (expense) income			
Item that will not be reclassified subsequently to profit or loss:			
Actuarial (loss) gain from remeasurement of defined benefit obligations, net of tax		**(451)**	7,631
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**27,506**	53,498
Total comprehensive expense for the year		**(449,864)**	(332,869)

	NOTE	**2018** HK$'000	2017 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(475,991)**	(392,777)
Non-controlling interests		**(928)**	(1,221)
		(476,919)	(393,998)
Total comprehensive expense attributable to:			
Owners of the Company		**(449,098)**	(331,937)
Non-controlling interests		**(766)**	(932)
		(449,864)	(332,869)
Loss per share	*10*		
– Basic		**HK (19.6 cents)**	HK(16.2 cents)
– Diluted		**HK (19.6 cents)**	HK(16.2 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	NOTES	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Intangible assets	11	**658,039**	817,925
Property, plant and equipment	12	**1,076,915**	1,082,670
Prepaid lease payments	13	**50,773**	52,570
Deposit for acquisition of property, plant and equipment		**16,237**	8,690
		1,801,964	1,961,855
CURRENT ASSETS			
Inventories		**82,307**	69,730
Trade and other receivables	14	**385,724**	445,685
Prepaid lease payments	13	**1,797**	1,797
Tax recoverable		**15,761**	28,163
Restricted bank balances	15	**1,500**	1,500
Amounts due from related parties		**7,705**	7,226
Bank balances and cash	15	**303,506**	500,546
		798,300	1,054,647
CURRENT LIABILITIES			
Trade and other payables	16	**541,564**	444,360
Deferred revenue		**1,902**	4,930
Provisions	19	**40,480**	98,426
Tax liabilities		**13,620**	123
		597,566	547,839
NET CURRENT ASSETS		**200,734**	506,808
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,002,698**	2,468,663

	NOTES	2018 HK$'000	2017 HK$'000
NON-CURRENT LIABILITIES			
Borrowings	*17*	**485,437**	461,066
Retirement benefits plans		**41,837**	55,756
Deferred tax liabilities		**151,623**	178,421
		678,897	695,243
NET ASSETS		**1,323,801**	1,773,420
CAPITAL AND RESERVES			
Share capital	*18*	**2,435,582**	2,435,345
Reserves		**(1,115,756)**	(678,278)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**1,319,826**	1,757,067
NON-CONTROLLING INTERESTS		**3,975**	16,353
TOTAL EQUITY		**1,323,801**	1,773,420

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance (Cap. 622) ("CO").

The financial information relating to the years ended 31 March 2018 and 2017 included in this preliminary annual results announcement does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the CO 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 CO and will deliver the financial statements for the year ended 31 March 2018 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the CO.

2. APPLICATION OF NEW AND REVISED HKFRSS

Amendments to HKFRSs that are mandatorily effective for the current year

The Company and its subsidiaries (together with the Company collectively the "Group") has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 — 2016 Cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 *Financial Instruments* with HKFRS 4 *Insurance Contracts*[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of Annual Improvements to HKFRSs 2014 — 2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 — 2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

3. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, the Directors are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

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

Impairment on intangible assets

Determining whether intangible asset is impaired requires an estimation of the recoverable amounts of the intangible assets. The impairment on intangible assets is determined by comparing the carrying amounts with the recoverable amounts which are estimated with reference to the value in use calculation based on the cash flow projections prepared by management. The impairment model is sensitive to changes in the key assumptions including growth rates, discount rates and the forecast performance based on management’s view of future business prospects. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2018, the carrying amount of intangible assets is HK$658,039,000 (2017: HK$817,925,000). For the year ended 31 March 2018, impairment loss of HK$159,886,000 (2017: HK$202,374,000) has been recognised.

Provisions for legal cases

The management estimates the outcome of the claims and legal proceedings, taking into account the risks and uncertainties surrounding the legal cases. Provisions which is the management’s best estimate of the consideration required to settle the obligation, after consultation with the legal counsel on the possible outcome and liability of the Group would then be recognised. As at 31 March 2018, an amount of approximately HK$40,480,000 (2017: HK$98,426,000) has been provided for a number of legal proceedings in Hong Kong and Taiwan. Details are set out in note 19.

Revenue recognition

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

Assessment of the indefinite useful lives of masthead and publishing rights

Management estimates the useful lives of masthead and publishing rights based on the expected lifespan of these rights. Masthead and publishing rights are considered by the management of the Group as having indefinite useful lives because they are expected to contribute net cash inflows indefinitely taking into account the stable track record of the media and advertising industry. In addition, the Directors are of the opinion that the Group's established masthead and publishing rights have demonstrated their ability to survive changes and there is no foreseeable limit to the period over which masthead and publishing rights are expected to generate net cash inflows to the Group.

The useful lives of masthead and publishing rights could change significantly as a result of changes in commercial and technological environment. When the actual useful lives of masthead and publishing rights are different from their estimated useful lives due to change in commercial and technological environment, such difference will impact the amortisation charges and the amounts of assets written down for future periods. The carrying amount of masthead and publishing rights with indefinite useful lives is HK$658,039,000 at 31 March 2018 (2017: HK$817,925,000).

Impairment loss of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows to determine the amount of impairment loss. The amount of the impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2018, the carrying amount of trade receivables was HK$318,777,000 (2017: HK$341,828,000), net of allowance for doubtful debts of HK$57,498,000 (2017: HK$44,756,000). Details are set out in note 14.

Retirement benefit obligations

Obligations for retirement benefit and related net periodic pension costs are determined in accordance with actuarial valuations. These valuations rely on key assumptions including discount rates and expected rate of salary growth. The discount rates assumptions are determined by reference to yield on high-quality corporate bonds of appropriate duration and currency at the end of the reporting period. In case such yields are not available, discount rates are based on government bonds yields. Due to changing economic conditions, the underlying key assumptions may differ from actual developments and may lead to significant changes in retirement benefit obligations. During the year ended 31 March 2018, actuarial gain from remeasurement of defined benefit obligations before tax effect amounting to HK$2,591,000 (2017: actuarial gain before tax effects of HK$9,194,000) are recognised directly in equity in the period in which they occur.

4. REVENUE AND OTHER INCOME

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

	2018	2017
	HK$'000	*HK$'000*
Revenue		
Internet advertising income, internet subscription income, content provision and development of mobile games and apps income ("Digital business")	**594,495**	649,667
Sales of newspapers	**308,515**	354,988
Sales of books and magazines	**31,496**	50,889
Newspapers advertising income	**343,493**	454,972
Books and magazines advertising income	**44,771**	106,190
Printing and reprographic services income	**172,751**	167,051
	1,495,521	1,783,757
Other income		
Sales of waste materials	**4,657**	5,143
Interest income on bank deposits	**772**	1,291
Rental income	**17,199**	16,485
Others	**5,486**	11,465
	28,114	34,384

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.

In prior year, segment information reported to the CODM was analysed on the basis of the major types of goods or services delivered or provided by the Group's operating divisions: (1) digital business; (2) newspapers publication and printing and (3) books and magazine publication and printing. With the continuous transition from print publications to digital platforms and the intense competition in the magazine market, newspapers publication and printing and books and magazine publication and printing were reported to the CODM in current year as print business. Accordingly, the comparative information has been restated.

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

Operating segments	**Principal activities**
Digital business	Internet advertising, internet subscription, content provision and development of mobile games and apps in Hong Kong, Taiwan and North America
Print business	Sales of newspapers, books and magazines and provision of newspapers, 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.

Segment revenue and results

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

For the year ended 31 March 2018

	Digital business *HK$'000*	**Print business** *HK$'000*	**Eliminations** *HK$'000*	**Consolidated** *HK$'000*
REVENUE				
External sales	**594,495**	**901,026**	**—**	**1,495,521**
Inter-segment sales	**—**	**214,204**	**(214,204)**	**—**
	594,495	**1,115,230**	**(214,204)**	**1,495,521**
Segment results	**(44,639)**	**(435,012)**	**—**	**(479,651)**
Unallocated expenses				**(17,530)**
Unallocated income				**23,457**
Finance costs				**(10,998)**
Loss before tax				**(484,722)**

For the year ended 31 March 2017 (restated)

	Digital business *HK$'000*	Print business *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
REVENUE				
External sales	649,667	1,134,090	—	1,783,757
Inter-segment sales	—	239,318	(239,318)	—
	649,667	1,373,408	(239,318)	1,783,757
Segment results	(1,239)	(417,705)	—	(418,944)
Unallocated expenses				(16,325)
Unallocated income				29,241
Finance costs				(9,972)
Loss before tax				(416,000)

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

Segment assets and liabilities

As at 31 March 2018

	Digital business *HK$'000*	**Print business** *HK$'000*	**Eliminations** *HK$'000*	**Consolidated** *HK$'000*
Segment assets	**603,624**	**1,672,581**	**—**	**2,276,205**
Unallocated assets				**324,059**
Total assets				**2,600,264**
Segment liabilities	**(100,439)**	**(519,001)**	**—**	**(619,440)**
Unallocated liabilities				**(657,023)**
Total liabilities				**(1,276,463)**

As at 31 March 2017 (restated)

	Digital business *HK$'000*	Print business *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Segment assets	473,029	2,009,603	—	2,482,632
Unallocated assets				533,870
Total assets				3,016,502
Segment liabilities	(86,010)	(497,700)	—	(583,710)
Unallocated liabilities				(659,372)
Total liabilities				(1,243,082)

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 year ended 31 March 2018

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

	Digital business *HK$'000*	**Print business** *HK$'000*	**Corporate** *HK$'000*	**Consolidated** *HK$'000*
Addition to non-current assets	**18,758**	**15,870**	**—**	**34,628**
Depreciation of property, plant and equipment	**22,018**	**60,365**	**2,734**	**85,117**
Impairment loss recognised in respect of intangible assets	**—**	**159,886**	**—**	**159,886**
Release of prepaid lease payments	**336**	**991**	**470**	**1,797**
Allowance for bad and doubtful debts, net	**3,131**	**12,163**	**—**	**15,294**
Share-based payment expense	**—**	**19**	**812**	**831**
Loss on disposal of property, plant and equipment	**224**	**46**	**—**	**270**
Net reversal of provision for litigation expense	**—**	**(49,261)**	**—**	**(49,261)**
Legal and professional fee	**9,729**	**11,562**	**—**	**21,291**

For the year ended 31 March 2017 (restated)

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

	Digital business *HK$'000*	Print business *HK$'000*	Corporate *HK$'000*	Consolidated *HK$'000*
Addition to non-current assets	16,580	18,880	—	35,460
Depreciation of property, plant and equipment	18,464	85,142	4,561	108,167
Impairment loss recognised in respect of intangible assets	—	202,374	—	202,374
Release of prepaid lease payments	—	991	806	1,797
Allowance (reversal of allowance) for bad and doubtful debts, net	2,635	(16,432)	—	(13,797)
Share-based payment expense	—	515	2,268	2,783
Loss on disposal of property, plant and equipment	1,057	—	—	1,057
Provision for litigation expense, net of reversal	1,315	4,877	—	6,192
Legal and professional fee	7,283	6,152	—	13,435

Geographical information

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

	Revenue from external customers *(Note)*		**Non-current assets**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (country of domicile)	**884,506**	1,075,712	**1,068,944**	1,244,501
Taiwan	**569,348**	673,031	**732,223**	716,467
North America	**21,433**	18,598	**797**	887
Europe	**11,050**	7,414	—	—
Australasia	**6,753**	6,177	—	—
Others	**2,431**	2,825	—	—
	1,495,521	1,783,757	**1,801,964**	1,961,855

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

Information about major customers

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

	2018	2017
	HK$'000	*HK$'000*
Customer A *(Note)*	**336,609**	398,073

Note: Revenue from this customer comprised revenue earned in print business amounting to HK$336,609,000 (2017: HK$398,073,000).

6. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest expense on bank borrowings	**10,998**	9,972

7. INCOME TAX CREDIT

	2018	2017
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**21,509**	13,720
Under (over) provision in prior years:		
Taiwan	**—**	(134)
Other jurisdictions	**198**	528
	21,707	14,114
Deferred tax:		
Current year	**(29,510)**	(36,116)
	(7,803)	(22,002)

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

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

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

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

	2018	2017
	HK$'000	*HK$'000*
Loss before tax	**(484,722)**	(416,000)
Tax at Hong Kong Profits Tax rate of 16.5%	**(79,979)**	(68,640)
Tax effect of expenses not deductible for tax purpose	**1,985**	5,200
Tax effect of income not taxable for tax purpose	**(5,571)**	(6,120)
Underprovision in prior years	**198**	394
Tax effect of estimated tax losses not recognised for Hong Kong subsidiaries	**50,871**	35,435
Tax effect of estimated tax losses not recognised for Taiwan subsidiaries	**24,217**	16,060
Utilisation of tax losses previously not recognised	**(13,428)**	(1,503)
Effect of different tax rates of subsidiaries operating in Taiwan and other jurisdictions	**(719)**	(376)
Others	**14,623**	(2,452)
Income tax credit for the year	**(7,803)**	(22,002)

8. LOSS FOR THE YEAR

	2018	2017
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**2,691**	3,317
Minimum operating lease expenses on:		
Properties	**1,050**	2,436
Plant and equipment	**13,410**	15,842
(Reversal of) provision for litigations expenses, net (included in other expenses)	**(49,261)**	6,192
Loss on disposal of property, plant and equipment	**270**	1,057
Legal and professional fee (included in other expenses)	**21,291**	13,435

9. DIVIDENDS

The Board does not recommend any final dividend for the year ended 31 March 2018 (2017: nil).

10. LOSS PER SHARE

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

	2018	2017
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(475,991)**	(392,777)

	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share *(Note)*	**2,431,974,278**	2,431,647,155

Note: For the years ended 31 March 2018 and 2017, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options and award of new shares since these would result in a decrease in loss per share.

11. INTANGIBLE ASSETS

	Masthead and publishing rights *HK$'000*
COST	
At 1 April 2016, 31 March 2017 and 31 March 2018	1,482,799
ACCUMULATED IMPAIRMENT	
At 1 April 2016	462,500
Impairment loss recognised for the year	202,374
At 31 March 2017 and 1 April 2017	664,874
Impairment loss recognised for the year	159,886
At 31 March 2018	824,760
CARRYING VALUES	
At 31 March 2018	658,039
At 31 March 2017	817,925

The management of the Group have performed studies on the market trends which supports that masthead and publishing rights have no foreseeable limit to the period over which masthead and publishing rights are expected to generate net cash flows for the Group. As a result, 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. They have been tested for impairment annually and whenever there is an indication that they may be impaired.

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Computer software	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST								
At 1 April 2016	261,459	827,170	80,591	1,205,288	347,778	15,983	5,954	2,744,223
Exchange difference	29,415	32,542	744	31,317	9,507	—	61	103,586
Additions	—	—	787	101	22,219	12,520	—	35,627
Disposals	—	—	(775)	(94)	(13,745)	(5,712)	(52)	(20,378)
At 31 March 2017	290,874	859,712	81,347	1,236,612	365,759	22,791	5,963	2,863,058
Exchange difference	26,231	29,094	676	27,927	8,940	—	51	92,919
Additions	—	—	311	231	17,072	9,467	—	27,081
Disposals	—	—	(394)	—	(16,686)	(699)	(1,334)	(19,113)
At 31 March 2018	317,105	888,806	81,940	1,264,770	375,085	31,559	4,680	2,963,945
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
At 1 April 2016	—	206,050	46,226	1,086,328	297,803	8,618	4,551	1,649,576
Exchange difference	—	4,742	218	27,583	8,887	—	57	41,487
Charge for the year	—	21,513	3,737	50,453	25,339	6,832	293	108,167
Eliminated on disposals	—	—	(674)	(94)	(13,270)	(4,752)	(52)	(18,842)
At 31 March 2017	—	232,305	49,507	1,164,270	318,759	10,698	4,849	1,780,388
Exchange difference	—	4,832	220	26,229	8,284	—	47	39,612
Charge for the year	—	14,286	2,604	37,284	22,199	8,478	266	85,117
Eliminated on disposals	—	—	(355)	—	(16,395)	(541)	(796)	(18,087)
At 31 March 2018	—	251,423	51,976	1,227,783	332,847	18,635	4,366	1,887,030
CARRYING VALUES								
At 31 March 2018	317,105	637,383	29,964	36,987	42,238	12,924	314	1,076,915
At 31 March 2017	290,874	627,407	31,840	72,342	47,000	12,093	1,114	1,082,670

As at 31 March 2018, the carrying value of the Group's land and buildings comprised the following:

	2018	2017
	HK$'000	*HK$'000*
Buildings situated in Hong Kong	**290,910**	300,796
Buildings situated outside Hong Kong on freehold land	**346,473**	326,611
Freehold land situated outside Hong Kong	**317,105**	290,874
	954,488	918,281

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the shorter of the term of lease or useful lives of twenty-five to fifty years
Leasehold improvements	Over the shorter of the term of lease or estimated useful lives of five years
Plant and machinery	6.67% – 33.33%
Furniture, fixtures and equipment	20% – 33.33%
Computer software	33.33% – 50%
Motor vehicles	20%

Note: As at 31 March 2018, certain of the Group's freehold land and buildings with carrying values of HK$309,440,000 (2017: HK$290,827,000) and HK$354,786,000 (2017: HK$338,932,000), respectively were pledged as security for the Group's banking facilities.

13. PREPAID LEASE PAYMENTS

	2018	2017
	HK$'000	*HK$'000*
Leasehold land in Hong Kong	**52,570**	54,367
Analysed for reporting purposes as:		
Current asset	**1,797**	1,797
Non-current asset	**50,773**	52,570
	52,570	54,367

14. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**376,275**	386,584
Less: allowance for doubtful debts	**(57,498)**	(44,756)
	318,777	341,828
Prepayments *(Note)*	**36,515**	71,933
Rental and other deposits	**12,342**	12,582
Others	**18,090**	19,342
Trade and other receivables	**385,724**	445,685

Note: Included in the balance are mainly rental and utilities prepayments of HK$1,289,000 (2017: HK$2,067,000), value-added tax receivables of HK$20,523,000 (2017: HK$19,671,000) and other prepayments of HK$14,703,000 (2017: HK$50,195,000).

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:

	2018	2017
	HK$'000	*HK$'000*
0 – 1 month	**109,983**	129,622
1 – 3 months	**111,741**	120,954
3 – 4 months	**48,099**	51,149
Over 4 months	**48,954**	40,103
	318,777	341,828

Before accepting any new customer, the management of the Group estimates the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed twice a year. Trade receivables that are neither past due nor impaired have no default payment record.

Included in the Group's trade receivable balances are debtors with an aggregate carrying amount of HK$48,954,000 (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.

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

	2018	2017
	HK$'000	*HK$'000*
Over 4 months	**48,954**	40,103

Movement in the allowance for doubtful debts

	2018	2017
	HK$'000	*HK$'000*
Balance at beginning of the year	**44,756**	58,104
Impairment loss recognised	**19,051**	4,192
Reversal of allowance for bad and doubtful debts	**(3,757)**	(17,989)
Exchange difference	**330**	467
Amounts written off as uncollectible	**(2,882)**	(18)
Balance at end of the year	**57,498**	44,756

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$57,498,000 (2017: HK$44,756,000) which have delayed payments with poor settlement record. The Group does not hold any collateral over these balances.

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

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

	2018		2017	
	Denominated currency	**Equivalent to**	Denominated currency	Equivalent to
	$'000	***HK$'000***	*$'000*	*HK$'000*
United States Dollar ("USD")	**640**	**5,023**	623	4,842
Australian Dollar ("AUD")	**13**	**76**	14	82
Pound Sterling ("GBP")	**8**	**84**	3	32

15. RESTRICTED BANK BALANCES/BANK BALANCES AND CASH

As at 31 March 2018, bank balances amounting to HK$1,500,000 (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 0.60% (2017: 0.50%) per annum for the year.

Included in bank balances and cash is an amount of approximately HK$87,346,000 (2017: HK$168,837,000) placed in time deposits for periods from 2 weeks to 12 months. Such deposits bear fixed interest between 0.30% to 1.35% (2017: 0.30% to 1.08%) per annum.

The remaining bank balances are placed in current and savings accounts, the former bear no interest and the latter bear prevailing market interest rate of 0.10% (2017: 0.10%) per annum.

16. TRADE AND OTHER PAYABLES

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

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**75,364**	72,847
Accrued staff costs	**187,386**	185,491
Accrued charges *(Note a)*	**118,444**	110,829
Deposits received *(Note b)*	**88,000**	—
Other payables *(Note c)*	**72,370**	75,193
Trade and other payables	**541,564**	444,360

Note a: The balance includes accrual for repair and maintenance expenses of HK$43,728,000 (2017: HK$41,676,000), accrual for utilities of HK$6,141,000 (2017: HK$9,336,000) and other miscellaneous accruals of HK$68,575,000 (2017: HK$59,817,000).

Note b: The balance represents deposits received for the disposal of Next Magazine Advertising Limited and Next Media Publishing Limited (including the Taiwan Branch) (the "Target Companies") and all such intellectual property rights in connection with, or with the benefits of, the businesses of the Target Companies.

Note c: The balance includes deposit received for subscription of and advertisement in newspapers, magazines and internet of HK$3,203,000 (2017: HK$4,911,000) and receipt in advance from customers of newspaper publication of HK$19,126,000 (2017: HK$23,204,000) and other operating expenses payables of HK$50,041,000 (2017: HK$47,078,000).

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

	2018	2017
	HK$'000	*HK$'000*
0 – 1 month	**49,629**	40,071
1 – 3 months	**19,671**	20,784
Over 3 months	**6,064**	11,992
	75,364	72,847

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

	2018		2017	
	Denominated currency	**Equivalent to**	Denominated currency	Equivalent to
	$'000	***HK$'000***	*$'000*	*HK$'000*
USD	**2,705**	**21,161**	1,881	14,620

17. BORROWINGS

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

	2018	2017
	HK$'000	*HK$'000*
Carrying amount repayable		
– in the second year	**107,875**	—
– in the third year	**107,875**	102,459
– in the fourth year	**107,875**	102,459
– in the fifth year	**107,875**	102,459
– more than five years	**53,937**	153,689
	485,437	461,066

The bank loans carry interests at 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% (2017: 2.33%) per annum.

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

As at 31 March 2018 and 2017, the Group had total unutilised bank loan facilities of HK$129,345,000 (2017: HK$136,865,000).

The bank borrowings are secured by certain property, plant and equipment of which the details are set out in note 12.

18. SHARE CAPITAL

	Number of shares		**Share capital**	
	31 March 2018	31 March 2017	**31 March 2018**	31 March 2017
			HK$'000	*HK$'000*
Issued and fully paid:				
At beginning of year	**2,431,726,881**	2,431,316,881	**2,435,345**	2,435,010
Issue of ordinary shares in relation to award of new shares	**300,000**	410,000	**237**	335
At end of the year	**2,432,026,881**	2,431,726,881	**2,435,582**	2,435,345

19. PROVISIONS

	Litigations	
	2018	2017
	HK$'000	*HK$'000*
At beginning of the year	**98,426**	123,630
Additional provision during the year	**3,909**	7,884
Payment during the year	**(9,222)**	(32,538)
Reversal during the year	**(53,170)**	(1,692)
Exchange difference	**537**	1,142
At end of the year	**40,480**	98,426

As at 31 March 2018 and 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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

Revenue

For the year ended 31 March 2018, the Group's overall revenue decreased by 16.2% to HK$1,495.5 million (2016/17: HK$1,783.8 million) of which HK$594.5 million and HK$901.0 million (2016/17: HK$649.7 million and HK$1,134.1 million) were attributable to Digital Business Division and Print Business Division respectively.

The Group earned most of its revenue from Hong Kong, of which, its operations accounted for HK$884.5 million (2016/17: HK$1,075.7 million) or 59.1% (2016/17: 60.3%) of its total revenue during the year. Revenue from Taiwan was HK$569.3 million (2016/17: HK$673.0 million), which accounted for 38.1% (2016/17: 37.7%).

Segment Results

The Group made a segment loss of HK$479.7 million during the year under review, compared with a segment loss of HK$418.9 million in the previous year, representing an increase in loss of 14.5% or HK$60.8 million.

The Digital Business Division recorded a segment loss of HK$44.6 million, compared with a segment loss of HK$1.2 million in the previous year.

The segment loss of the Print Business Division amounted to HK$435.0 million, compared to the previous year's loss of HK$417.7 million.

This was mainly attributable to poor market sentiment and cautious advertisement spending, driven by slow-moving economies in Hong Kong and Taiwan and keen global competition of online programmatic advertising. 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$21.9 million (2016/17: HK$40.0 million). Also closely associated to this decrease was the drop in circulation income of the Group's publications, mainly attributed to readers' preference of free online media over printed properties and fierce competition from free newspapers and content from various online mediums.

Accordingly, the Company recorded a basic loss per share of HK19.6 cents for the year against a basic loss per share of HK16.2 cents in the last year.

OPERATIONAL REVIEW

During the year, the Group introduced an innovative *iBeacon* service to the market across all digital platforms. It provided readers with an enhanced reading experience, through tailored information and targeted advertisements based on their geographic location. This service recorded overwhelmingly positive feedback and generated a lot of interest from local merchants as business can now leverage *Apple Daily*'s expansive loyal user base to increase coverage, which will in turn, brings more opportunities.

In line with consumer and advertiser preference for digital over print, the Group further consolidated its print operations. During the year under review, *Eat & Travel Weekly* and *Hong Kong Next Magazine* ceased their print versions and switched their focus to solely digital on the Group's portal in August 2017 and March 2018 respectively. *Auto Express*, *Trading Express* and *JF Digital* were offered as a new free bundle to appeal to readers and advertisers in November 2017. These efforts enabled the Group to reallocate its resources on future growth opportunities.

DIGITAL BUSINESS DIVISION

The Division's external revenues, consisting primarily of online advertising revenue, together with content licensing payments, games and content sponsorship, and in-app purchase of virtual products, amounted to HK$594.5 million during the year under review. This represented a decrease of 8.5% on the previous year's figure of HK$649.7 million, of which, around 72.3% was generated in Hong Kong while the remaining was from Taiwan and other regions. The Division recorded a segment loss of HK$44.6 million during the year under review compared with a segment loss of HK$1.2 million in the previous 12 months. During the year, the Group was faced with strong competition not only from local digital media channels, but also global platforms and social media that are vying for the same advertisers' spending as *Apple Daily*. This dampened our topline momentum for the time being. But we understand content resources are the fundamental basis of development of the media industry. We will continue to maintain the fearless spirit of Next Digital to discover and create more interesting and engaging content for readers and then source more business opportunities from advertisers and potential partners.

As technology continues to advance and progress, digitalisation is an inevitable trend. The Group has embraced the digital revolution head-on and will continue to develop its digital business by adopting an "offline to online" strategy, which will provide readers, advertisers and players with a diversified content, advertising solutions and services as well as exciting games.

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

Apple Daily has a large user base of 4.8 million (Source: ComScore — April 2017 to February 2018) monthly unique visitors in Hong Kong, 12.2 million (Source: ComScore — April 2017 to February 2018) monthly unique visitors in Taiwan, 2.2 million (Source: *Apple Daily* Internal Server Log) monthly unique visitors in the USA and 422 thousands (Source: *Apple Daily* Internal Server Log) in Canada. The Group was able to generate advertising revenue through such an expansive user base. Moreover, the Group was able to diversify its client base and attract small to medium sized merchants to place their advertisements on the Group's platforms. The e-classified division in this segment recorded a revenue of HK$11.1 million for the year. The platform has enlisted about 1,800 participating merchant shops so far and shows a promising future.

The Group has been integrating all its magazines, *Next Magazine*, *Eat & Travel Weekly*, *Ketchup*, *Auto Express*, *Trading Express* and *JF Digital* on an integrated *Apple Daily* platform, so that cross platform synergies can be realized through a "super app". As such, the number of readers and page views of the Group's magazines are all consolidated with that of *Apple Daily* and is showing a healthy growth that augers well for the Group's future.

In addition, the "Apple VR" app, the first virtual reality app launched in the Hong Kong media industry, has generated much novelty and excitement for both our users and advertisers. With the VR viewer, readers can be fully immersed in a virtual reality environment, equipped with a 360° panoramic view. It allows readers to be at the scene of a news event and experience these moments first-hand. The app 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 (Source: *Apple Daily* Internal Server Log), making it one of the top news sites in the world.

During the year under review, the *iBeacon* service recorded positive feedback and interest from various local small and medium sized merchants. As of 31 March 2018, we had close to 1,200 merchant shops in Hong Kong electing to participate in potential advertising campaigns with us. This service is valuable to both consumers and advertisers alike. For consumers, the service can personalise their newsfeed, which ensures that information that is pertinent to their interests will populate first. For businesses, *iBeacon* can provide targeted advertising based on geographic location, generating high-impact imprints upon the consumer. The Group believes this service can brings unlimited business opportunities to merchants via *Apple Daily*'s large user base.

The Group's online games business has stabilised over the reporting year. It is involved in a number of creative collaborations to develop online games and animation contents and is expected to produce even more interesting and exciting new games.

Although the digital platform of *Apple Daily* in both Hong Kong and Taiwan has maintained its market leadership position, the Division's external revenue, which consists of subscription fees, online advertising revenue, content licensing payments, content sponsorship and in-app purchase of virtual products, amounted to HK$474.6 million during the year under review, representing a decrease of 7.4% or HK$37.7 million, against the figure of HK$512.3 million recorded in the same period last year. The drop in revenue is mainly attributed to a downturn in advertising spending of major categories, and the proliferation of programmatic buying in the industry, which has drastically affected advertising rates.

PRINT BUSINESS DIVISION

During the year under review, the total revenue of the Print Business Division stood at HK$901.0 million, representing a decrease of 20.6% or HK$233.1 million against the figure of HK$1,134.1 million for the last corresponding year.

Apple Daily, known for its liberalist content, vivid editorial style, and its relentless quest for the truth, maintained its position as Hong Kong's most widely read paid-for daily newspaper and was also one of its best-selling newspapers during the year under review. Its sales averaged 110,510 (Source: Hong Kong Audit Bureau of Circulations Limited — July to December 2017) copies per day between July and December 2017, compared with 130,230 (Source: Hong Kong Audit Bureau of Circulations Limited — July to December 2016) copies per day in the same period last year. *Apple Daily*'s revenue amounted to HK$270.6 million during the year under review, representing a decrease of 22.2% or HK$77.2 million against the figure of HK$347.8 million recorded in the same year last year. Advertising revenue accounted for HK$84.0 million of its revenue, while its circulation income was HK$186.6 million, representing a decrease of 40.5% or HK$57.1 million and 9.7% or HK$20.1 million as compared to the respective figures of HK$141.1 million and HK$206.7 million recorded in the same year last year. The advertising categories contributing the largest shares to revenue came from the sectors of loans, automobile, health products, travel agencies and property.

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 201,320 copies per day between January 2017 and December 2017, compared with 247,574 copies per day in the last corresponding year. Its revenue amounted to HK$365.6 million during the year under review, a decline of 16.9% or HK$74.6 million against the HK$440.2 million recorded in the last corresponding months. Advertising revenue accounted for HK$242.4 million of the *Taiwan Apple Daily*'s revenue, whilst its circulation income was HK$121.8 million, representing a decrease of 16.6% or HK$48.1 million and 17.9% or HK$26.5 million as compared to the respective figures of HK$290.5 million and HK$148.3 million earned in the same year last year. The main sources of advertising revenue were generated from property, decoration and furnishing sectors, automobile, information technology and travel.

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 90,037 copies (2017: 103,975 copies) daily between January 2017 and December 2017. *Taiwan Sharp Daily* particularly appeals to local advertisers from restaurants, banking institutions, government agencies, department stores and communications.

Apple Daily and *Taiwan Apple Daily* remained the largest contributors to the Division's revenue, which amounted to HK$636.2 million and accounted for 42.5% of the Group's total revenue. Against the figure of HK$788.0 million for the same year last year, this represented a decrease of 19.3% or HK$151.8 million.

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 year under review amounted to HK$143.6 million, a decrease of 15.0% or HK$25.3 million over the figure of HK$168.9 million achieved in the corresponding year last year.

Printing operations derived HK$77.5 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 year under review. This was 18.5% or HK$17.6 million less than the figure of HK$95.1 million it earned in the last corresponding months.

The continuous transition from print publications to digital platforms and the intense competition in the magazine market caused the *Hong Kong Next Magazine* and *Taiwan Next Magazine* to suffer a substantial revenue decline.

Under depressed market conditions, the advertising revenue of *Hong Kong Next Magazine* and *Taiwan Next Magazine* for the year under review amounted to HK$12.4 million and HK$20.6 million, compared with HK$27.6 million and HK$42.8 million in the same year last year, a decrease of 55.1% and 51.9% respectively.

In face of industry trends, the Group considered the opportunity to realise its investment and enhance its working capital position. As such, the Group entered into a Sale and Purchase Agreement with an independent third party, Gossip Daily Limited ("GDL") as Buyer in August 2017, in relation to, among other things, the sale of *Hong Kong Next Magazine* and *Taiwan Next Magazine* businesses. However, due to the Buyer's failure to pay the consideration, we terminated the transaction. The event has entered judicial proceedings.

The Group also ceased the print version of *Eat & Travel Weekly, Hong Kong Next Magazine* and *Taiwan Next Magazine* in August 2017, March 2018 and April 2018 respectively and switched its focus to digital. This was a pivotal step in transforming our core business into a one-stop multimedia content platform, where readers can access content from various categories and advertisers can target their marketing messages to certain demographics.

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 from external customers of HK$93.8 million in the year ended 31 March 2018, which was 32.9% or HK$23.2 million more than its revenue of HK$70.6 million in the same year last year.

PROSPECTS AND OUTLOOK

Digitalization has caused a tsunami-like wave in the media industry, causing all players to completely reinvent the steering wheel and contemplate next steps to survive. Although new technologies and intense competition have had a negative impact on advertising and circulation revenue, traditional print media is still considered mainstream. It is a core strength the Group has commandeered over the years and we will continue to preserve our 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.

As important as it is to stabilise our core printing business, it is also essential to expand and strengthen our digital business. The team is dedicated to enhancing our online presence through continuously improving our integrated digital platform and creating original and engaging content via new technologies. Through constant innovating, the Group has and will continue to accumulate a loyal viewer base and in turn, open up potential business opportunities and partnerships.

Faced with one of the most turbulent times in media history, the Group made some difficult decisions in terms of restructuring and streamlining. However, these changes were necessary to prepare the Company for a brighter future. Our employees are and will always be our most valuable assets and we now have the team in place produce high quality, engaging and creative digital and print content for all audiences, which will create additional business opportunities. We have reviewed our employee benefits meticulously to retain and attract high quality people in the Group and are constantly making enhancements to make the office an enjoyable and inspiring place to work.

The rebalancing of the economy to the services and consumption sectors, along with the Belt and Road Initiative, will open up new opportunities to the media industry. The Group is prepared on all fronts to seize these opportunities through a suite of innovative products and services, while diversifying revenue sources and realising and potential synergies internally and externally.

FINANCIAL REVIEW

FINANCIAL POSITION

The Group's primary source of financing for its operations during 2017/18 was the cash flow generated by its operating activities and the banking facilities provided by its principal bankers.

The Group's net cash outflow from operating activities during the year ended 31 March 2018 amounted to HK$150.1 million, compared with a net cash outflow from operating activities of HK$52.0 million in the previous year. The outflow of investment-related cash during 2017/18 was in a total of HK$33.0 million, compared to the cash outflow from investment-related activities of HK$33.6 million recorded in the past year.

The Group's net cash outflow for financing activities during the year amounted to HK$11.6 million, compared to the preceding year's net cash inflow figure of HK$105.0 million. As at 31 March 2018, the Group recorded net cash of approximately HK$303.5 million.

As at 31 March 2018, the Group's available banking facilities amounting to a total of HK$618.3 million, of which HK$489.0 million had been utilized. The Group had bank borrowings amounting to HK$485.4 million and the maturity profile was spread over a period of six years, with approximately HK$215.8 million repayable within three years. There was no seasonality in the Group's bank borrowing requirements, and all the monies borrowed bear interest at floating rates.

As at 31 March 2018, the Group's aggregate bank balances and cash reserves including restricted bank balances, amounted to HK$305.0 million. The Group's current ratio on the same date was 133.6%, compared to 192.5% as at 31 March 2017. On the same date, its gearing ratio amounted to 18.7%, compared to 15.3% as at 31 March 2017. These figures were calculated by dividing its long-term borrowings, including current portions, by total asset value.

Assets Pledged

As at 31 March 2018, the Group had pledged its properties situated in Taiwan with an aggregate carrying value of HK$664.2 million to various banks as security for banking facilities granted to it.

Share Capital

As at 31 March 2018, the Company's total amount of issued and fully paid share capital was HK$2,435.6 million (31 March 2017: 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 business in Taiwan. We have reduced this exposure by arranging bank loans in NT$.

As at 31 March 2018, the Group's net currency exposure stood at NT$2,543.0 million (equivalent to HK$685.8 million), a decrease of 31.1% 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 year ended 31 March 2018 was in total of HK$34.6 million (2016/17: HK$35.5 million). As at 31 March 2018, the Group's outstanding capital commitments were HK$3.3 million (31 March 2017: HK$5.5 million).

Contingent Liabilities

Pending Litigations

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

The Group has accrued for HK$40.5 million (as at 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.

Contingent Liabilities Arising from the Proposed Disposal of Hong Kong Next Magazine and Taiwan Next Magazine

On 5 February 2018, GDL as Plaintiff issued a writ against Next Media Magazines Limited as 1st Defendant, Ideal Vegas Limited as 2nd Defendant and Next Digital as 3rd Defendant (collectively, the "Defendants") in respect of which GDL claimed against the Defendants for, among others, declarations, damages, specific performance and/or restitution, in respect of the Defendants' alleged breaches of contract and unjust enrichment arising out of or in connection with the sales and purchase agreement dated 25 August 2017 ("SPA").

On 10 April 2018, GDL amended the writ of summons to claim against the Defendants for, among other things, (i) return of deposits paid of HK$88,000,000; (ii) an additional amount of HK$88,000,000 as liquidated damages; (iii) consequential losses of NT$900,000,000 (equivalent to approximately HK$240,000,000); and (iv) unspecified damages for loss caused by other torts. As the SPA specifically provides that any dispute arising out of or in connection with the SPA shall be dealt with by way of arbitration instead of court proceedings, the Defendants have therefore commenced an arbitration proceedings against GDL at the Hong Kong International Arbitration Centre on 9 April 2018 and also applied for a stay of the litigation proceeding wrongfully initiated by GDL in the Court of First Instance of the High Court of Hong Kong. A hearing for such application has been adjourned to 7 August 2018 for argument. The Defendants consider GDL's allegations and claims to be utterly wrong and ill-founded and will continue to defend their position vigorously.

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 maybe subject to contingent liabilities including all payments, claims, suits, damages and settlement payments and any associated costs and expenses arising, made or incurred after 26 October 2001 arising out of or connected with (1) any third-party claims made against the Acquired Group on and before 26 October 2001; (2) defamation claims, claims for infringement of intellectual property rights and other proceedings and claims which may in the future arise from the content of the newspaper and magazines published by the Acquired Group on and at any time before 26 October 2001; and (3) the contractor dispute with UDL Contracting Limited. Mr. Lai Chee Ying ("Mr. Lai"), a controlling shareholder of the Company, has undertaken to provide unlimited personal indemnities to the Acquired Group against all contingent liabilities (the "Indemnity"). In relation to the Indemnity, Mr. Lai has also procured a bank guarantee of HK$60.0 million for a term of three years up to 25 October 2016, 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.

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 31 March 2018, these contingent liabilities amounted to HK$618.3 million (31 March 2017: HK$603.8 million), HK$489.0 million (31 March 2017: HK$466.9 million) of which has been utilised by certain of its subsidiaries.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2018, the Group employed a total of 2,687 employees, of which 1,328 were in Hong Kong, 1,351 were in Taiwan, 5 in Canada and 3 in USA. There were no material changes to the policies regarding employee remuneration, bonuses, share incentive schemes and staff development disclosed in the 2016/17 annual report of the Company.

During the year under review, the total staff costs of the Group amounted to HK$1,042.1 million, compared to HK$1,125.1 million incurred for the same year last year. This decrease was mainly attributable to the consolidation of operations during the year.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2018 (2016/17: nil)

CLOSURE OF REGISTER OF MEMBERS

The Company's forthcoming annual general meeting ("AGM') will be held on Friday, 27 July 2018. A notice of the AGM will be published and despatched to the shareholders in the manner as required under the Listing Rules in due course.

The Register of Members of the Company will be closed from Tuesday, 24 July 2018 to Friday, 27 July 2018, both days inclusive, during which period no transfer of shares in the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Monday, 23 July 2018.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Corporate Governance Code ("CG Code") as set out in the Appendix 14 to the Listing Rules throughout the year ended 31 March 2018, except for a slight deviation from CG 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 year under review, Mr. Wong Chi Hong, Frank, being the then Independent Non-executive Director and Chairman of the Remuneration Committee, was unable to attend the 2017 annual general meeting due to his other business engagements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

REVIEW OF ANNUAL RESULTS

The Audit Committee of the Company has reviewed the accounting policies and practices adopted by the Group and the consolidated results for the year ended 31 March 2018 of the Group. The consolidated financial statements of the Group have been audited by the Company's auditor, Messrs. Deloitte Touche Tohmatsu, and it has issued an unmodified opinion.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the Company's website at www.nextdigital.com.hk and HKEXnews website at www.hkexnews.hk.

The annual report of the Company for the year ended 31 March 2018 will be available on both websites and dispatched to the shareholders of the Company in due course.

By Order of the Board
Chow Tat Kuen, Royston
Executive Director

Hong Kong, 11 June 2018

FORWARD-LOOKING STATEMENTS

This announcement 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 Group's control.

As at the date of this announcement, the Board comprises:-

Non-executive Directors:
Mr. Lai Chee Ying *(Non-executive Chairman)*
Mr. Ip Yut Kin

Executive Directors:
Mr. Cheung Kim Hung
Mr. Chow Tat Kuen, Royston

Independent Non-executive Directors:
Mr. Mark Lambert Clifford
Mr. Louis Gordon Crovitz
Dr. Bradley Jay Hamm
Mr. Lam Chung Yan, Elic