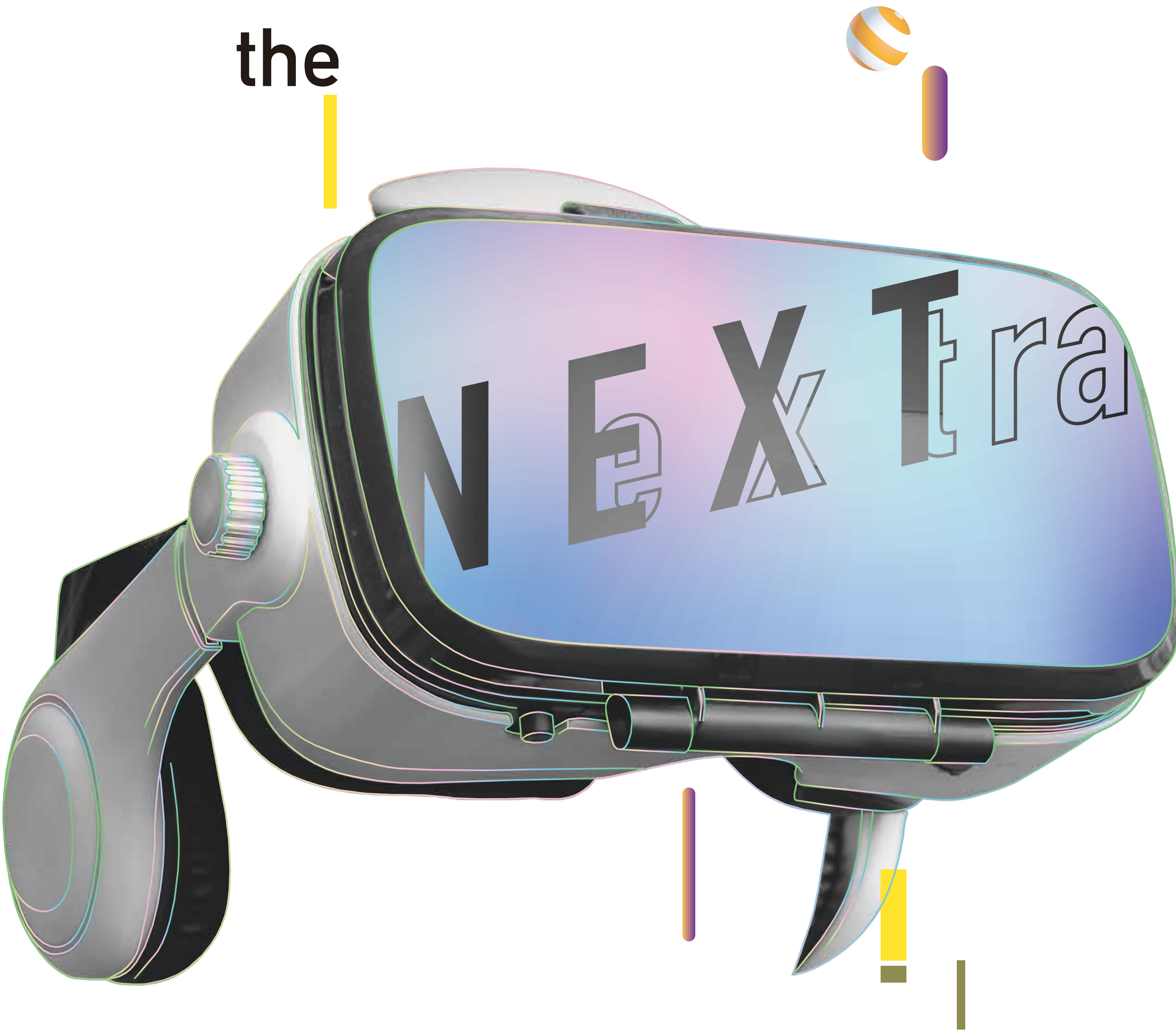
18
19
20

INTERIM REPORT

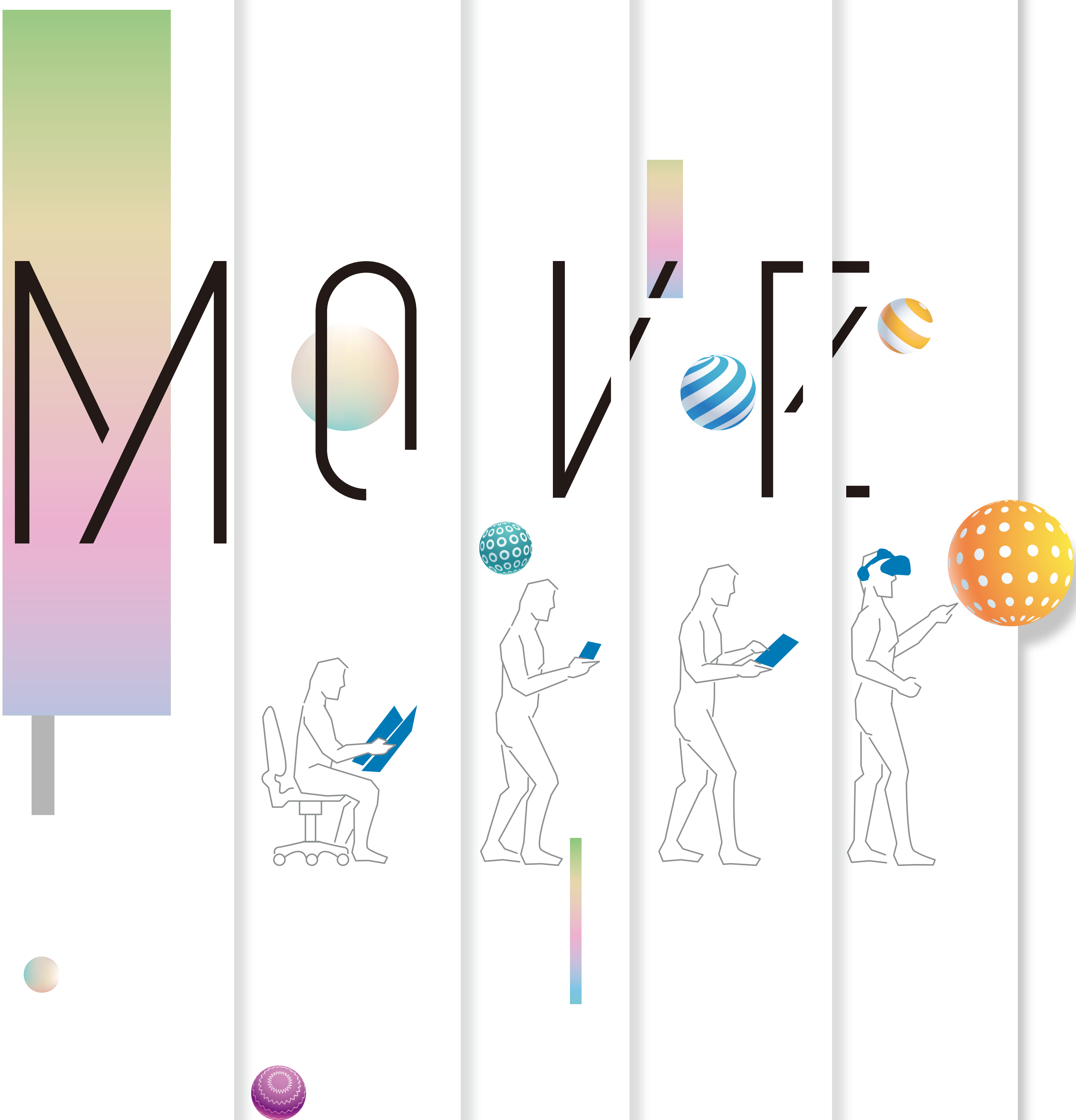
the



NEXT DIGITAL

STOCK CODE: 00282

nEXTRA



Contents

cHoice

we point life, digital era,
and real world in the
same direction

we point life, digital era,
and real world in the same direction

FINANCIAL
Highlights

chAnge
NAVIGATING

Financial Highlights

Financial Results	(Unaudited) Six months ended 30 September 2018 HK$'000	2017 HK$'000
Revenue	**661,435**	775,058
Loss for the period	**(287,490)**	(171,537)
Basic loss per Share	**HK(11.3 cents)**	HK(7.0 cents)
Diluted loss per Share	**HK(11.3 cents)**	HK(7.0 cents)

Statement of Financial Position	(Unaudited) As at 30 September 2018 HK$'000	(Audited) As at 31 March 2018 HK$'000
Non-current assets	**1,734,931**	1,801,964
Current assets	**671,621**	798,300
Total assets	**2,406,552**	2,600,264
Current liabilities	**757,501**	597,566
Non-current liabilities	**599,758**	678,897
Total liabilities	**1,357,259**	1,276,463
Net assets	**1,049,293**	1,323,801
Ratio Analysis		
Current ratio	**88.7%**	133.6%
Gearing ratio	**23.9%**	18.7%
Debt to equity ratio	**54.9%**	36.8%

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 2018.

FINANCIAL RESULTS

For the six months ended 30 September 2018, the Group's overall revenue decreased by 14.7% to HK$661.4 million (six months ended 30 September 2017: HK$775.1 million) of which HK$291.4 million and HK$370.0 million (six months ended 30 September 2017: HK$294.4 million and HK$480.7 million) were attributable to the Digital Business Division and Print Business Division respectively.

The Group recorded an unaudited consolidated loss of HK$287.5 million for the period, compared with a loss of HK$171.5 million recorded for same period of 2017, representing an increase in the loss amount of 67.6% or HK$116.0 million. This was mainly attributable to declining advertising spending caused by depressed market sentiment and weak economic growth in Hong Kong and Taiwan, as well as to an accelerated global trend towards programmatic online advertising. In addition, customer preferences continued to shift away from print publications and towards digital media.

The Group introduced a new scheme to award shares in the Company to all permanent staff in both Hong Kong and Taiwan. This scheme has the dual aim of increasing staff morale and motivation, and aligning the interests of staff with that of shareholders. The total amount of share awards granted in June 2018 was approximately HK$50.5 million.

At the same time, the Group underwent restructuring procedures for certain publications, which necessarily resulted in the layoff of some employees. During the period, restructurings incurred payments in lieu of notice of HK$27.9 million (six months ended 30 September 2017: HK$8.1 million).

As a result, the Company recorded a basic loss per share of HK11.3 cents for the period, compared to a basic loss per share of HK7.0 cents in the same period last year.

OPERATIONAL REVIEW

The Group's operations in Hong Kong and elsewhere accounted for about 65.7% of total revenue during the six months ended 30 September 2018, compared with 61.3% in last corresponding period, while its Taiwan operations contributed 34.3% of its total revenue, compared with 38.7% in the corresponding period of last year.

The Group continued to commit strategic investment resources to its digital business, which recorded a loss in its Hong Kong and Taiwan operations. In August, the Group established a Business Development Department. This department will enable the Group to adopt a more proactive and dynamic approach to programmatic advertising, thus realising greater revenue from the Group's digital asset inventory. The Group also continued to develop its *iBeacon* network, investing in technological improvements in order to widen service coverage, and planning promotional activity to raise *iBeacon*'s market profile.

Management Discussion and Analysis

The Group's print business experienced further challenges during the period under review. While many of its print publications still retain a core mainstream readership, overall customer habits and preferences have continued to shift from print to digital media, which has adversely affected the performance of its print titles. In line with this trend, the Group migrated its last remaining print magazine title, *Taiwan Next Magazine*, to a digital-only platform in April 2018.

Due to its reduced printing needs, the Group closed its printing presses in Gangshan, Taiwan, and now prints all of its publications at its remaining presses in Xia Wu, realising significant cost savings.

The Group also assumed direct control of its Hong Kong newspaper distribution operations as of 16 August 2018, allowing it to significantly reduce distribution costs and improve the flexibility and effectiveness of its distribution operations.

DIGITAL BUSINESS DIVISION

Digitalisation remains a relentless and pervasive trend. The Group has fully aligned its business strategy to embrace the commercial opportunities of digital media by stepping up investment in online content creation and developing its digital content collaboration offering for advertisers. As a result, the Group's digital platforms achieved improvement in unique users and page views during the period under review.

Through the integrated *Apple Daily* platform, readers can access all of the Group's magazines, including *Next Magazine*, *Eat & Travel Weekly* and *Ketchup*. This platform continues to attract a significant number of readers and page views. The combined platforms for Hong Kong and Taiwan together have commanded an average monthly page view count of 2.1 billion[1], making it one of the leading news sites in the world.

The Group offers digital versions of *Apple Daily*, featuring video and animation, branded in the "*Apple Actionnews*" signature style. This has remained the most popular news source for mobile devices in Hong Kong and Taiwan.

During the period under review, *Apple Daily* had a large user base of 5.1 million[2] monthly unique visitors in Hong Kong, 11.9 million[2] monthly unique visitors in Taiwan, 1.5 million[1] monthly unique visitors in the USA and 389,000[1] monthly unique visitors in Canada. This broad user base allowed the Group to capitalise on a wide range of advertising revenue generation opportunities during the period, including on-going diversification into the SME merchant market. The e-classified division in this segment recorded revenue of HK$5.7 million for the period.

The Group continued to develop and optimise its pioneering virtual reality (VR) product offering. In addition, its online games business recorded a profit and successfully undertook a number of creative collaborations involving animation content and online gaming.

Management Discussion and Analysis

Apple Daily's digital platform remains the market leader in Hong Kong and Taiwan. Despite this, 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, slightly decreased by 1.0% or HK$3.0 million to HK$291.4 million during the period, compared to HK$294.4 million for the same period last year. This was primarily attributable to declining advertising revenues, a drop in programmatic advertising sales, and the costs associated with the employee share award scheme and the Group's increased investment in content creation.

The Digital Business Division's segment loss amounted to HK$49.6 million during the period under review, compared with a segment loss of HK$22.9 million in the last corresponding period, representing an increase in loss amount of 116.6% or HK$26.7 million. This was mainly attributable to advertising revenues declining for the reasons outlined above, as well as to increased costs.

PRINT BUSINESS DIVISION

During the six months ended 30 September 2018, the total revenue of the Print Business Division was HK$370.0 million, representing a decrease of 23.0% or HK$110.7 million against the figure of HK$480.7 million for the last corresponding period. The Division's revenue accounted for 55.9% of the Group's total revenue and *Apple Daily* and *Taiwan Apple Daily* remained the largest contributors to the Division.

The Division's segment loss was HK$238.1 million during the period under review, an increase in loss amount of 65.9% or HK$94.6 million compared with the segment loss of HK$143.5 million recorded in the same period of 2017. This was mainly attributable to the decline in advertising revenue and circulation income of the Group's newspapers during the period, combined with high employee redundancy costs from restructuring, increased investment in content and a significant year-on-year increase in the direct costs of newspaper printing.

Newspaper Publications

Apple Daily, known for its vibrant editorial content, liberal stance and uncompromising reporting, retained its position as Hong Kong's most widely read paid-for daily and one of its best-selling newspapers. Its average net circulation per issue averaged 110,177[3] copies per day between January and June 2018, compared with 124,967[4] copies per day in the same period last year.

Apple Daily's total revenue stood at HK$117.0 million during the reporting period, representing a decrease of 17.3% or HK$24.4 million against the figure of HK$141.4 million recorded in the same period last year. Of this, advertising revenue accounted for HK$32.5 million and circulation income for HK$84.5 million, representing a decrease of 30.1% or HK$14.0 million and 11.0% or HK$10.4 million as compared to the respective figures of HK$46.5 million and HK$94.9 million for the same period last year. The advertising categories that made the largest contributions to revenue were the health product, loan, property and automobile sectors.

Taiwan Apple Daily, known for its editorial independence and attention-grabbing design, is one of the most widely read paid-for daily newspapers on the island. Its average net circulation per issue was 174,475 copies per day during the period, compared with 209,537 copies per day in the same period of 2017.

Its total revenue amounted to HK$139.3 million during the period under review, a decline of 28.9% or HK$56.5 million against the HK$195.8 million recorded in the last corresponding period. Of this, advertising revenue accounted for HK$87.6 million and circulation income for HK$50.6 million, representing a decrease of 32.3% or HK$41.7 million and 23.0% or HK$15.1 million as compared to the respective figures of HK$129.3 million and HK$65.7 million for the same period last year. Key advertising categories during the period under review included the property, decoration and furnishing, telecommunications, consumer electronics, automobile and travel sectors.

The Group took the strategic decision to cease publication of *Taiwan Sharp Daily*, a free newspaper distributed throughout the Taipei metro network on weekday mornings, on 31 August 2018. This was largely to prevent internal competition with *Taiwan Apple Daily*, with which it had significant overlap in terms of both potential readership and advertiser base. Prior to its closure, *Taiwan Sharp Daily*'s daily print run was 90,133 copies (2017: 90,162 copies). It generated most of its advertising revenue from the restaurant and travel sectors, as well as banking institutions and government agencies.

Printing

ADPL, the Group's newspaper printing operation, continued to make contributions to the Group despite being adversely affected by *Apple Daily*'s declining print circulation. Its revenue during the period under review amounted to HK$66.1 million, a decrease of 11.7% or HK$8.8 million compared to the figure of HK$74.9 million achieved in the corresponding period last year.

ADPL realised HK$36.0 million in revenue from external customers (total revenue minus transactions related to printing the Group's own publications), including printing assignments from local and overseas newspapers, during the reporting period. This was 12.2% or HK$5.0 million less than the figure of HK$41.0 million recorded in the last corresponding period.

The Group's commercial printing operation, secured a number of competitive bids during the reporting period and recorded a revenue of HK$65.4 million in the six months ended 30 September 2018, which was 51.7% or HK$22.3 million more than its revenue of HK$43.1 million in the same period last year.

Management Discussion and Analysis

PROSPECTS AND OUTLOOK

The shift towards digitalisation continues to disrupt and transform the media industry. To capitalise on this, the Group will invest in original and engaging content while being smart and adept at creating commercial value across new platforms.

The Group will continue to invest in developing the technology and talent required to achieve growth in its digital business. To maintain its competitive advantage, it will deploy resources to video, animation, VR, online games and other new technologies. To turn programmatic advertising from a threat into an opportunity, the Group's new Business Development Department will build deeper relationships with advertisers and optimise revenue generation across the Group's whole range of content inventory. The Group will also utilise big data analysis techniques to glean more precise information about readers' habits and preferences, allowing it to deliver personalised advertisements.

Traditional print media remains a core element of the Group's business. It will maintain market leadership in the print media sector through strict cost discipline, smarter use of data, more efficient workflows and streamlined management and operational processes. It will continue to enhance the quality of its print content by engaging more contributors and columnists, and by devoting more resources to investigative journalism, commentary, insight and in-depth analysis.

Looking ahead to the second half of the year, the Hong Kong economy is expected to improve slightly, driven by stronger consumer confidence and solid capital markets performance, while higher public spending in Taiwan may cushion recent economic deceleration and deliver moderate growth. However, there is a major concern that rising trade protectionism could depress growth and damage market confidence worldwide.

Within this challenging environment, the Group continues to receive the firm financial support of its controlling shareholder who signed a Loan Agreement with the Company on 8 November 2018 in which he agreed to provide an unsecured, interest-free, 36-month term loan facility to the Company of an aggregate maximum principal amount of HK$500.0 million, to be drawn down only as needed to meet the Group's working capital requirements (please refer to note 23(i) to the financial statements for details of the Loan Agreement.).

With this solid financial backing in place, the Group remains fully prepared to grasp value creation opportunities as they arise, while always investing in its core purpose of creating engaging content.

Sources:

1. *Apple Daily Internal Server Log*
2. *ComScore*
3. *Hong Kong Audit Bureau of Circulations Limited (January — June 2018)*
4. *Hong Kong Audit Bureau of Circulations Limited (January — June 2017)*

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 2018, the Group recorded net cash of approximately HK$202.2 million.

As at 30 September 2018, the Group had available banking facilities of a total of HK$579.2 million, of which HK$577.7 million had been utilised. The Group's bank borrowings amounted to HK$574.2 million, with a maturity profile spread over a period of five years and approximately HK$369.1 million repayable within three years. There was no seasonality in the Group's bank borrowing requirements, and all the monies borrowed bore interest at floating rates. The Group's bank borrowings are denominated in HK$ and NT$.

As at 30 September 2018, the Group's aggregate bank balances and cash reserves, including restricted bank balances, amounted to HK$203.7 million (31 March 2018: HK$305.0 million). The Group's current ratio on the same date was 88.7%, compared to 133.6% as at 31 March 2018. On the same date, its gearing ratio amounted to 23.9%, compared to 18.7% as at 31 March 2018. These figures were calculated by dividing its long-term liabilities, including current portions, by total asset value. During the period, the Group drew down a bank loan of NT$400.0 million (equivalent to HK$102.5 million) from a bank in Taiwan and obtained a new short term revolving loan of NT$40.0 million (equivalent to HK$10.3 million) from a bank in Taiwan. New bank loans raised were for general working capital purposes.

Assets Pledged

As at 30 September 2018, the Group had pledged its properties situated in Taiwan with an aggregate carrying value of HK$612.3 million to various banks as security for banking facilities granted to it.

Share Capital

As at 30 September 2018, the Company's total amount of issued and fully paid share capital was HK$2,486.2 million (31 March 2018: HK$2,435.6 million) and the total number of issued Shares with no par value was 2,634,169,487 Shares (31 March 2018: 2,432,026,881 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 digital and print businesses in Taiwan. It reduces this exposure by arranging bank loans in NT$.

As at 30 September 2018, the Group's net currency exposure stood at NT$2,474.2 million (equivalent to HK$634.3 million), a decrease of 2.7% on the figure of NT$2,543.0 million (equivalent to HK$685.8 million) as at 31 March 2018.

The Group's capital expenditure for the six months ended 30 September 2018 totalled HK$17.0 million (six months ended 30 September 2017: HK$16.8 million). As at 30 September 2018, the Group's outstanding capital commitments were HK$16.1 million (31 March 2018: HK$3.3 million).

Contingent Liabilities

(a) Pending Litigations

As at 30 September 2018, 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 HK$48.4 million (31 March 2018: HK$40.5 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 Proposed Disposal of *Hong Kong Next Magazine* and *Taiwan Next Magazine*

On 5 February 2018, Gossip Daily Limited ("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$88.0 million; (ii) an additional amount of HK$88.0 million as liquidated damages; (iii) consequential losses of NT$900.0 million (equivalent to approximately HK$240.0 million); 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 therefore commenced arbitration proceedings against GDL at the Hong Kong International Arbitration Centre ("HKIAC") 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 took place on 7 August 2018 and judgement was delivered on 27 August 2018. The court has found in favour of the Defendants and stayed all GDL's claims to arbitration and ordered GDL to pay the Defendants' costs of the application on an indemnity basis. GDL subsequently amended its defence and counterclaim on 14 September 2018 and the Defendants submitted their amended statement of reply and defence to counterclaim to the Arbitral Tribunal on 3 October 2018.

The Defendants consider GDL's allegations and claims to be utterly wrong and ill-founded and will continue to defend their position vigorously in the Arbitration proceedings at the HKIAC.

(c) 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 Contracting Limited.

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.

(d) 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 2018, these contingent liabilities amounted to HK$579.2 million (31 March 2018: HK$618.3 million), HK$577.7 million (31 March 2018: HK$489.0 million) of which has been utilised by certain of its subsidiaries.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2018, the Group employed a total of 2,511 employees, of whom 1,321 were in Hong Kong and 1,190 were in Taiwan, following a restructuring.

In June, the Group introduced a groundbreaking share award scheme for its employees in Hong Kong and Taiwan. All permanent employees were given shares in the Company equivalent to the value of either one month's or a half month's salary without any vesting period, which they are free to hold or sell at their own discretion once shares have been granted. This scheme, unprecedented among the Hong Kong and Taiwan media sector, aims to cultivate a sense of belonging and ownership among staff and increase talent retention and morale.

In order to attract and retain talent, the Group also introduced a number of employee wellbeing initiatives. Employees now enjoy free refreshments in the office and free gifts such as moon cakes and fresh seasonal fruits for festivals and holidays. The staff canteens in both the Hong Kong and Taiwan offices are currently undergoing renovation.

Save for the above, there were no material changes to the policies regarding employee remuneration, bonuses, share incentive schemes and staff development disclosed in the 2017/18 annual report of the Company.

During the period under review, the total staff costs of the Group amounted to HK$540.4 million, compared to HK$536.5 million incurred for the same period last year.

INTERIM DIVIDEND

The Directors have resolved not to declare an interim dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: 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.

DISCLOSURE of Interests

Disclosure of Interests

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 30 September 2018, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company (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:

Long positions in Shares and underlying Shares of the Company

	Number of Shares held				Number of underlying Shares held		
Name of Directors	Personal interests	Family interests	Corporate interests	Other interests	under equity derivatives	Total Shares	Percentage of issued Shares
Lai Chee Ying	1,720,594,935	–	80,018,000	64,938,230		1,865,551,165	70.82
Ip Yut Kin	10,200,377	2,630,000	–	–	–	12,830,377	0.49
Chow Tat Kuen, Royston	300,000	–	–	–	1,500,000 *(Note)*	1,800,000	0.07

Note: These interests represented options granted to the Director as beneficial owner under the 2014 Share Option Scheme.

Save as disclosed above, none of the Directors or the chief executive of the Company or their associates had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 September 2018.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 30 September 2018, 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:

Name of Shareholder	Capacity	Number of Shares held (long position)	Percentage of issued Shares
Li Wan Kam, Teresa	Interest of spouse	1,865,551,165 *(Note)*	70.82

Note: Ms. Li Wan Kam, Teresa was deemed to be interested in these Shares through the interests of her spouse, Mr. Lai.

Save as disclosed above, the Company had not been notified of any other person (other than the Directors or chief executive 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 pursuant to Section 336 of the SFO as at 30 September 2018.

SHARE INCENTIVE SCHEMES

(a) Share Option Scheme of the Company

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 under Chapter 17 of the Listing Rules. Details of movements of the 2014 Share Option Scheme during the period from 1 April 2018 to 30 September 2018 were as follows:

					Number of Share options				
Name or category of participants	Date of grant	Exercise price per Share	Vesting date (%)	Exercise period	At 01.04.2018	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	At 30.09.2018
Directors									
Chow Tat Kuen, Royston	03.02.2016	HK$0.42	03.02.2017 (30%) 03.02.2018 (60%) 03.02.2019 (100%)	04.02.2016 – 30.07.2024	1,500,000	–	–	–	1,500,000
Bradley Jay Hamm (resigned on 13 September 2018)	02.03.2015	HK$0.76	02.03.2016 (30%) 02.03.2017 (60%) 02.03.2018 (100%)	03.03.2015 – 30.07.2024	510,000	–	–	(510,000)	–
Total					2,010,000	–	–	(510,000)	1,500,000

(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") with terms which are in compliance with the requirements under Chapter 17 of the Listing Rules:

Name of subsidiaries	Adoption date	Share option scheme title
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 2018:

2013 nxTomo Share Option Scheme

					Number of share options				
Category of participants	Date of grant	Exercise price per share	Vesting date (%)	Exercise period	At 01.04.2018	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	At 30.09.2018
Employees	23.09.2013	HK$0.01	23.09.2014 (100%)	24.09.2014 – 14.06.2023	50,000	–	–	(50,000)	–
	03.10.2014	HK$0.01	03.10.2015 (100%)	04.10.2015 – 14.06.2023	20,000	–	–	(12,000)	8,000
Total					70,000	–	–	(62,000)	8,000

2015 ADEC Share Option Scheme

Category of participant	Date of grant	Exercise price per share	Vesting date (%)	Exercise period	Number of share options: At 01.04.2018	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	At 30.09.2018
Employee	07.10.2015	HK$0.01	07.10.2016 (100%)	08.10.2016 – 28.08.2025	100,000	–	–	(100,000)	–

Apart from the movements as stated above, no options were granted, exercised, lapsed or cancelled under the Subsidiary Share Option Schemes during the six months ended 30 September 2018.

(c) Share Award to Director

The Company on 13 April 2015 had conditionally awarded the following award shares to an INED subject to the vesting conditions as set out below:

Name of INED	Award date	No. of award shares	Vesting date/ No. of award shares
Bradley Jay Hamm ("Dr. Hamm") (resigned on 13 September 2018)	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 INED and the INED remaining as Director, the Company allotted and issued the award shares to the INED on the respective vesting dates as stated above.

Pursuant to the terms and vesting conditions, the last tranche of the award shares of 100,000 Shares were issued and allotted to Dr. Hamm on 13 April 2018.

The Company has used the Binominal Model to assess the fair value of the award shares granted to the INED during the period. For the six months ended 30 September 2018, the Group recognized a total expense of HK$704 in relation to such award shares.

(d) Share Award to Employees

The Company on 12 June 2018 adopted an one-off employee share award scheme ("Employee Share Award Scheme"), under which all full-time employees of the Group (neither connected persons nor subject to contractual renewal) as at the adoption date as selected by the Board were entitled to participate in as selected participants who were granted award shares equivalent to his one month or half month salary depended on his length of service. The purpose of the Employee Share Award Scheme is to provide an incentive measure with a view to aligning the interests of the selected employees directly to that of the Company's shareholders through ownership of Shares, thereby encouraging employees' further contribution to the Group. Details of the Employee Share Award Scheme were disclosed in the Company's announcements dated 12 June 2018 and 28 June 2018.

During the period under review, an aggregate of 202,042,606 Shares were awarded to the selected employees on 28 June 2018 subject to acceptances by the respective selected employees. After the allotment and issuance of award shares, the Employee Share Award Scheme was lapsed on 28 June 2018 in accordance with the scheme rules.

The Company has used the Binominal Model to assess the fair value of the award shares granted to the selected employees during the period. For the six months ended 30 September 2018, the Group recognized a total expense of HK$50,511,000 in relation to such award shares.

CORPORATE Information

Corporate Information

DIRECTORS

Non-executive Directors

Lai Chee Ying (Non-executive Chairman)
Ip Yut Kin

Executive Directors

Cheung Kim Hung (CEO)
Chow Tat Kuen, Royston (CFO)

Independent Non-executive Directors

Louis Gordon Crovitz
Mark Lambert Clifford
Lam Chung Yan, Elic

AUDIT COMMITTEE

Lam Chung Yan, Elic (Chairman)
Louis Gordon Crovitz
Mark Lambert Clifford

NOMINATION COMMITTEE

Mark Lambert Clifford (Chairman)
Louis Gordon Crovitz
Cheung Kim Hung

REMUNERATION COMMITTEE

Louis Gordon Crovitz (Chairman)
Lam Chung Yan, Elic
Chow Tat Kuen, Royston

AUTHORISED REPRESENTATIVES

Cheung Kim Hung
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

LEGAL ADVISORS

Reed Smith Richards Butler
Deacons

SHARE REGISTRAR AND TRANSFER OFFICE

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

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

WEBSITE

http://www.nextdigital.com.hk

SHARE
Information

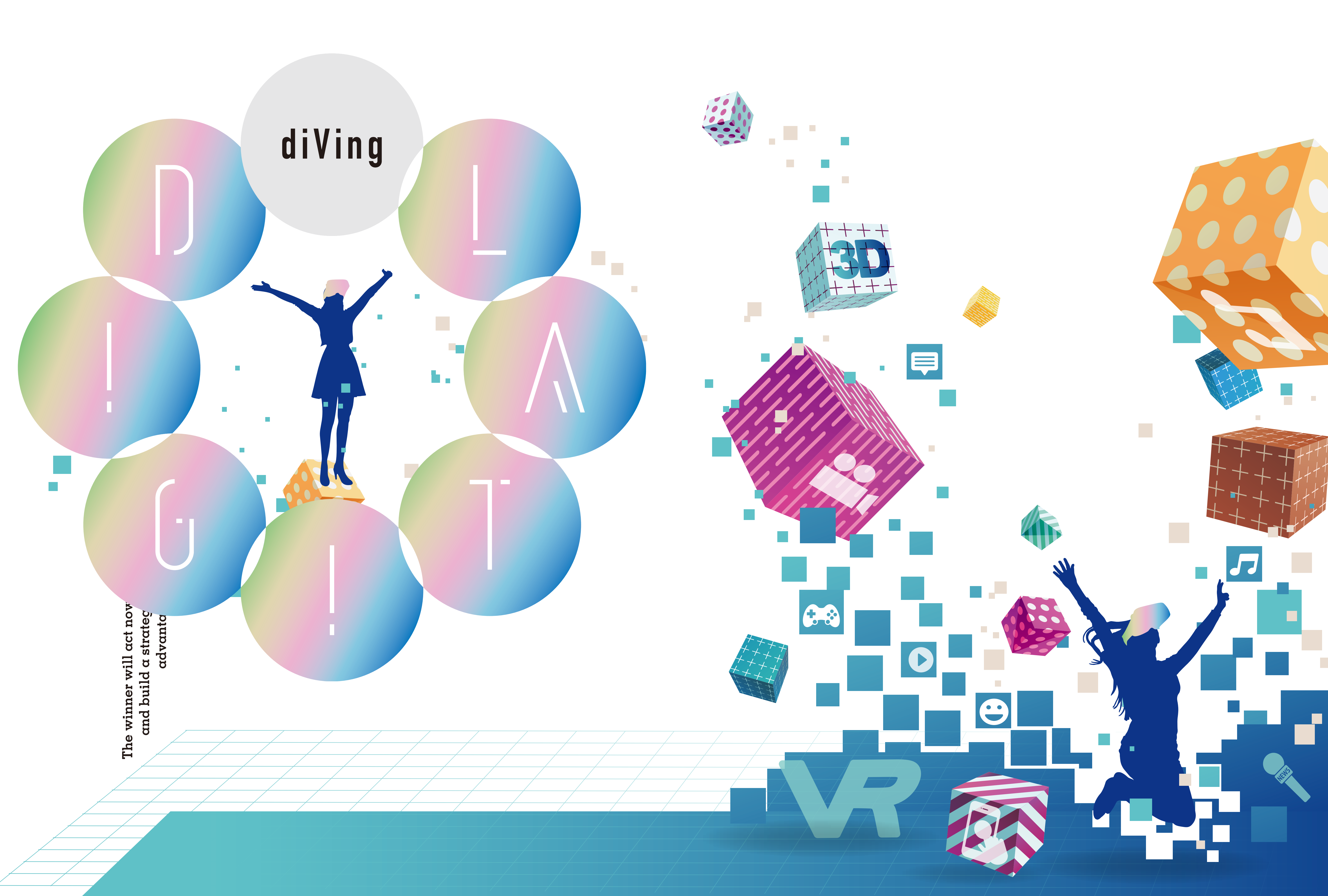
Share Information

As at 30 September 2018

Shareholders	
Mr. Lai Chee Ying	70.82%
Others Directors	0.50%
Others	28.68%
Issued Shares	2,634,169,487 Shares
Market Capitalisation	
at HK$0.24 per Share (closing price on 28 September 2018)	HK$0.63 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	HK$0.42
Number of Shares	1,500,000

dRiving

The winner will act now,
and build a strategic
advantage


diVing
DIGITAL
The winner will act now
3D
VR

OTHER
Information

dRiving
DIGITAL

Other Information

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the CG Code throughout the six months ended 30 September 2018, 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, independent non-executive directors and other 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 the CG Code, the chairman of the board should attend the annual general meeting. During the period under review, Mr. Lai, being the Non-executive Chairman, was unable to attend the 2018 AGM due to his other business engagements. However, he appointed Mr. Cheung Kim Hung, the CEO as his delegate to answer Shareholders' questions.

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 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 30 September 2018.

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 2018.

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

Lai Chee Ying
Non-executive Chairman

Hong Kong, 12 November 2018

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 34 to 74, which comprise the condensed consolidated statement of financial position as of 30 September 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
12 November 2018

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2018

	Notes	Six months ended 30 September 2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
Revenue	3A	**661,435**	775,058
Production costs			
Cost of raw materials consumed		**(120,002)**	(116,109)
Other overheads		**(156,317)**	(152,587)
Staff costs		**(284,421)**	(306,056)
Personnel costs excluding direct production staff costs		**(256,001)**	(230,475)
Other income	3B	**13,314**	14,595
Net exchange gain		**4,017**	5,948
Depreciation of property, plant and equipment		**(30,630)**	(46,618)
Release of prepaid lease payments		**(900)**	(900)
Other expenses		**(106,461)**	(101,687)
Allowance for bad and doubtful debts		**(3,880)**	(2,429)
Finance costs	5	**(5,724)**	(5,427)
Loss before tax		**(285,570)**	(166,687)
Income tax expense	6	**(1,920)**	(4,850)
Loss for the period	7	**(287,490)**	(171,537)
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(37,549)**	1,858
Total comprehensive expense for the period		**(325,039)**	(169,679)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2018

	Note	Six months ended 30 September 2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
Loss for the period attributable to:			
Owners of the Company		**(286,934)**	(171,010)
Non-controlling interests		**(556)**	(527)
		(287,490)	(171,537)
Total comprehensive expense attributable to:			
Owners of the Company		**(324,433)**	(169,194)
Non-controlling interests		**(606)**	(485)
		(325,039)	(169,679)
Loss per share	9		
Basic		**HK(11.3 cents)**	HK(7.0 cents)
Diluted		**HK(11.3 cents)**	HK(7.0 cents)

Condensed Consolidated Statement of Financial Position

At 30 September 2018

	Notes	30 September 2018 HK$'000 (unaudited)	31 March 2018 HK$'000 (audited)
NON-CURRENT ASSETS			
Intangible assets	10	**658,039**	658,039
Property, plant and equipment	11	**1,018,123**	1,076,915
Prepaid lease payments	12	**49,873**	50,773
Deposits for acquisition of property, plant and equipment		**8,896**	16,237
		1,734,931	1,801,964
CURRENT ASSETS			
Inventories		**67,525**	82,307
Trade and other receivables	13	**377,605**	385,724
Prepaid lease payments	12	**1,797**	1,797
Tax recoverable		**15,153**	15,761
Restricted bank balances	14	**1,500**	1,500
Amounts due from related parties		**5,860**	7,705
Bank balances and cash		**202,181**	303,506
		671,621	798,300
CURRENT LIABILITIES			
Trade and other payables	15	**508,641**	541,564
Deferred revenue		**–**	1,902
Contract liabilities		**21,742**	–
Borrowings	16	**164,060**	–
Provisions	17	**48,353**	40,480
Tax liabilities		**14,705**	13,620
		757,501	597,566
NET CURRENT (LIABILITIES) ASSETS		**(85,880)**	200,734
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,649,051**	2,002,698

Condensed Consolidated Statement of Financial Position

At 30 September 2018

	Notes	**30 September 2018 HK$'000 (unaudited)**	31 March 2018 HK$'000 (audited)
NON-CURRENT LIABILITIES			
Borrowings	16	**410,151**	485,437
Retirement benefits plans		**37,737**	41,837
Deferred tax liabilities		**151,870**	151,623
		599,758	678,897
NET ASSETS		**1,049,293**	1,323,801
CAPITAL AND RESERVES			
Share capital	18	**2,486,157**	2,435,582
Reserves		**(1,439,744)**	(1,115,756)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**1,046,413**	1,319,826
NON-CONTROLLING INTERESTS		**2,880**	3,975
TOTAL EQUITY		**1,049,293**	1,323,801

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2018

	Attributable to owners of the Company					Attributable to non-controlling interests			
	Share capital HK$'000	Translation reserve HK$'000	Share-based payment reserve HK$'000	Accumulated losses HK$'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
At 31 March 2017 (audited)	2,435,345	(67,900)	17,297	(627,675)	1,757,067	10,294	6,059	16,353	1,773,420
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 19c)*	237	–	(237)	–	–	–	–	–	–
Lapse of share options	–	–	(13,592)	20,201	6,609	(6,609)	–	(6,609)	–
Acquisition of additional interests in subsidiaries *(Note)*	–	(112)	–	295	183	–	(183)	(183)	–
At 30 September 2017 (unaudited)	2,435,582	(66,196)	3,973	(778,189)	1,595,170	3,705	4,806	8,511	1,603,681
At 31 March 2018 (audited)	**2,435,582**	**(42,354)**	**486**	**(1,073,888)**	**1,319,826**	**651**	**3,324**	**3,975**	**1,323,801**
Exchange differences on translating foreign operations	**–**	**(37,499)**	**–**	**–**	**(37,499)**	**–**	**(50)**	**(50)**	**(37,549)**
Loss for the period	**–**	**–**	**–**	**(286,934)**	**(286,934)**	**–**	**(556)**	**(556)**	**(287,490)**
Total comprehensive expense for the period	**–**	**(37,499)**	**–**	**(286,934)**	**(324,433)**	**–**	**(606)**	**(606)**	**(325,039)**
Recognition of equity-settled share-based payments	**–**	**–**	**20**	**–**	**20**	**50,511**	**–**	**50,511**	**50,531**
Issue of ordinary shares in relation to award of new shares *(notes 19c and 19d)*	**50,575**	**–**	**(64)**	**–**	**50,511**	**(50,511)**	**–**	**(50,511)**	**–**
Lapse of share options	**–**	**–**	**(178)**	**667**	**489**	**(489)**	**–**	**(489)**	**–**
At 30 September 2018 (unaudited)	**2,486,157**	**(79,853)**	**264**	**(1,360,155)**	**1,046,413**	**162**	**2,718**	**2,880**	**1,049,293**

Note: *On 27 September 2017, Ideal Vegas Limited, a wholly owned subsidiary of the Company, purchased a total of 38,561 shares of Next Media Publishing Limited ("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 2018

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
NET CASH USED IN OPERATING ACTIVITIES	**(182,611)**	(76,709)
INVESTING ACTIVITIES		
Deposit for acquisition of property, plant and equipment	**(9,166)**	(10,376)
Purchases of property, plant and equipment	**(8,129)**	(6,448)
Interest received	**189**	443
Proceeds from disposal of property, plant and equipment	**412**	132
NET CASH USED IN INVESTING ACTIVITIES	**(16,694)**	(16,249)
FINANCING ACTIVITIES		
Dividends paid	**–**	(585)
Interest paid	**(5,724)**	(5,427)
New bank loans raised	**112,791**	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**107,067**	(6,012)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(92,238)**	(98,970)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**303,506**	500,546
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(9,087)**	(2,887)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	**202,181**	398,689

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

1. BASIS OF PREPARATION

The condensed consolidated financial statements of Next Digital Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") 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 2018 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 2018 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.

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration of the Group in light of its net current liabilities of approximately HK$85,880,000 as at 30 September 2018. Having considered the unsecured shareholder's loan of an aggregate maximum amount of HK$500,000,000 are obtained subsequent to the reporting period which remains unutilised at the date of approval of the condensed consolidated financial statements, the directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the condensed consolidated financial statements for the six months ended 30 September 2018 have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standard ("HKFRSs") and interpretation, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2018.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and an interpretation issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 April 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs and an interpretation have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following major sources:

- Internet advertising income, internet subscription income, content provision and development of mobile games and apps income
- Sales of newspapers
- Sales of books and magazines
- Newspapers advertising income
- Books and magazines advertising income
- Printing and reprographic services income

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") *(Continued)*

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. In accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and the related interpretations. At the date of initial application, there is no difference recognised in the opening accumulated losses and no comparative information has been restated.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

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

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

2.1.2 Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2018 HK$'000	Reclassification HK$'000	Carrying amounts under HKFRS 15 at 1 April 2018 HK$'000
Current liabilities			
Trade and other payables	22,329	(22,329)	–
Deferred revenue	1,902	(1,902)	–
Contract liabilities	–	24,231	24,231

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") *(Continued)*

2.1.2 Summary of effects arising from initial application of HKFRS 15 (Continued)

As at 1 April 2018, deferred revenue of HK$1,902,000 in respect of unused consumables game items and unamortised durable game items from customers and deposit received for subscription of and advertisement in newspaper, magazines and internet of HK$3,203,000 and receipt in advance from customers of newspaper publication of HK$19,126,000 previously included in trade and other payables are reclassified to contract liabilities.

The following tables summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 September 2018 for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

	As reported HK$'000	Reclassification HK$'000	Amounts without application of HKFRS 15 HK$'000
Current liabilities			
Trade and other payables	–	20,824	20,824
Deferred revenue	–	918	918
Contract liabilities	21,742	(21,742)	–

The application of HKFRS 15 has had no material impact on the Group's accumulated losses as at 1 April 2018.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments ("HKFRS 9")

In the current period, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated losses and non-controlling interests, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments ("HKFRS 9") *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, amounts due from related parties, restricted bank balances and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments ("HKFRS 9") *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model (Continued)

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments ("HKFRS 9") *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model (Continued)

Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments ("HKFRS 9") *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model (Continued)

Measurement and recognition of ECL (Continued)

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

The application of HFKRS 9 on 1 April 2018 has no material impact on the condensed consolidation financial statements of the Group with regards to classification and measurement of financial instruments nor recognised additional impairment loss allowance as the amounts involved are not material.

2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had been restated. The following table summaries the adjustments recognised for the relevant individual line item.

	31 March 2018 (Audited) HK$'000	HKFRS 15 HK$'000	1 April 2018 (Restated) HK$'000
Current liabilities			
Trade and other payables	22,329	(22,329)	–
Deferred revenue	1,902	(1,902)	–
Contract liabilities	–	24,231	24,231

Except as described above, the application of other 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.

For the six months ended 30 September 2018

3A. REVENUE

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

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Internet advertising income, internet subscription income, content provision and development of mobile games and apps income ("Digital business")	**291,373**	294,368
Sales of newspapers	**139,320**	160,697
Sales of books and magazines	**–**	19,020
Newspapers advertising income	**125,650**	185,981
Books and magazines advertising income	**3,039**	30,184
Printing and reprographic services income	**102,053**	84,808
	661,435	775,058
Geographical markets		
Hong Kong	**409,887**	452,036
Taiwan	**226,647**	299,750
Others	**24,901**	23,272
	661,435	775,058
Timing of revenue recognition		
At a point in time	**660,340**	773,260
Over time – development of mobile games and apps income	**1,095**	1,798
	661,435	775,058

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

3B. OTHER INCOME

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Sales of waste materials	**2,960**	2,341
Interest income on bank deposits	**189**	443
Rental income	**8,864**	8,564
Others	**1,301**	3,247
	13,314	14,595

4. 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 interim period, 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 interim period as print business. Accordingly, the comparative information has been restated.

4. SEGMENT INFORMATION (CONTINUED)

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 period under review:

Six months ended 30 September 2018 (unaudited)

	Digital business HK$'000	Print business HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE				
External sales	291,373	370,062	–	661,435
Inter-segment sales	–	98,548	(98,548)	–
Total	291,373	468,610	(98,548)	661,435
Segment results	(49,575)	(238,093)	–	(287,668)
Unallocated expenses				(2,532)
Unallocated income				10,354
Finance costs				(5,724)
Loss before tax				(285,570)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

4. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results *(Continued)*

Six months ended 30 September 2017 (unaudited) (restated)

	Digital business HK$'000	Print business HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE				
External sales	294,368	480,690	–	775,058
Inter-segment sales	–	109,901	(109,901)	–
Total	294,368	590,591	(109,901)	775,058
Segment results	(22,873)	(143,500)	–	(166,373)
Unallocated expenses				(7,141)
Unallocated income				12,254
Finance costs				(5,427)
Loss before tax				(166,687)

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 the CODM for the purpose of resource allocation and performance assessment.

4. SEGMENT INFORMATION (CONTINUED)

Segment assets and segment liabilities

As at 30 September 2018 (unaudited)

	Digital business HK$'000	Print business HK$'000	Eliminations HK$'000	Consolidated HK$'000
Segment assets	**589,980**	**1,594,761**	**–**	**2,184,741**
Unallocated assets				**221,811**
Total assets				**2,406,552**
Segment liabilities	**(107,537)**	**(503,828)**	**–**	**(611,365)**
Unallocated liabilities				**(745,894)**
Total liabilities				**(1,357,259)**

As at 31 March 2018 (audited)

	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)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

4. 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, bank borrowings, deferred tax liabilities and corporate liabilities that are not attributable to segments.

Other segment information

For the six months ended 30 September 2018 (unaudited)

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	2,392	14,633	–	17,025
Depreciation of property, plant and equipment	12,773	17,767	90	30,630
Release of prepaid lease payments	403	497	–	900
Allowance for bad and doubtful debts	1,255	2,625	–	3,880
Share-based payment expense	7,068	43,443	20	50,531
Loss (gain) on disposal of property, plant and equipment	707	(5)	–	702
Provision for litigation expense	1,683	9,134	–	10,817
Legal and professional fee	3,275	7,395	–	10,670
Redundancy payment	10,387	17,465	–	27,852

4. SEGMENT INFORMATION (CONTINUED)

Other segment information *(Continued)*

For the six months ended 30 September 2017 (unaudited) (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	10,071	6,774	–	16,845
Depreciation of property, plant and equipment	10,241	34,098	2,279	46,618
Release of prepaid lease payments	–	497	403	900
Allowance for bad and doubtful debts	1,213	1,216	–	2,429
Share-based payment expense	–	20	505	525
Loss on disposal of property, plant and equipment	63	44	–	107
Provision for litigation expense, net of reversal	–	3,742	–	3,742
Legal and professional fee	4,787	2,494	–	7,281
Redundancy payment	3,594	4,555	–	8,149

5. FINANCE COSTS

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Interest expenses on bank borrowings	**5,724**	5,427

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

6. INCOME TAX EXPENSE

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current tax:		
Hong Kong	**1,980**	3,208
Other jurisdictions	**(60)**	6
	1,920	3,214
Deferred tax:		
Current period	**–**	1,636
	1,920	4,850

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% (2017: 16.5%) for the six months ended 30 September 2018.

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

7. LOSS FOR THE PERIOD

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging:		
Auditor's remuneration	**695**	662
Operating lease expenses on:		
Properties	**440**	542
Plant and equipment	**6,241**	6,769
Loss on disposal of property, plant and equipment (included in other expenses)	**702**	107
Allowance for doubtful debts	**3,880**	2,429
Provision for litigation expenses *(note 17)* (included in other expenses)	**10,817**	3,742
Share-based payment expense (included in personnel costs)	**50,531**	525
Redundancy payment (included in personnel costs)	**27,852**	8,149

8. DIVIDENDS

No interim dividend was proposed for the six months ended 30 September 2018 (six months ended 30 September 2017: nil), nor has any dividend been proposed since the end of the reporting period.

9. LOSS PER SHARE

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

Loss

	Six months ended 30 September	
	2018	2017
	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	**(286,934)**	(171,010)

Number of shares

	Six months ended 30 September	
	2018	2017
	No. of shares	No. of shares
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,534,797,714**	2,431,921,963

The computation of diluted loss per share for the six months ended 30 September 2018 and 30 September 2017 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

10. INTANGIBLE ASSETS

	Masthead and publishing rights HK$'000
COST	
At 1 April 2018 (audited) and 30 September 2018 (unaudited)	1,482,799
ACCUMULATED IMPAIRMENT	
At 1 April 2018 (audited) and 30 September 2018 (unaudited)	824,760
CARRYING VALUES	
At 30 September 2018 (unaudited)	658,039
At 31 March 2018 (audited)	658,039

The masthead and publishing rights are considered by the management of the Group as having an indefinite useful life because they are expected to contribute net cash inflows to the Group indefinitely.

11. PROPERTY, PLANT AND EQUIPMENT

	HK$'000
COST	
At 1 April 2018 (audited)	2,963,945
Exchange difference	(91,124)
Additions	24,366
Disposals	(21,879)
At 30 September 2018 (unaudited)	2,875,308
ACCUMULATED DEPRECIATION AND IMPAIRMENT	
At 1 April 2018 (audited)	1,887,030
Exchange difference	(39,710)
Charge for the period	30,630
Eliminated on disposals	(20,765)
At 30 September 2018 (unaudited)	1,857,185
CARRYING VALUES	
At 30 September 2018 (unaudited)	1,018,123
At 31 March 2018 (audited)	1,076,915

12. PREPAID LEASE PAYMENTS

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

	30 September 2018 HK$'000 (unaudited)	31 March 2018 HK$'000 (audited)
Analysed for reporting purposes as:		
Current asset	**1,797**	1,797
Non-current asset	**49,873**	50,773
	51,670	52,570

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

13. TRADE AND OTHER RECEIVABLES

	30 September 2018 HK$'000 (unaudited)	31 March 2018 HK$'000 (audited)
Trade receivables	**365,258**	376,275
Less: allowance for doubtful debts	**(61,125)**	(57,498)
	304,133	318,777
Prepayments	**36,187**	36,515
Rental and other deposits	**11,042**	12,342
Others	**26,243**	18,090
Trade and other receivables	**377,605**	385,724

The Group allows credit terms of 7 to 120 days to its trade customers.

The following is an aged analysis of the trade receivables after deducting the allowance for doubtful debts presented based on invoice dates, which approximated the respective revenue recognition dates, at the end of the reporting period:

	30 September 2018 HK$'000 (unaudited)	31 March 2018 HK$'000 (audited)
0 – 1 month	**100,193**	109,983
1 – 3 months	**110,919**	111,741
3 – 4 months	**38,699**	48,099
Over 4 months	**54,322**	48,954
	304,133	318,777

Included in the Group's trade receivable balances are debtors with an aggregate carrying amount of HK$54,322,000 (31 March 2018: HK$48,954,000) which are past due at the end of the reporting period for which the movement of allowance for doubtful debts is disclosed below. The Group does not hold any collateral over these balances.

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	30 September 2018 HK$'000 (unaudited)	31 March 2018 HK$'000 (audited)
Over 4 months	**54,322**	48,954

Movement in the allowance for doubtful debts

	Six months ended 30 September	
	2018 HK$'000	2017 HK$'000
At 1 April (audited)	**57,498**	44,756
Impairment loss recognised	**3,880**	2,429
Exchange difference	**(253)**	82
Amounts written off as uncollectible	**–**	(23)
At 30 September (unaudited)	**61,125**	47,244

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$4,261,000 (31 March 2018: HK$4,483,000) and collectively impaired trade receivables with an aggregate balance of HK$56,864,000 (31 March 2018: HK$53,015,000). The Group does not hold any collateral over these balances.

14. RESTRICTED BANK BALANCES

As at 30 September 2018, bank balances amounting to HK$1,500,000 (31 March 2018: 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 1.40% per annum for the period (31 March 2018: 0.60% per annum for the year).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

15. TRADE AND OTHER PAYABLES

	30 September 2018 HK$'000 (unaudited)	31 March 2018 HK$'000 (audited)
Trade payables	**38,797**	75,364
Accrued staff costs	**212,433**	187,386
Accrued charges	**137,493**	118,444
Deposit received	**88,000**	88,000
Other payables	**31,918**	72,370
Trade and other payables	**508,641**	541,564

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

	30 September 2018 HK$'000 (unaudited)	31 March 2018 HK$'000 (audited)
0 – 1 month	**16,567**	49,629
1 – 3 months	**13,563**	19,671
Over 3 months	**8,667**	6,064
	38,797	75,364

16. BORROWINGS

	30 September 2018 HK$'000 (unaudited)	31 March 2018 HK$'000 (audited)
Carrying amount repayable		
– on demand or within one year	**164,060**	–
– in the second year	**102,538**	107,875
– in the third year	**102,538**	107,875
– in the fourth year	**102,538**	107,875
– in the fifth year	**102,537**	107,875
– more than five years	**–**	53,937
	574,211	485,437
Less: Amount due within one year or on demand shown under current liabilities	**(164,060)**	–
Non-current portion	**410,151**	485,437

Notes:

(i) Bank loans of HK$461,420,000 carry interest at 3 months Taipei Interbank Offered Rate plus 1.55% per annum and repayable in quarterly instalment from 1 June 2019 to 1 September 2023.

The weighted average effective interest rate (which are equal to contractual interest rates) of borrowings is 2.33% per annum for the period (31 March 2018: 2.32% per annum for the year).

(ii) A bank loan of HK$102,538,000 carries interest at 1.20% per annum (31 March 2018: nil) and repayable on 26 October 2018.

On 26 October 2018, the Group has repaid the full amount and borrowed the same amount which carries interest at 1.60% per annum and repayable on 25 January 2019.

(iii) A bank loan of HK$10,253,000 carries interest at adjustable rates for consumer loans plus 0.73% per annum (31 March 2018: nil) and repayable on 25 February 2019.

The effective interest rate (which is equal to contractual interest rate) of borrowing is 1.80% per annum for the period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

16. BORROWINGS (CONTINUED)

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

At 30 September 2018, the Group had total unutilised bank loan facilities of HK$1,470,000 (31 March 2018: HK$129,345,000).

17. PROVISIONS

	Litigations HK$'000
At 1 April 2018 (audited)	40,480
Additional provision during the period	10,817
Payment during the period	(2,647)
Exchange difference	(297)
At 30 September 2018 (unaudited)	48,353

As at 30 September 2018, 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.

18. SHARE CAPITAL

	Number of shares		**Share capital**	
	30 September 2018	31 March 2018	**30 September 2018 HK$'000**	31 March 2018 HK$'000
Issued and fully paid:				
At beginning of the period/year	**2,432,026,881**	2,431,726,881	**2,435,582**	2,435,345
Issue of ordinary shares in relation to award of new shares *(notes 19c and 19d)*	**202,142,606**	300,000	**50,575**	237
At end of the period/year	**2,634,169,487**	2,432,026,881	**2,486,157**	2,435,582

19. SHARE INCENTIVE SCHEMES

(a) 2014 Share Option Scheme adopted by the Company

The Company's share option scheme (the "2014 Share Option Scheme") was adopted pursuant to resolutions passed on 31 July 2014 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 of Directors may grant options to the participants to subscribe for shares in the Company.

Options granted must be taken up within 14 days from the date of grant, upon payment of HK$10. Subject to the respective terms of issue, options may be exercised at any time from the vesting date to the expiry date. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the shares on the date of grant; and (ii) the average closing price of the shares for the five business days immediately preceding the date of grant. Remaining life of the 2014 Share Option Scheme is 10 years commencing on 31 July 2014.

Movements in the number of options granted pursuant to the 2014 Share Option Scheme are as follows:

	Number of options
At 1 April 2018	2,010,000
Lapsed during the period	(510,000)
At 30 September 2018	1,500,000

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 2018

19. SHARE INCENTIVE SCHEMES (CONTINUED)

(b) Share option schemes adopted by certain subsidiaries

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 E-Shopping Limited ("Next E-Shopping"), Next Mobile International Limited ("NMIL") and Sharp Daily Limited ("Sharp Daily") adopted share option schemes (the "2012 Subsidiary Share Option Schemes"). On 14 June 2013, nxTomo Ltd. ("nxTomo") adopted a share option scheme (the "2013 nxTomo Share Option Scheme"). On 28 August 2015, Apple Daily E-Classified Limited ("ADEC") adopted a share option scheme (the "2015 ADEC Share Option Scheme"). ADEC together with AHIL, Anyplex, Next E-Shopping, NMIL, Sharp Daily and nxTomo are, collectively referred to as the "Subsidiaries".

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

(i) 2013 nxTomo Share Option Scheme

	Number of options nxTomo
At 1 April 2018	70,000
Lapsed during the period	(62,000)
At 30 September 2018	8,000

19. SHARE INCENTIVE SCHEMES (CONTINUED)

(b) Share option schemes adopted by certain subsidiaries *(Continued)*

(ii) 2015 ADEC Share Option Scheme

	Number of options ADEC
At 1 April 2018	100,000
Lapsed during the period	(100,000)
At 30 September 2018	–

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.

(c) Award of new shares to directors of the Company

The Company has 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
Bradley Jay Hamm ("Dr. Hamm") (Resigned on 13 September 2018)	13 April 2015	300,000	13 April 2016/100,000 13 April 2017/100,000 13 April 2018/100,000
Wong Chi Hong, Frank ("Mr. Wong") (Resigned on 26 March 2018)	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") (Resigned on 9 May 2018)	30 June 2014	300,000	30 June 2015/100,000 30 June 2016/100,000 30 June 2017/100,000

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

19. SHARE INCENTIVE SCHEMES (CONTINUED)

(c) Award of new shares to directors of the Company *(Continued)*

Subject to the payment of nominal amount of subscription price by the INEDs and the INEDs remaining as directors of the Company, the Company allotted and issued the award shares to each of the INEDs on the respective vesting dates as stated above.

Pursuant to the terms and vesting conditions, the last tranche of the award shares a total of 100,000 Shares were issued and allotted to Dr. Hamm on 13 April 2018.

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.

(d) Employee Share Award Scheme adopted by the Company

On 12 June 2018, the Employee Share Award Scheme was adopted by the Company for the purpose of providing incentives and aligning the interests of the selected employees with that of shareholders. The Employee Share Award Scheme is a one-off incentive scheme and shall lapse after allotment and issuance by the Company of all the award shares. The closing price of the shares of HK$0.25 has been adopted as the issue price of the award shares under the Employee Share Award Scheme. The award shares are not subject to any vesting condition.

On 28 June 2018, a total of 202,042,606 Shares were issued and allotted to the selected employees pursuant to the terms of the award shares.

The Group recognised a total expenses of HK$50,531,000 for the six months ended 30 September 2018 (30 September 2017: HK$525,000) in relation to options granted under the share option schemes and shares awarded under the share award schemes of the Group.

20. CONTINGENT LIABILITIES AND GUARANTEES

(a) Pending litigations

On 25 August 2017, Next Media Magazines Limited and Ideal Vegas Limited (the "Sellers") (being indirect wholly owned subsidiaries of the Company), the Company (the "Guarantor") and Gossip Daily Limited (the "Buyer") (an independent third party) entered into the sales and purchase agreement ("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 the Taiwan Branch) (the "Target Companies") and all such intellectual property rights in connection with, or with the benefits of, the business of the Target Companies at the consideration of HK$320,000,000. The Sellers has received deposits of HK$88,000,000 from the Buyer during the year ended 31 March 2018.

20. CONTINGENT LIABILITIES AND GUARANTEES (CONTINUED)

(a) Pending litigations *(Continued)*

As disclosed in the Company's announcement dated 8 December 2017, the Sellers expected to proceed to final completion on or before 28 February 2018. However, as of the date of this report, the Sellers still have not received the funds which the Buyer has promised to pay in order for completion to take place. In the circumstances, the Sellers treated the Buyer's failure to pay as its termination of the transaction. The Sellers seeked legal advice as to the remedies available to them.

On 10 April 2018, the Sellers and the Company received an amended writ of summons from the Buyer ("Amended Writ"). Under the Amended Writ, the Buyer alleges, among other matters, that safe-harbour completion did not take place as a result of the wilful default of the Sellers and the Company (which for the avoidance of doubt, is strongly denied) and claims against the Sellers and the Company (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 Sellers and the Company therefore commenced arbitration proceedings against the Buyer at the Hong Kong International Arbitration Centre ("HKIAC") on 9 April 2018 and also applied for a stay of the litigation proceeding wrongfully initiated by the Buyer in the Court of First Instance of the High Court of Hong Kong.

A hearing for such application took place on 7 August 2018 and judgement was delivered on 27 August 2018. The court has found in favour of the Sellers and the Company and stayed all Buyer's claims to arbitration and ordered the Buyer to pay the Sellers' and the Company's costs of the application on an indemnity basis. Buyer subsequently amended its defence and counterclaim on 14 September 2018 and the Sellers and the Company submitted their amended statement of reply and defence to counterclaim to the Arbitral Tribunal on 3 October 2018.

The Sellers and the Company consider Buyer's allegations and claims to be utterly wrong and ill-founded and will continue to defend their position vigorously in the arbitration proceeding at the HKIAC.

Reference is made to the announcements of the Company dated 25 August 2017, 14 September 2017, 27 September 2017, 6 November 2017, 21 November 2017, 8 December 2017, 3 January 2018, 22 January 2018, 2 February 2018, 6 February 2018 and 16 April 2018, and the circular dated 29 September 2017 in relation to the proposed but terminated disposal of certain magazine business of the Company and related litigation.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

20. CONTINGENT LIABILITIES AND GUARANTEES (CONTINUED)

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

In connection with the acquisition of Database Gateway Limited and its subsidiaries (the "Acquired Group") on 26 October 2001, the Group 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 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 Contracting Limited.

Mr. Lai Chee Ying ("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.

21. COMMITMENTS

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

	30 September 2018 HK$'000 (unaudited)	31 March 2018 HK$'000 (audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**16,138**	3,278

21. COMMITMENTS (CONTINUED)

(b) Commitments under operating leases

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 September 2018			31 March 2018		
	Properties HK$'000 (unaudited)	**Plant and equipment HK$'000 (unaudited)**	**Total HK$'000 (unaudited)**	Properties HK$'000 (audited)	Plant and equipment HK$'000 (audited)	Total HK$'000 (audited)
Within one year	**472**	**7,143**	**7,615**	555	9,459	10,014
In the second to fifth years inclusive	**142**	**4,502**	**4,644**	271	4,562	4,833
	614	**11,645**	**12,259**	826	14,021	14,847

Operating leases payments include rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 2 years and rentals are fixed during the lease period.

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

The Group as lessor

Rental income earned during the period was HK$8,864,000 (six months ended 30 September 2017: HK$8,564,000).

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

	30 September 2018 HK$'000 (unaudited)	31 March 2018 HK$'000 (audited)
Within one year	**16,120**	15,818
In the second to fifth years inclusive	**54,204**	58,008
	70,324	73,826

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

22. RELATED PARTY DISCLOSURES

(a) Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management during the period was as follows:

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Short-term benefits	**6,631**	10,928
Retirement benefits	**259**	81
Share-based payments	**20**	487
	6,910	11,496

(b) Related party transactions

Nature of transaction	Name of related company	Relationship with the Group	Six months ended 30 September	
			2018	2017
			HK$'000	HK$'000
			(unaudited)	(unaudited)
Animation production service charge paid by the Group *(Note)*	Next Animation Studio Limited ("NASL")	100% beneficially owned by Mr. Lai	**19,618**	16,982

22. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Related party transactions *(Continued)*

Note:

On 10 June 2011, the Group entered into a Business Framework Agreement with NASL, a company formerly 70% beneficially owned by Mr. Lai, the controlling shareholder of the Company, in respect of the animation services to be rendered by NASL and its subsidiaries (collectively as "NASL Group") to the Group and the advertising services and the supporting services to be rendered by the Group to the NASL Group for a term of 29 months from 31 October 2011 to 31 March 2014. On 31 December 2012, an announcement was made by the Group for revising the annual caps of the supporting services under the Business Framework Agreement. On 31 March 2014, the Company and NASL entered into the 2014 Business Framework Agreement and the 2014 NASL Intellectual Properties Revenue Sharing Agreement for a term of three years with effect from 1 April 2014. Annual cap is also updated with the announcement made on 31 March 2014.

The extent of these continuing connected transactions did not exceed the limit as set out in the announcement of the Company dated 31 December 2012.

The 2014 Business Framework Agreement and the 2014 NASL Intellectual Properties Revenue Sharing Agreement have expired on 31 March 2017. On 31 March 2017, the Company and NASL entered into the 2017 Business Framework Agreement and the 2017 NASL Intellectual Properties Revenue Sharing Agreement, each 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.

On 22 September 2015, NMIL (formerly known as Next Mobile Limited), a wholly owned subsidiary of the Company, has entered into a consultancy agreement with Mr. Lai, for a period of three years commencing from 1 October 2015 in respect of the engagement of Mr. Lai as a corporate strategic advisor to the Group to give advice on the overall strategic direction of the Group with a particular focus on digital business at a nominal fee of HK$1.0 for the entire consultancy period. The consultancy agreement expired on 30 September 2018 at the end of the consultancy period.

23. EVENTS AFTER THE END OF THE REPORTING PERIOD

(i) On 8 November 2018, the Company has entered into a shareholder's loan agreement for an unsecured and non-interest bearing term loan facility in the aggregate maximum principal amount of HK$500,000,000 with one of the shareholders, Mr. Lai, for a period of 36 months. The loan facility remains unutilised at the date of approval of the condensed consolidated financial statements.

(ii) On 9 November 2018, the Company has entered into the provisional sale and purchase agreement with an independent third party (the "Purchaser") pursuant to which the Company has agreed to sell certain properties situated in Taiwan with carrying amount of HK$185,773,000 at 30 September 2018 to the Purchaser at a cash consideration of approximately NT$1,793,889,000 (equivalent to HK$ 454,725,000). The transaction has not yet been completed as at the date of this report.

Glossary

2014 Share Option Scheme	The share option scheme adopted by the Company on 31 July 2014
2018 AGM	The Company's Annual General Meeting held on 27 July 2018
ADPL	Apple Daily Printing Limited, an indirect wholly owned subsidiary of the Company
Board	The board of Directors of the Company
CEO	The Chief Executive Officer of the Group
CFO	The Chief Financial Officer of the Group
CG Code	The Corporate Governance Code as set out in Appendix 14 to the Listing Rules
Company or Next Digital	Next Digital Limited
Director(s)	Director(s) of the Company
Group	Next Digital together with its subsidiaries
HK$	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administration Region of the People's Republic of China
INED(s)	Independent Non-executive Director(s) of the Company
Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Appendix 10 to the Listing Rules
Mr. Lai	Mr. Lai Chee Ying, the controlling shareholder of the Company

Glossary

NT$	New Taiwan dollars, the lawful currency of Taiwan
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Share(s)	Ordinary share(s) of the Company
Shareholder(s)	Holder(s) of the Share(s)
Stock Exchange	The Stock Exchange of Hong Kong Limited
Taiwan	Republic of China

Download on the App Store

GET IT ON Google Play

NEXT DIGITAL

www.nextdigital.com.hk

MIX
Paper from responsible sources
FSC™ C018769
FSC www.fsc.org

Design & Production : Solomon Financial Press Limited
www.solomon-press.com

NEXT DIGITAL