THINK

NEXT
BIG

NEXT DIGITAL

Stock Code : 00282

2016/17 | ANNUAL REPORT

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NEXT BIG

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2016/17 | ANNUAL REPORT

TH!NK

SMALL BIG

Next Digital has clearly established
its position as a leader in driving
reading habits on digital platforms.
It continues to pursue and think big.


Next Digital's professional team
insists on doing its best on every detail.
This is the Next Culture.

TH!NK

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GLOBAL

LOCAL

Next Digital collects information around the world. Let its readers learn everything anywhere and anytime.

Next Digital constantly provides updated local news to its readers.

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LOCAL

Next Digital collects information around the world. Let its readers learn everything anywhere and anytime.

Next Digital constantly provides updated local news to its readers.

TH!NK

WIDE

DEEP

Next Digital positively widens its digital businesses and provides comprehensive information to cater for its readers.

Next Digital explores information
thoroughly and provides reliable
news to its readers.

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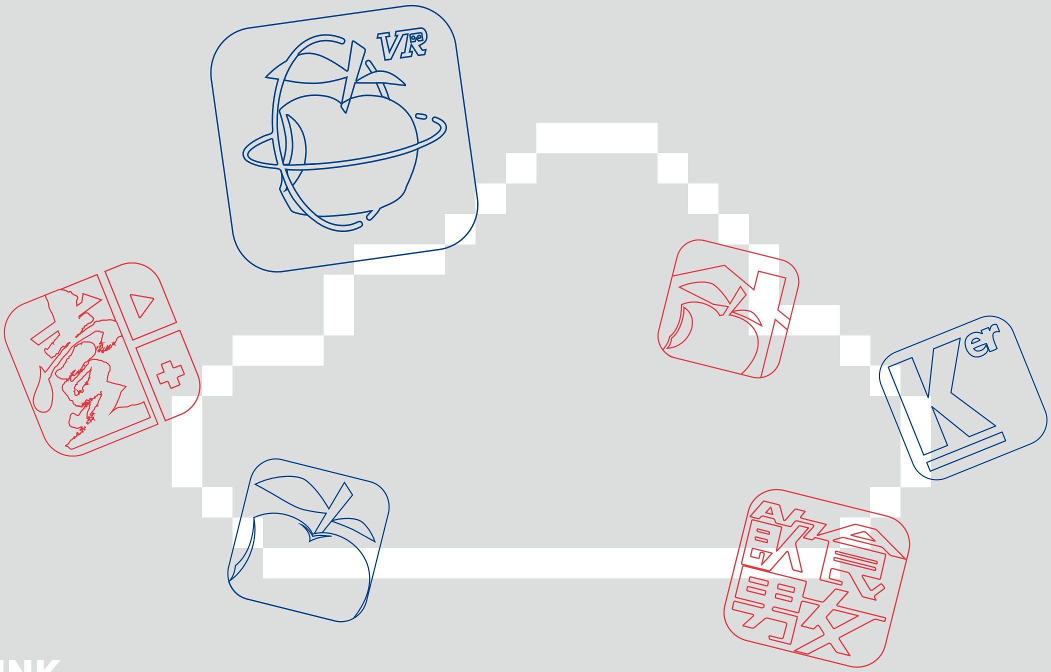
Next Digital positively widens its digital businesses and provides comprehensive information to cater for its readers.

Next Digital explores information thoroughly and provides reliable news to its readers.

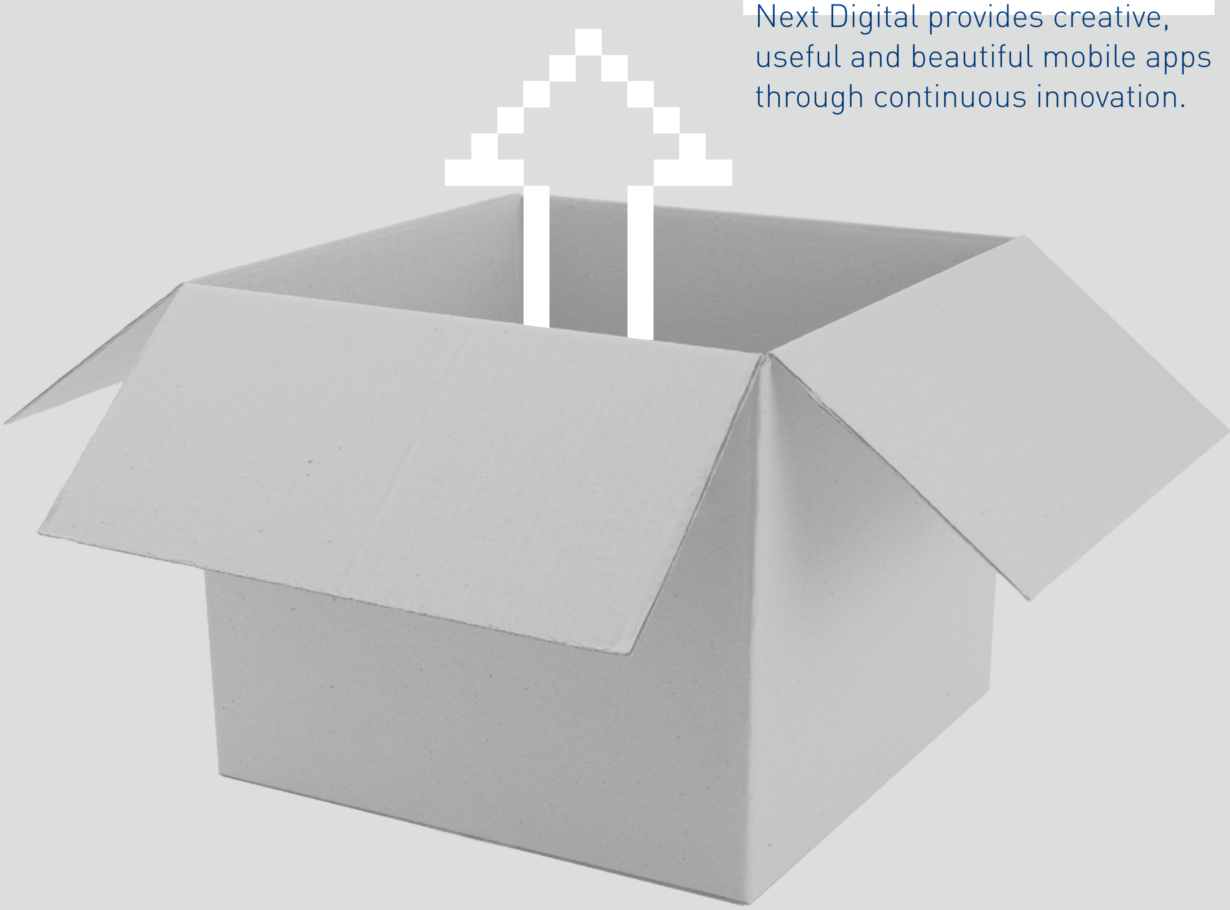


THINK

NEXT

CREATIVE

Next Digital provides creative, useful and beautiful mobile apps through continuous innovation.



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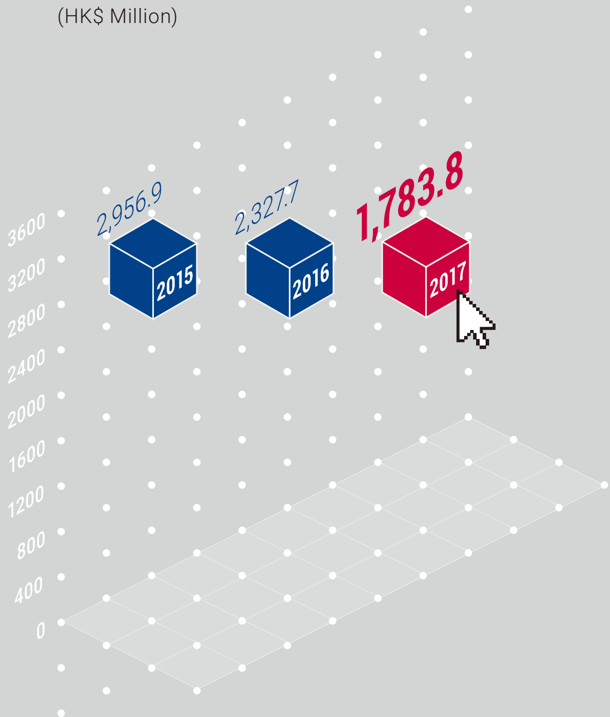
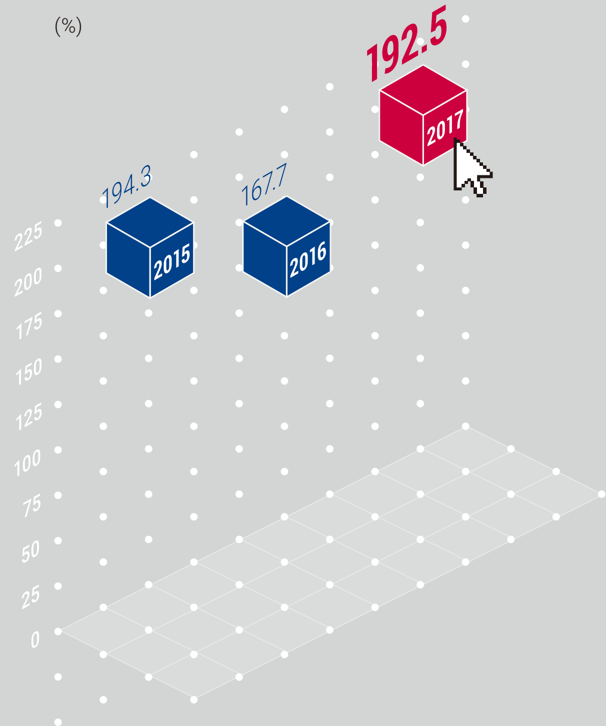
FINANCIAL HIGHLIGHTS

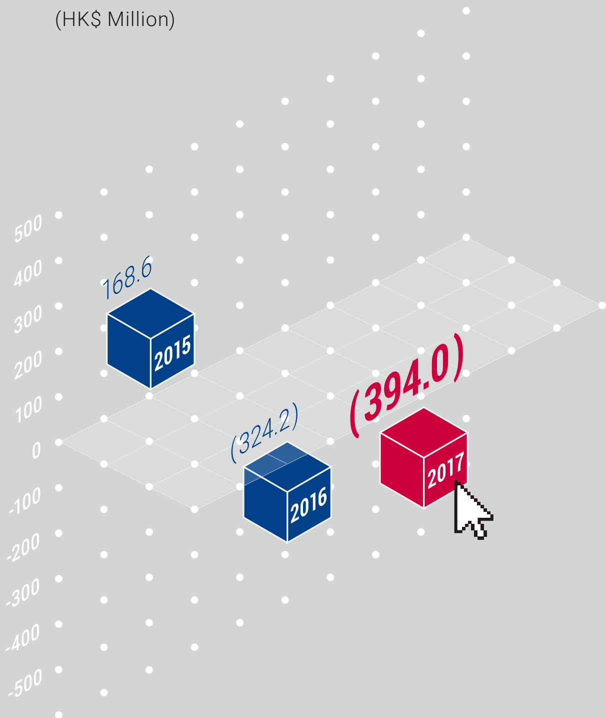
REVENUE
(HK$ Million)



CURRENT RATIO
(%)

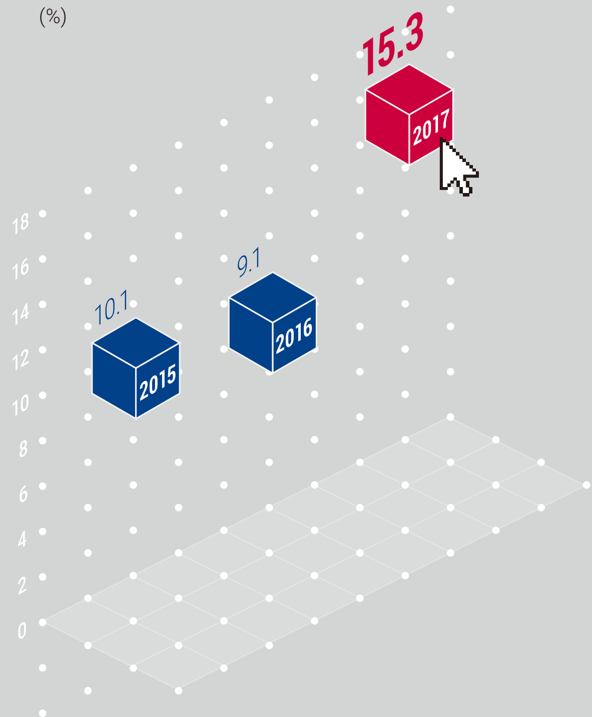


PROFIT(LOSS) FOR THE YEAR
(HK$ Million)



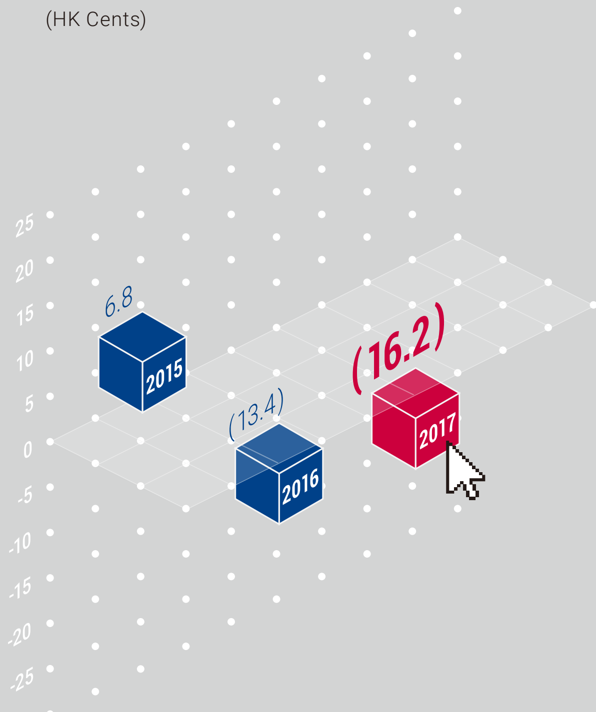
GEARING RATIO

(%)



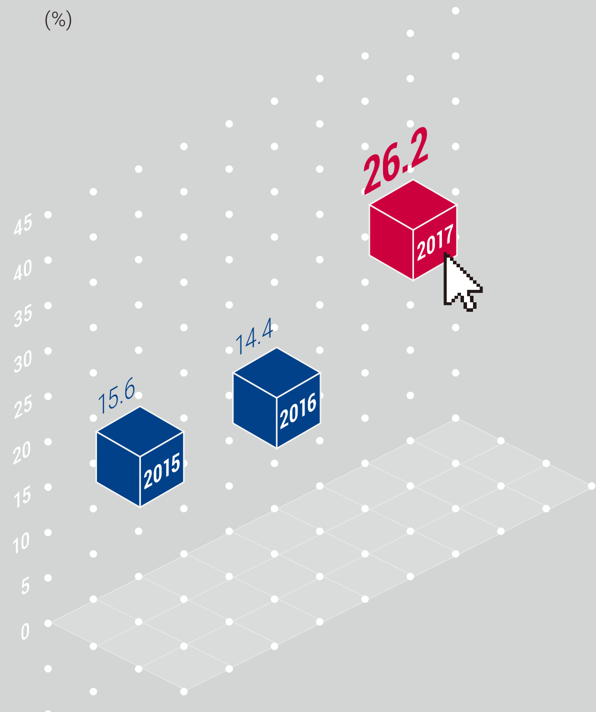
BASIC (LOSS) EARNINGS PER SHARE

(HK Cents)



DEBT TO EQUITY RATIO

(%)



THINK
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NEXT SUCCESS

Next Digital endeavours to pursue the general trends of the world and maintains its competitive edges in media marketing.

CHIEF EXECUTIVE OFFICER'S STATEMENT

Amidst the rapidly evolving media landscape, digital media has since overtaken print at the center stage. The decline in revenue of the Group's print publications came as a result of the migration of offline towards online in the news media industry. We have long anticipated this transition, and have been among the first media companies in the region to adjust our resources by consolidating the Group's print operations, while accelerating our investments on the core business towards digital media. This transition is still on-going. But with a strong head start and as the leader in delivering digital contents to the consumers, we are confident that our strategy will eventually pay off.

On the digital front, our focus is on speed and enhanced user experience. We have equipped our team of reporters and editors with the best available technology to enable them to report and investigate the latest news in the fastest and most interesting manner. Our signature animated news, which enables news stories to be re-enacted with the aid of animation, can now be created within an hour after the news story has developed. Also, more in-depth stories are now delivered with 360 degree and virtual reality (VR) videos, making them extremely engaging for our readers. As a result, advertisers can easily connect with a valuable and diverse base of targeted audiences through our online platforms. New advertising products using augmented reality (AR) and virtual reality (VR) are also a part of our offerings. On top of the interesting content offerings, our use of location based technology has also given the small to medium size businesses an opportunity to do local buys at a much lower cost than a blanket platform buy, hence also creating new monetization opportunities for the Group.

Today, our digital platform, with *Apple Daily*'s flagship *Apple Action News*, is still the undisputed leader in digital news in both Hong Kong and Taiwan.

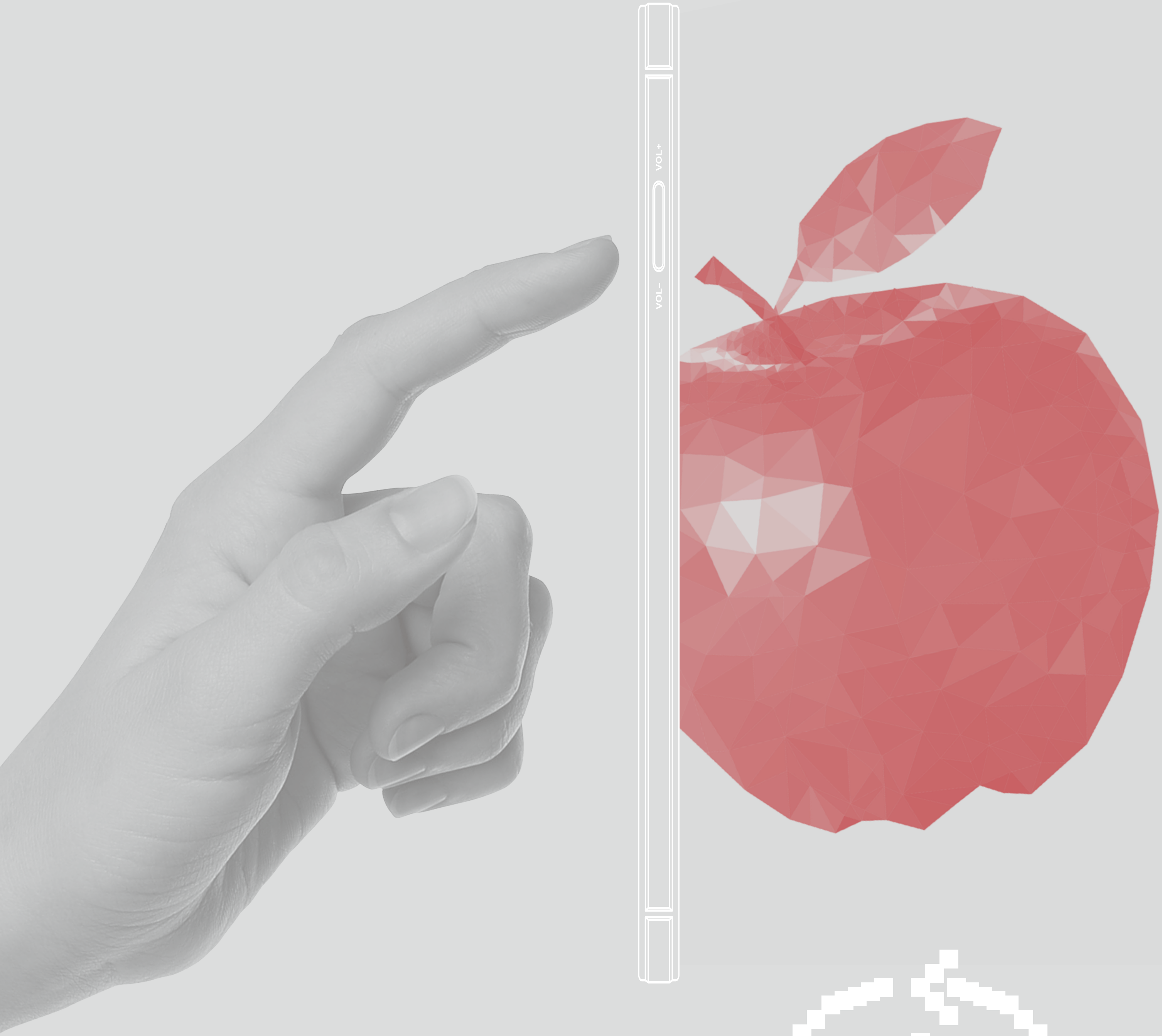
Our print media operations, albeit entering a mature stage, is still the backbone of the Group. With their strong brand equity and ability to generate first rate news contents, they serve as a catalyst for a robust growth of our digital advertising revenue in the years to come.

On behalf of the Board, I would like to thank our shareholders and stakeholders for their full support throughout the year. I would also like to extend my appreciation to our committed staff and management team for their dedication and professionalism during these difficult times.

Cassian Cheung

Chief Executive Officer

Hong Kong, 12 June 2017



THINK

AGILE

Next Digital develops a flexible digital platform for its team to interact with the users efficiently.

In today's day and age, few would argue the increasing presence of technology and digitalization. Having realized the inevitable transition early on, the Group has re-aligned its product offering to better serve readers and advertisers alike. The Group has since devoted numerous resources to building a robust digital presence, developing online platforms for all our publications and creating original and engaging content using new technologies. These innovations have allowed us to accumulate a loyal viewer base.

OVERVIEW OF MAJOR MARKETS

Hong Kong

The Hong Kong economy experienced only moderate growth in 2016, mainly dragged by the external headwinds from a slowly growing global economy, with a modest real GDP growth of only 1.9%, compared with 2.4% growth for previous year. Although the US economy strengthened in the second half of 2016, bolstering confidence for the Federal Reserve to hike rates in December, the Brexit vote as well as political developments in several major advanced economies towards the end of the year brought numerous uncertainties to the market. Consumer prices recorded a year-on-year increase of 2.4% in 2016. These factors were all closely related to Hong Kong economy which did not bode well for Hong Kong.

In 2016, the operating environment for media industry was difficult with overall advertising expenditure declined by 9.1% to HK$41.6 billion, compared with HK$45.8 billion in 2015, as the weak local economy slowed down marketing campaigns of industries across the board. Advertising expenditure in offline advertising accounted for 58.0%, while online web advertising and online mobile advertising each accounted for 21.0%.

Taiwan

Taiwan's economy is heavily dependent on exports, and this was affected by weak global markets during 2016. Real GDP grew by 1.5% year-on-year. Domestic consumption was slack due to lower-than-expected exports and political issues. Consumer prices for 2016 grew 1.4% as compared to 1.1% recorded in 2015 whilst the 2016 average unemployment rate stood at 3.9%.

The total advertising expenditure of Taiwan for 2016 rose 1.6% to NT$127.2 billion, as compared with NT$125.1 billion in 2015. However, traditional print media advertising expenditure recorded a decline, in particularly, newspapers and magazines advertising declined by 8.0% and 22.6% respectively.

OPERATIONAL REVIEW

Business Performance

In line with consumer and advertiser preference for digital over print, the Group further consolidated its print operations. During the year under review, the Group ceased the publication of *FACE* and *ME!* in April and May 2016 respectively. In June 2016, *Ketchup* ceased its print version and switched its focus to solely digital on the Group's portal. *Auto Express* and *Trading Express* have been packaged with *Next Magazine* and *Eat & Travel Weekly* as a new bundle to streamline the magazine's operations and reduce operating costs. These efforts would enable the Group to focus its resources on future growth opportunities.

Next Digital's total revenue amounted to HK$1,783.8 million during the year ended 31 March 2017, a decrease of HK$543.9 million or 23.4% against the figure of HK$2,327.7 million earned in the previous 12 months. This was primarily attributable to a significant decline in advertising revenue of the Group's print publication in both markets. Other factors include the downsizing and consolidation of the Group's Newspapers Publication and Printing Division, Books and Magazines Publication and Printing Division, the restructuring of *Taiwan Apple Daily*, *Taiwan Next Magazine* and *Apple Daily* as well as *Next Magazine* in Hong Kong. Also closely associated to this decrease was the drop in circulation income of the Group's publications due to the continued shift in reading habits towards free online media over printed properties.

Digital Businesses Division

As digital media have overtaken print as the preferred source of news, our Digital Businesses Division has steadily increased its share of contribution to the Group during the year under review.

The Division's external revenues, consisting primarily of online advertising revenue, together with content licensing payments, games and content sponsorship, and in-app purchase of virtual products, amounted to HK$649.7 million during the year under review. This represents a decrease of 1.5% on the previous year's figure of HK$659.7 million, of which, around 76.0% was generated in Hong Kong while the remaining was from Taiwan and others.

The Division recorded a segment loss of HK$1.2 million during the year under review compared with a segment profit of HK$35.2 million in the previous 12 months. During the year, the Group was faced with strong competition not only from an increasing arrays of new local entrants on digital media, but also global platforms and social media that are vying for the same advertisers' spending as *Apple Daily*. This had in effect dampened our topline momentum for the moment. But as we further improve our technology infrastructure to gear up for a more proactive monetization strategy, we believe there is a positive prospect for further growth.

Despite heightened competition from both local media and, more significantly global platforms that have increased their focus on news contents, the digital version of *Apple Daily* maintained its dominant position as the most-visited online news destination in Hong Kong and Taiwan, with a highly successful market reach of over 75%. The Group's key digital strategy is to leverage *Apple Daily's* user base of 4.5 million[1] monthly unique visitors in Hong Kong and over 12 million[1] in Taiwan by offering more lifestyle contents and creating more monetization opportunities with new products. As the *Apple Daily* news site becomes a daily frequented destination for the majority of the news followers, it has also become a popular destination for user generated contents (UGC). It is not unusual that many of the most spontaneous and viral news stories have found its way to the *Apple Daily* platform, enriching our users' choice of contents and giving them an unlimited source of information.

All of the Group's magazine contents are now available on an integrated *Apple Daily* platform, so that a cross platform synergy can be realized on a "super app". As such, the number of readers and page views of the Group's magazines, *Next Plus*, *Eat & Travel* and *Ketchuper*, are all consolidated with that of *Apple Daily* and seeing a healthy growth that augers well for the Group's future. In addition, *Apple Daily* launched a VR app, the first of its kind in Hong Kong, and created new excitements for both our users and advertisers. The launch of the VR app was supported with a free VR cardboard for all *Apple Daily* newspaper purchasers, making use of the printed paper's extensive distribution base.

In North America, *Apple Daily*'s North America's version has built up significant traffic. To-date, *Apple Daily* has recorded over 1.6 million[2] monthly unique visitors in the USA, and close to half a million[2] in Canada, showing the popularity of the title among the overseas Chinese population.

HONG KONG

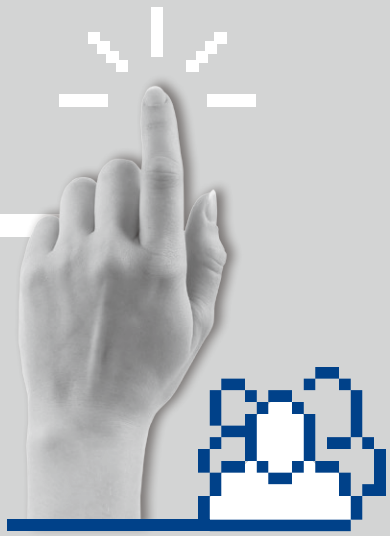
APPLE DAILY ONLINE TRAFFIC

As at 31 March 2017 | Source: *Apple Daily* Internal Server Log

Daily Total Views

51,594,306

Daily Total Unique Visitors



2,468,883

The Group has always regarded the small to medium size businesses as the backbone of Hong Kong's economic success. This market has been underserved in the digital space. The e-classified division of the group has continued to invest in penetrating this untapped market segment, and has now gained a solid foothold in this segment. Over 10,000 businesses in Hong Kong have been listed on the digital Red Page on *Apple Daily*, paving the way for a more diversified client base for the Group that are also benefiting from the location based digital technology of the *Apple Daily* app.

The Group's online games business has stabilised over the reporting year and a line-up of new games has been launched in the second half of the year.

Newspapers Publication and Printing Division

The Newspapers Publication and Printing Division continued to account for the larger share of the Group's revenue. However, the Division is under increasing external pressure as advertisers steer away from print advertisements. After careful consideration, the Group decided to increase *Apple Daily*'s cover price from HK$7.0 to HK$8.0 in November 2016 to cover the increase in costs, both direct and indirect, and strengthen the finances of the newspaper.

During the year under review, the Group focused on the transformation into digital media and maintained the position of the most widely read paid-for newspaper. The Division's revenue for this year amounted to HK$906.4 million, a decrease of 24.3% against the figure of HK$1,197.0 million for the last year, which was mainly attributable to the decrease in both print advertising income and circulation income derived from the Group's newspapers, and the impairment loss of HK$202.4 million of the masthead and publishing right of *Apple Daily*.

Apple Daily

Since the inception, *Apple Daily* has been known for its bold reporting style, vibrant and contemporary layout. These attributes have enabled *Apple Daily* to stand out amidst numerous competing newspapers. To this day, *Apple Daily* continues to dominate and retain its leadership position as the most widely read paid-for newspaper in Hong Kong. Its daily sales between July and December 2016 averaged 130,230[4] copies, compared with 149,739[3] in the same period of 2015.

During the year under review, *Apple Daily*'s revenue amounted to HK$347.8 million, a 24.1% decrease on the previous year's figure of HK$458.3 million. Its advertising revenue for the year was HK$141.1 million, a 38.8% decrease on the previous year's total of HK$230.6 million. The main sources of its advertising revenue were from health food, travel, loan, pharmaceutical items and automobile.

Due to the continued contraction of sales in the newspaper, its circulation revenue decreased to HK$206.7 million, which was 9.2% lower than the previous year's figure of HK$227.7 million.

Taiwan Apple Daily

Building upon *Apple Daily*'s success in Hong Kong, *Taiwan Apple Daily* was introduced to the island in 2003. *Taiwan Apple Daily* built on the readers' preference for lively and informative reporting and soon gained loyal and widespread readership.

The switch of advertising spending from print to digital accelerates significantly in the island. During the year under review, *Taiwan Apple Daily*'s total revenue stood at HK$440.2 million, a decrease of 26.0% on the previous year's HK$594.7 million. Advertising revenue accounted for HK$290.5 million of this, 28.1% less than the figure of HK$403.9 million recorded for the preceding 12 months, whereas its circulation revenue accounted for HK$148.3 million, 21.6% less than the figure of HK$189.1 million a year earlier. The main sources of advertising revenue were generated from property, decoration and furnishings sectors, IT, department stores and automobiles.

TAIWAN

APPLE DAILY ONLINE TRAFFIC

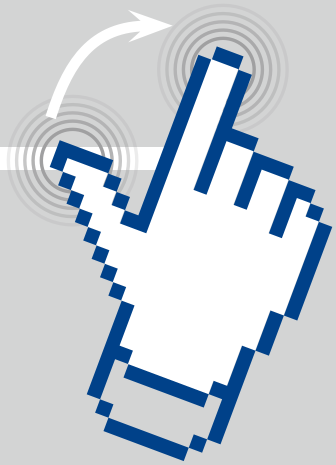
As at 31 March 2017 | Source: *Apple Daily* Internal Server Log

Daily Total Views

20,852,982

Daily Total Unique Visitors

3,706,817



Taiwan Sharp Daily

Taiwan Sharp Daily, the Group's free daily launched in October 2006, has been distributed to travelers with a daily mix of news, entertainment and features at Taipei Rapid Transit's subway stations every morning from Monday to Friday with a daily average of 103,975 copies between January and December 2016.

This free daily has proved popular with advertisers, in particularly, small local advertisers who cannot afford expensive island-wide advertising campaigns, as it offers cost-efficient access to the commuters.

During the year under review, the major advertisers for *Taiwan Sharp Daily* were mainly from banking, department stores, restaurant, food and computer, communications, consumer electronics.

ADPL

As more and more people favour online news outlet, there is less demand for traditional newspaper and thus the newspaper printing industry has been impacted significantly. The Group's newspaper printing division was affected adversely by the decrease in print runs of not only the Group's newspaper publications but also other newspaper agencies. ADPL continued to make positive contribution to the Group. It recorded a total revenue of HK$168.9 million for the year, a decrease of 27.9% on its total revenue of HK$234.1 million during the previous year. The external revenue of ADPL amounted to HK$95.1 million for the year, a decrease of HK$18.8 million or 16.5% against the figure of HK$113.9 million achieved last year.

Books and Magazines Publication and Printing Division

The competition in the magazine market continues to be tense. The shift of reading habits from print properties to free online media has further reduced the revenue stream of the Group's magazines. The revenue for the Books and Magazines Publication and Printing Division was decreased by 51.7% to HK$227.7 million as compared to last year's figure of HK$471.0 million.

The Division recorded a segment loss of HK$161.4 million during the year under review, compared with a segment loss of HK$425.5 million for the last year, a decrease in loss of HK$264.1 million. The decrease in loss as compared with last year was mainly attributable to the impairment of the masthead and publishing rights in the previous year of (i) *Sudden Weekly*, in the amount of HK$96.9 million; (ii) *Next Magazine*, in the amount of HK$163.3 million; and (iii) *Eat & Travel Weekly*, in the amount of HK$20.4 million. In addition, the segment loss can be attributed to the significant decrease in advertising revenue and circulation income of the Group's magazines and the expenses involved in consolidating the Division, which includes cessation of publication of *FACE* and *ME!* and the restructuring of *Next Magazine* in Hong Kong.

The Division is following the same path of transforming popular contents from print to both offline and online versions. All of the Group's magazines are now available on an integrated *Apple Daily* platform to broaden its advertisers and audience base for new business opportunities.

Next Magazine Bundle

During the year under review, the Group continued its magazine consolidation to maintain competitiveness and enhance value to our readers. In April 2016, the Group ceased the publication of *FACE*. Since 6 April 2016, *Ketchup*, *Auto Express* and *Trading Express* were sold as a bundle at a selling price at HK$10.0. In May 2016, *ME!* ceased publication and in the following month, *Ketchup* ceased its print version and switched its focus to digital on the Group's portal. In June 2016, *Auto Express* and *Trading Express* were bundled with *Next Magazine* and *Eat & Travel Weekly* as a new bundle to enhance the appeal of *Next Magazine* at the same selling price of HK$20.0 (the "*Next Magazine Bundle*").

Under depressed market conditions, the advertising revenue of the *Next Magazine Bundle* for the year under review was HK$57.8 million.

Taiwan Next Magazine Bundle

Taiwan's economy continues to be depressed and challenging due to external factors. *Taiwan Next Magazine*'s advertising revenue amounted to HK$42.8 million during the year ended 31 March 2017, a decrease of 53.4% on the figure of HK$91.9 million for the previous 12 months. Its total revenue recorded a drop of HK$58.4 million or 49.1% to HK$60.6 million for the year, compared to HK$119.0 million for the last year.

Commercial Printing

Next Digital's commercial printing business is facing keen and tough competition from an increasing number of rival companies from around the world, especially Mainland China. Its operations for the year was also adversely affected as existing clients become increasingly price sensitive and readers continuous shift towards online media sources that reduced the demand of books and magazines.

The total revenue of the commercial printing business for the year ended 31 March 2017 amounted to HK$96.6 million, which was 26.1% less than its revenue of HK$130.7 million during the previous year.

Of which, revenue from external customers amounted to HK$70.6 million, a decrease of 3.4% on the preceding year's figure of HK$73.1 million. This was mainly attributable to the cessation of publication and/or decrease in print runs of the Group's magazines as well as the decrease in external printing orders.

PROSPECTS AND OUTLOOK

In today's day and age, few would argue the increasing presence of technology and digitalization. People no longer depend solely on traditional media outlets such as print publications and television for information and entertainment. More often than not, we see increasing numbers of people shifting everyday activities online such as receiving instantaneous news updates on their mobile devices and sourcing information via videos or livestreams on different platforms. The accessibility of technology outlets today has also altered the way advertisers reach their target audiences. In short, companies must digitalize their advertising effort to maximize impact.

Having realized the inevitable transition early on, the Group has re-aligned its product offering to better serve readers and advertisers alike. The Group has since devoted numerous resources to building a robust digital presence, developing online platforms for all our publications and creating original and engaging content using new technologies such as animation video news, 360-degree and Virtual Reality videos. These innovations have allowed us to accumulate a loyal viewer base. Upon this base, we are able to offer targeted marketing and advertising opportunities to not only large corporations, but also small to mid-size businesses. The Group believes that the wider, underserved SME segment will be an important contributor to its revenue growth in the long run.

Although a digital transformation of the media industry is imminent, conventional print media is still considered mainstream. As a leader in the print media, the Group will safeguard its position through leaner operations and seek additional opportunities to maintain a diversified revenue portfolio.

The Group is currently navigating through difficult waters as the media landscape undergoes a drastic transition from print to digital. For all that the future holds, the Group is prepared on all fronts to embrace the challenges head on and emerge as a stronger organization.

Sources:

1. *ComScore – March 2017*
2. *Apple Daily Internal Server Log (for North America numbers)*
3. *Hong Kong Audit Bureau of Circulations Ltd. (July – December 2015)*
4. *Hong Kong Audit Bureau of Circulations Ltd. (July – December 2016)*

FINANCIAL REVIEW

Consolidated Financial Results

Revenue

Next Digital's total revenue amounted to HK$1,783.8 million during the year ended 31 March 2017, a decrease of 23.4% or HK$543.9 million on the figure of HK$2,327.7 million recorded in the last year.

The Group earned most of its revenue from Hong Kong, of which, its operations accounted for HK$1,075.7 million or 60.3% of its total revenue during the year. Revenue from Taiwan was HK$673.0 million, which accounted for 37.7%.

The Digital Businesses Division generated revenues amounting to HK$649.7 million, representing a decrease of HK$10.0 million or 1.5% against the figure of HK$659.7 million in 2015/16.

Newspapers Publication and Printing Division continued to account for the larger share of the Group's revenue. It generated HK$906.4 million or 50.8% of the Group's total revenue, a decline of HK$290.6 million or 24.3% on the figure of HK$1,197.0 million for the last year.

The Books and Magazines Publication and Printing Division's revenue accounted for HK$227.7 million or 12.8% of the Group's total revenue, a decrease of 51.7% on the figure of HK$471.0 million in 2015/16.

Segment Results

The Group made a segment loss of HK$418.9 million during the year under review, compared with a segment loss of HK$366.3 million in the previous year, representing an increase in loss of 14.4% or HK$52.6 million.

The Digital Businesses Division recorded a segment loss of HK$1.2 million, compared with a segment profit of HK$35.2 million during the previous year.

The segment loss of the Newspapers Publication and Printing Division amounted to HK$256.3 million, compared to the previous year's profit of HK$24.0 million, which was mainly attributable to the impairment loss of HK$202.4 million of the masthead and publishing right of *Apple Daily*.

The Books and Magazines Publication and Printing Division recorded a segment loss of HK$161.4 million, a decrease of 62.1% in loss compared with the segment loss of HK$425.5 million for the preceding 12 months.

Operating Expenses

The Group's expenses amounted to HK$2,199.8 million during the year under review. This was HK$483.0 million or 18.0% lower than the previous year's figure of HK$2,682.8 million. Essential production costs accounted for HK$604.5 million or 27.5% of its operating expenses during the year. Personnel costs accounted for HK$1,125.1 million or 51.1%, a decrease of HK$188.7 million or 14.4% on the previous year's figure of HK$1,313.8 million. The decrease in personnel costs was mainly due to the reduction in headcount resulting from the closure of certain business units and downsizing of the print media operations in both Hong Kong and Taiwan during the year.

Included in the above personnel costs, there was an expense amounting to HK$40.0 million incurred for consolidation of the Group's operations, in particularly, the Newspapers Publication and Printing Division, the Books and Magazines Publication and Printing Division and the restructuring of *Taiwan Apple Daily*, *Taiwan Next Magazine* and *Apple Daily* as well as *Next Magazine* in Hong Kong during the year under review.

Taxation

The income tax credit on the Group during 2016/17 amounted to HK$22.0 million, compared with the previous year's income tax credit of HK$30.8 million. Deferred tax credit to profit or loss during 2016/17 amounted to HK$36.1 million, compared with the previous year's deferred tax credit of HK$60.4 million.

FINANCIAL POSITION

Current Assets and Current Liabilities

As at 31 March 2017, the Group's current assets amounted to HK$1,054.6 million, a decrease of 5.6% on the figure of HK$1,116.6 million 12 months earlier. The Group's current liabilities on the same date were HK$547.8 million, 17.7% lower than the figure of HK$665.9 million during the preceding 12 months. The aggregate total of the Group's bank balances and cash, including restricted bank balances, was HK$502.0 million, as at 31 March 2017. The current ratio on the same date was 192.5%, which represented an increase of 14.8% on the figure of 167.7% a year earlier.

Trade Receivables

The Group's trade receivables amounted to HK$341.8 million as at 31 March 2017, a decrease of 20.0% on the figure of HK$427.3 million 12 months earlier. As at 31 March 2017, the average revenue days for the Group's trade receivables was 78.7 days, compared to 74.7 days on the same date of the previous year.

Trade Payables

As at 31 March 2017, the Group's trade payables amounted to HK$72.8 million. This was 5.8% higher than the figure of HK$68.8 million on the same date of the previous year. The average revenue days for the Group's trade payables was 95.1 days, compared to 66.0 days on the same date of the previous year.

Long-term and Short-term Borrowings

As at 31 March 2017, the Group's long-term borrowings, including current portions, stood at HK$461.1 million. This represented an increase of 54.3% on the figure of HK$298.9 million on the same date of the previous year. As at 31 March 2016, the current portion of the Group's long-term borrowings amounted to HK$76.3 million.

Borrowings and Gearing

The Group's primary source of financing for its operations during 2016/17 was the cash flow generated by its operating activities and – to a lesser extent – the banking facilities provided by its principal bankers.

As at 31 March 2017, the Group's available banking facilities amounting to a total of HK$603.8 million, of which HK$466.9 million had been utilized. There was no seasonality in the Group's bank borrowing requirements, and all the monies borrowed bear interest at floating rates.

The Group's bank borrowings during the year were denominated in NT$. As at 31 March 2017, the Group's total bank balances and cash, including restricted bank balances, amounted to HK$502.0 million. Its gearing ratio on the same date was 15.3%, compared to 9.1% a year earlier. The Group's gearing ratio is calculated by dividing long-term borrowings, including current portions, by total assets value.

During the year under review, the Group obtained new term loan facilities in an aggregate amount of NT$1,800.0 million (equivalent to HK$461.1 million) and a revolving credit facility in an aggregate amount of NT$40.0 million (equivalent to HK$10.2 million). The Group also renewed a revolving credit facility in an aggregate amount of NT$400.0 million (equivalent to HK$102.5 million) from banks in Taiwan and obtained a new revolving credit facility in an aggregate amount of HK$20.0 million from a bank in Hong Kong by pledging certain properties in Taiwan as securities for general working capital purpose and replacing existing term loan facilities in Taiwan.

Share Capital Structure

As at 31 March 2017, the Company's total amount of issued and fully paid share capital was HK$2,435.3 million and the total number of issued shares with no par value was 2,431,726,881 Shares.

Cash Flow

The Group's net cash outflow from operating activities during the year ended 31 March 2017 amounted to HK$52.0 million, compared with a net cash inflow from operating activities of HK$158.1 million the previous year.

The outflow of investment-related cash during 2016/17 was in a total of HK$33.6 million, compared to the outflow of investment-related activities of HK$46.3 million recorded during the previous year.

The Group's net cash inflow for financing activities during the year amounted to HK$105.0 million, compared to the preceding year's net cash outflow figure of HK$140.1 million. During the year, the Group repaid bank borrowings in a total of HK$317.7 million and the new loans raised during the year under review totalled HK$445.1 million.

Exchange Rate Exposure and Capital Expenditure

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

As at 31 March 2017, the Group's net currency exposure stood at NT$3,690.0 million (the equivalent of HK$945.2 million), a decrease of 13.2% on the figure of NT$4,252.4 million (the equivalent of HK$1,024.7 million) a year earlier. The Group will continue to monitor its overall currency exposure and take steps to hedge further against such exposure, if and when necessary.

The Group's capital expenditure for 2016/17 was in total of HK$35.5 million. It has committed to further capital expenditure of HK$5.5 million for its continuing operations.

Pledge of Assets

As at 31 March 2017, Next Digital had pledged certain elements of the Group's Taiwan property portfolio to Taiwan banks as securities for bank loans granted to its operations in Taiwan. The aggregate carrying value of these assets was HK$632.3 million.

Contingent Liabilities and Guarantees

(a) Pending litigations

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

In addition, the Group had a dispute with UDL Contracting Limited ("UDL") as contractor for the construction of a printing facility of a subsidiary of the Company, ADPL, over amounts payable in respect of the construction of the facility. Separate legal action concerning the claim was taken against ADPL and Mr. Lai, a controlling shareholder of the Company, in the High Court during 2007.

Pursuant to the orders issued by the High Court on 28 April 2016 and 3 May 2016 respectively, the arbitration proceedings between UDL as applicant and ADPL as respondent has been wholly dismissed with no order as to costs and the High Court action between UDL as plaintiff and ADPL as 1st defendant and Mr. Lai as 2nd defendant has been discontinued with no order as to costs. The litigation case and dispute between UDL and ADPL and Mr. Lai have been concluded as at 30 September 2016.

In July 2010, BaWang International (Group) Holding Limited (as 1st Plaintiff) and BaWang (Guangzhou) Company Limited (as 2nd Plaintiff) (collectively referred as the "Plaintiffs") issued a writ against Next Magazine Publishing Limited in respect of an article published in the weekly magazine, *Next Magazine*, alleging, amongst other things, that certain parts of such article were defamatory and/or amounted to a malicious falsehood. Next Magazine Publishing Limited filed a Defence to such claim in January 2011. Trial commenced on 2 March 2015 and concluded on 29 August 2015. The judgment (the "Judgment") made by the High Court has been handed down on 23 May 2016. The High Court has found in favour of the Plaintiffs on certain grounds but has dismissed the Plaintiffs' claim in malicious falsehood and in conclusion has ordered, amongst other matters, Next Magazine Publishing Limited to pay a total of approximately HK$3.0 million in damages and 80.0% of the Plaintiffs' legal costs. Next Magazine Publishing Limited has paid the damages to the Plaintiffs on 3 June 2016. Upon further negotiation between parties, the Plaintiffs have accepted HK$18.0 million in full and final settlement of all their claim for costs, disbursements and interest in this case on 16 December 2016. The litigation between Next Magazine Publishing Limited and the Plaintiffs have been wholly concluded as at the date hereof.

The Group has accrued for HK$98.4 million (31 March 2016: HK$123.6 million) in legal expenses under provisions. This provision was recognised in respect of the outstanding legal proceedings based on advice from legal counsel.

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

In connection with the acquisition of Database Gateway Limited and its subsidiaries (the "Acquired Group") acquired from Mr. Lai on 26 October 2001, the Group may 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 connected with (1) any third-party claims made against the Acquired Group on or before 26 October 2001; (2) defamation claims, claims for infringement of intellectual property rights and other proceedings and claims which may in the future arise from the contents of the newspaper and magazines published by the Acquired Group on and at any time before 26 October 2001; and (3) the contractor dispute with UDL.

Mr. Lai, a controlling shareholder of the Company, has undertaken to provide unlimited personal indemnities to the Acquired Group against all contingent liabilities (the "Indemnity"). In relation to the Indemnity, Mr. Lai has also procured a bank guarantee of HK$60.0 million for a term of three years up to 25 October 2016, and the guarantee was renewed on 26 October 2016 for a further term of three years up to 25 October 2019, in favour of the Company and the Acquired Group in respect of his obligations under the Indemnity.

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

(c) Guarantees

Next Digital and its subsidiaries also maintain contingent liabilities that are related to various corporate guarantees the Group has provided to financial institutions for facilities utilised by certain of its subsidiaries and fellow subsidiaries. As at 31 March 2017, these contingent liabilities amounted to HK$603.8 million (31 March 2016: HK$405.2 million), HK$466.9 million (31 March 2016: HK$304.7 million) of which has been utilised by certain of its subsidiaries.

Intangible Assets

In accordance with current accounting standards, particularly, HKAS 38 in respect of the valuation of intangible assets, the Board appointed an independent professional valuer to conduct a valuation of the Group's mastheads and publishing rights as at 31 March 2017, based on the value-in-use approach.

According to the valuation report, the value of the Group's mastheads and publishing rights was HK$817.9 million as at 31 March 2017 against the corresponding carrying value of HK$1,020.3 million. Therefore, a revaluation deficit of HK$202.4 million arose on a Group basis as at 31 March 2017. The Group's accounting policy is to state these intangible assets at cost less accumulated amortisation and accumulated impairment loss.

The Directors have reviewed the recoverable amount of the *Apple Daily*'s masthead and publishing right prudently and considered that an impairment loss in a total of HK$202.4 million should be made for the year after taking into consideration of the said valuation, the sluggish business environment for print newspaper market and the continued shift of advertiser spending from offline to online.

The impairment of the aforesaid masthead and publishing right was non-cash item and did not have any impact on the cashflow position of the Group for the year ended 31 March 2017.

DIVIDEND

The Directors have resolved not to recommend the payment of a final dividend for the year (2015/16: nil).

BOOK CLOSURE PERIOD

The Register of Members of the Company will be closed from Tuesday, 25 July 2017 to Friday, 28 July 2017, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2017 AGM of the Company scheduled to be held on Friday, 28 July 2017 at 3:00 p.m., all transfers of Shares accompanied by relevant Share certificates must be lodged with the Company's share registrar and transfer office, Computershare, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 24 July 2017.

FORWARD-LOOKING STATEMENTS

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

THINK

NEXT

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FORWARD

Next Digital builds on its leading position in the market to steer the habit of reading on digital platform.

Next Digital is committed to maintaining high standards of corporate governance. We strongly believe that sound and effective corporate governance practices – will ensure the Company's long-term success, and ultimately enhance our Shareholder value.

This report describes the corporate governance practices and structure that are in place at Next Digital, with reference to the principles and guidelines of the CG Code contained in Appendix 14, as well as other applicable requirements in the Listing Rules.

CORPORATE GOVERNANCE PRACTICES

The CG Code sets out the Stock Exchange's views on the principles of good corporate governance. It makes two levels of recommendations:

- Code Provisions, which issuers are expected to comply with or provide reasons for any deviation therefrom; and
- Recommended Best Practices, which issuers are encouraged to comply with, but which are provided for guidance only.

The Company has complied with all the applicable provisions of the CG Code throughout the year ended 31 March 2017, except for CG Code provisions A.2.1, A.6.7 and E.1.2. As announced on 8 June 2016, Mr. Ip Yut Kin ("Mr. Ip") has been re-designated from an ED to a NED and appointed as the Non-executive Chairman of the Group. On the same date, Mr. Cheung Ka Sing, Cassian ("Mr. Cassian Cheung") has relinquished the position of Interim Chairman of the Group. He will continue as an ED of the Company and CEO of the Group. Due to other business engagements, Mr. Fok Kwong Hang, Terry and Mr. Wong Chi Hong, Frank (all being INEDs) did not attend the 2016 AGM held on 29 July 2016. Mr. Ip, the Non-executive Chairman, chaired the aforesaid meeting in accordance with the provisions of the Articles of Association.

BOARD OF DIRECTORS

As of 31 March 2017, the Board consisted of seven members, two of whom were EDs, one was NED and four were INEDs. Next Digital has complied with Rules 3.10 and 3.10A of the Listing Rules, which require the board of directors of a listed issuer to have at least three INEDs, representing at least one-third of the board. During the year under review, Mr. Cassian Cheung has relinquished the position of the Interim Chairman of the Group on 8 June 2016 and Mr. Ip was appointed as the Non-executive Chairman of the Group on the same date. On 1 April 2017, Mr. Fok Kwong Hang, Terry resigned as an INED of the Company.

Role of the Board

The Board's primary role is to promote the Group's success and deliver sustainable long-term value to our Shareholders. It plays a key role in decisions related to:

- Formulating the Group's strategic objectives;
- Directing and monitoring the management in pursuit of the Group's strategic objectives;
- Ensuring a sound risk-management control system; and
- Approving the Group's major financial decisions and other significant issues.

The day-to-day management, administration and operation of the Group's business activities and the implementation of polices are delegated to the management of the Company and its subsidiaries. The Board fully supports the management and allows it autonomy to run and develop the Group's business within the context of directions as to the management's powers and authorities. The management should report back and obtain prior approval from the Board before any decisions or commitments to be made. The Board also periodically reviews the authorities delegated to the management, to ensure that these remain appropriate.

Strategic Direction

Next Digital is an innovative multi-media organisation that delivers news and entertainment content to its readers and audiences without bias or prejudice. The following values form the foundation of the way we work:

- Dedication – we are dedicated to satisfying the expectations of our readers and audiences on all our platforms and at all times;
- Transparency – we encourage direct communication and maintain a high degree of transparency;
- Integrity – we act in a trustworthy, honest and fair way, and we hold ourselves accountable for our commitments; and
- Innovation – we foster creativity in order to stay abreast of change and at the forefront of the multi-media industry.

Next Digital is mindful of the rapid changes in the media landscape; in particular, the digital revolution that is sweeping through the world's media and the increasing availability of higher-speed and mobile broadband services over the past decade. We appreciate that the growth in the delivery of online content now gives audiences a huge range of information sources, and they expect instant access to news and analysis. That offers us enormous opportunities to innovate and serve our audiences better by diversifying our services and products. We will further develop our capabilities in publishing and other digital platforms, including the Internet and mobile communication, and we will deliver content that reflects our commitments to quality, independence and professional journalism in order to meet the expectations of diverse audiences. At the same time, we will keep pace with changing technologies and we will continue to work creatively to achieve our strategic goals and grow our capabilities further. To face the challenges, we will constantly explore and pursue new ideas, opportunities and collaborations in order to establish sustainable business activities that have the potential to generate commercial value for our Shareholders in the long term.

Corporate Governance Policy

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

Corporate Disclosure Policy

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

Board Diversity Policy

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

Board Composition

As of 31 March 2017, the Board's two EDs were Mr. Cassian Cheung (CEO); Mr. Chow Tat Kuen, Royston (CFO); and one NED was Mr. Ip Yut Kin (Non-executive Chairman). Its four INEDs were Mr. Fok Kwong Hang, Terry; Mr. Wong Chi Hong, Frank; Dr. Lee Ka Yam, Danny and Dr. Bradley Jay Hamm. On 1 April 2017, Mr. Fok Kwong Hang, Terry has been resigned as an INED of the Company.

During the year under review, all the INEDs complied with the guidelines for assessing their independence set out in Rule 3.13 of the Listing Rules, and they provided the Company and the Stock Exchange with written confirmation regarding their independence. The Company considered that all the INEDs were independent, and that no family, material or other relevant relationships existed between any of them. In addition, none of the members of the Board was related to any of the others.

The members of the Board possess business and financial expertise in a range of areas that are essential for the effective governance of an interactive multi-media company. Their biographies and respective roles in the Board's Committees are set out in the Directors and Senior Management section of this annual report and on Next Digital's website at http://www.nextdigital.com.hk.

Chairman and Chief Executive Officer

The posts of Chairman and CEO are distinct and separate, with a clear division of their responsibilities. The Chairman's role is to provide the Group with strategic direction in consultation with the Board, whereas the CEO, with the support of the EDs, is responsible for the strategic planning of its various business units, and day-to-day management of its operations.

Mr. Cassian Cheung, is the CEO responsible for formulating the Group's strategies, and he leads its management and business unit heads in achieving the goals set by the Board, with a focus on enhancing long-term Shareholder value.

Following the resignation of Mr. Lai as the Chairman of the Board on 12 December 2014, Mr. Cassian Cheung has taken up the position of the Interim Chairman as an interim arrangement in filling up the vacancy since then. On 8 June 2016, Mr. Ip has been re-designated as a NED of the Company and appointed as the Non-executive Chairman of the Group. Mr. Cassian Cheung has relinquished the position of Interim Chairman of the Group on the same date.

Appointment, Re-election and Removal of Directors

Articles 84 and 85 of the Articles of Association require each Director to retire by rotation once every three years, and one-third (or the nearest number to one-third) of its Directors to retire from office every year and be eligible for re-election at each AGM. During the year ended 31 March 2017, Mr. Chow Tat Kuen, Royston, Mr. Fok Kwong Hang, Terry and Dr. Lee Ka Yam, Danny retired and were re-elected as Directors at the 2016 AGM.

In view of the Board's current size, each Director has an average term of office of three years. All EDs have entered into service contracts with members of the Group that can be terminated by the Company giving them a period of notice of not more than one year.

None of the NEDs (including the INEDs) has entered into a service contract with any member of the Group. They have been appointed as NEDs for a fixed term of two years from the date of their appointment, or the date of the renewal of their appointment, whichever is applicable, by letters of appointment, which stipulate their functions and duties as NEDs of the Company including those as specified in the CG Code. During the year under review, Mr. Ip Yut Kin has been appointed as a NED for a fixed term of two years from the date of his appointment and the terms of appointment of three NEDs, namely, Mr. Wong Chi Hong, Frank, Dr. Lee Ka Yam, Danny and Dr. Bradley Jay Hamm, have been renewed for a fixed term of two years from their respective dates of renewal. On 1 April 2017, Mr. Fok Kwong Hang, Terry has resigned as an INED of the Company. The terms of appointment of the respective NEDs are as follows:

Name	Term of Appointment
NED:	
Ip Yut Kin	08.06.2016 to 07.06.2018
INEDs:	
Wong Chi Hong, Frank	30.01.2017 to 29.01.2019
Lee Ka Yam, Danny	09.03.2017 to 08.03.2019
Bradley Jay Hamm	01.03.2017 to 28.02.2019

Board Activities

The Board meets regularly and holds quarterly meetings to review and consider the Company's operations, financial results and other relevant matters identified by the Directors. Additional meetings may also be arranged at the Directors' request. The dates of Board meetings for each year are usually proposed by the Company Secretary and agreed to by all the Directors during the third quarter of the previous year in order to give all the Directors adequate time to plan their schedules in advance.

The Board's proceedings are well defined, and they follow requirements and applicable recommended best practices under the CG Code. The draft agendas for regular Board meetings are prepared by the Company Secretary and approved by the Chairman. The Directors are informed about the draft agenda's contents in advance, and consulted about any additional items that they wish to propose for inclusion on it. Once the agenda has been finalized, the Company Secretary issues the notice of the Board meeting with a notice period of at least 14 days, and sends to all Directors the Board papers containing supporting analysis and related information at least 3 working days before the Board meetings. During each regular Board meeting, the Chairman of the meeting encourages all Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interest of the Company. Directors are encouraged to discuss the matters and express different views at the Board meetings to ensure that the Board's decisions fairly reflect the consensus of all Directors. The EDs also report to the Board on their respective business areas, including their operations, progress of projects and financial performance, as well as corporate governance and compliance.

The Company Secretary prepares written resolutions and minutes, and keeps sufficiently detailed records of matters discussed and decisions resolved at Board meetings, including any concerns raised by the Directors or dissenting views expressed. Draft minutes and resolutions of the Board are sent to all Directors for comment in a timely manner. Original minutes and resolutions of the Board are placed on record and kept by the Company Secretary. These are available for inspection by the Directors upon request.

Below is an overview of the dates of the various Board/Committee meetings and the record of attendance of its members during the year:

	Numbers of Meetings Attended/Held				
	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings (Note 2)	Nomination Committee Meetings	Annual General Meeting (Note 3)
NED					
Ip Yut Kin (Non-executive Chairman) (Note 4)	5/5 (100%)	N/A	N/A	N/A	1/1 (100%)
EDs					
Cheung Ka Sing, Cassian (CEO) (Note 5)	5/5 (100%)	N/A	N/A	1/1 (100%)	1/1 (100%)
Chow Tat Kuen, Royston (CFO) (Note 6)	5/5 (100%)	N/A	N/A	N/A	1/1 (100%)

	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings (Note 2)	Nomination Committee Meetings	Annual General Meeting (Note 3)
	Numbers of Meetings Attended/Held				
INEDs					
Fok Kwong Hang, Terry (Note 7)	4/5 (80%)	2/2 (100%)	N/A	1/1 (100%)	0/1 (0%)
Wong Chi Hong, Frank (Note 8)	5/5 (100%)	2/2 (100%)	N/A	1/1 (100%)	0/1 (0%)
Lee Ka Yam, Danny	4/5 (80%)	2/2 (100%)	N/A	N/A	1/1 (100%)
Bradley Jay Hamm (Note 9)	5/5 (100%)	N/A	N/A	1/1 (100%)	1/1 (100%)
Dates of Meetings	13.06.2016 27.06.2016 19.09.2016 14.11.2016 27.03.2017	10.06.2016 11.11.2016	N/A	07.06.2016	29.07.2016

Notes:

(1) The Directors may attend Board and/or committee meetings in person or by means of telephonic communication or similar communications equipment in accordance with the Articles of Association of the Company. Any Director taking part in the meeting via such means of electronic communication shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in the quorum accordingly.

(2) The Remuneration Committee did not hold any physical meetings during the year ended 31 March 2017.

(3) The Company's external auditor attended the 2016 AGM to answer questions from the Shareholders.

(4) Mr. Ip has been re-designated as a NED of the Company and appointed as the Non-executive Chairman of the Group on 8 June 2016 and appointed as a member of the Audit Committee of the Company on 1 April 2017.

(5) Mr. Cheung has relinquished the position of the Interim Chairman of the Group on 8 June 2016 and resigned as a member of the Remuneration Committee of the Company on 1 April 2017.

(6) Mr. Chow has been appointed as a member of the Remuneration Committee of the Company on 1 April 2017.

(7) Mr. Fok has resigned as an INED of the Company, the chairman of the Remuneration Committee of the Company and a member of each of the Audit Committee and the Nomination Committee of the Company on 1 April 2017.

(8) Mr. Wong has relinquished the position of the chairman of the Nomination Committee of the Company and will continue to serve as a member of the Nomination Committee. He has been appointed as the chairman of the Remuneration Committee of the Company on 1 April 2017.

(9) Dr. Hamm has been appointed as the chairman of the Nomination Committee of the Company on 1 April 2017.

BOARD COMMITTEES

The Board has established an Audit Committee, Remuneration Committee, Nomination Committee and several other committees as integral elements of good corporate governance and to oversee relevant aspects of the Company's affairs.

Audit Committee

(i) Structure and Membership

The Audit Committee was established on 19 March 1999 with reference to "A Guide for the Formation of an Audit Committee" issued by The Hong Kong Society of Accountants (currently known as the HKICPA).

The Company has established a whistle-blowing policy for employees and those who deal with the Group to raise concerns, in confidence, with a designated officer of the Group about suspected fraud in matters of financial reporting, internal controls or other matters relating to the Group. This policy applies to Directors, officers and employees at all levels of the Group as well as joint ventures or companies in which the Group holds a controlling interest. The Audit Committee has overall responsibility for this policy, and it will report fraudulent activities to the Board at least annually. The policy has been posted on the Company's website.

As at 31 March 2017, the Audit Committee's membership consisted solely of INEDs, namely, Mr. Fok Kwong Hang, Terry; Mr. Wong Chi Hong, Frank and Dr. Lee Ka Yam, Danny. None of them is, or has previously been, a member of the Company's current or previous external auditor. The Chairman of the Audit Committee, Dr. Lee Ka Yam, Danny, possesses the professional qualifications and financial management expertise required under the Listing Rules. On 1 April 2017, Mr. Fok Kwong Hang, Terry has resigned as a member of the Audit Committee of the Company and Mr. Ip Yut Kin has appointed as a member of the Audit Committee of the Company.

(ii) Audit Committee's Functions

The Audit Committee meets regularly with the external auditor, professional advisers and management team to assist the Board in overseeing the Group's financial reporting, the appointment of the auditor and its fees, and the effectiveness of the Group's risk management and internal control systems. It will convene additional meetings whenever its members need to discuss any specific matters. Full details of the Audit Committee's role and current terms of reference are posted on Next Digital's website at http://www.nextdigital.com.hk and the Stock Exchange's website.

(iii) Audit Committee's Activities

During the year under review, all the members of the Audit Committee attended its two meetings on 10 June 2016 and 11 November 2016.

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

- The Group's audited consolidated financial statements for the year ended 31 March 2016;
- The continuing connected transactions of the Group for the year ended 31 March 2016;
- The internal control review report for the year ended 31 March 2016;
- Valuation of mastheads and publishing rights of the Group for the year ended 31 March 2016;
- The valuation reports in respect of the share options granted under the respective share option schemes of the Company and Apple Daily E-Classified Limited during the year ended 31 March 2016;
- The Group's unaudited interim financial statements for the six months ended 30 September 2016; and
- The internal control review progress report (November 2016) prepared by professional firm.

Mr. Chow Tat Kuen, Royston, CFO, and the Company's Financial Controller were invited to attend these meetings in order to give a full account of the financial statements and answer the Audit Committee's questions. The Audit Committee reviewed the nature of the service fees and independence of the external auditor on an annual basis. Working closely with the external auditor and professional firm, the Audit Committee also reviewed the adequacy and effectiveness of Next Digital's internal control measures. The Chairman of the Audit Committee reported to the Board on the work done by the Audit Committee, and highlighted any significant issues.

Remuneration Committee

(i) Structure and Membership

The Remuneration Committee was established on 15 March 2005, together with specific terms of reference regarding its authority and duties.

As at 31 March 2017, the Remuneration Committee consisted of three members with a majority of INEDs, namely, Mr. Fok Kwong Hang, Terry, the chairman of the Remuneration Committee; Dr. Lee Ka Yam, Danny; and Mr. Cassian Cheung (ED). On 1 April 2017, Mr. Fok Kwong Hang, Terry has resigned as the chairman of the Remuneration Committee of the Company and Mr. Wong Chi Hong, Frank (INED) has been appointed as the chairman of the Remuneration Committee of the Company. Mr. Cassian Cheung has resigned as a member of the Remuneration Committee of the Company and Mr. Chow Tat Kuen, Royston (ED) has been appointed as a member of the Remuneration Committee of the Company, all with effect from 1 April 2017.

(ii) Remuneration Committee's Functions

The Remuneration Committee is responsible for reviewing and developing all policies relating to the remuneration of the Company's Directors and senior management. It is also entrusted with making all recommendations in relation to such policies to the Board. Full details of the Remuneration Committee and its terms of reference can be found at http://www.nextdigital.com.hk and the Stock Exchange's website.

The Remuneration Committee is also responsible for ensuring that no Director or any of his associates is involved in deciding his own remuneration. The Board has the authority to approve any remuneration matters concerning the Directors and members of the senior management that are brought before it, subject to recommendations from the Remuneration Committee and approval by the Shareholders, if required under the Listing Rules, the Articles of Association and applicable legislation.

(iii) Remuneration Committee's Activities

During the year, the Remuneration Committee has considered and endorsed by way of written resolutions the fees of the Directors for the year ended 31 March 2017.

Nomination Committee

(i) Structure and Membership

The Nomination Committee was established on 30 March 2012, together with specific terms of reference regarding its authority and duties.

As of 31 March 2017, the Nomination Committee consisted of four members with a majority of INEDs, namely, Mr. Wong Chi Hong, Frank; Mr. Fok Kwong Hang, Terry; Dr. Bradley Jay Hamm; and Mr. Cassian Cheung (ED). Mr. Wong Chi Hong, Frank (INED) was the Chairman of the Nomination Committee. On 1 April 2017, Mr. Fok Kwong Hang, Terry has resigned as a member of the Nomination Committee of the Company, and Mr. Wong Chi Hong, Frank has relinquished the position of the chairman of the Nomination Committee of the Company and will continue to serve as a member of the Nomination Committee. Also, Dr. Bradley Jay Hamm has been appointed as the chairman of the Nomination Committee of the Company on the same date.

(ii) Nomination Committee's Functions

The Nomination Committee is primarily responsible for reviewing the structure, size and composition of the Board and making recommendations to the Board as and when appropriate. Following the adoption of the Board Diversity Policy by the Company in August 2013, the terms of reference of the Nomination Committee were amended correspondingly. Full details of the Nomination Committee and its terms of reference can be found at http://www.nextdigital.com.hk and the Stock Exchange's website.

(iii) Nomination Committee's Activities

During the year, the Nomination Committee has held one meeting on 7 June 2016. The Nomination Committee has considered and approved the following matters at the meeting and/or by way of written resolution:

- The re-designation of Mr. Ip Yut Kin from ED to NED of the Company and the appointment of Mr. Ip as the Non-executive Chairman of the Group, as well as Mr. Cassian Cheung would relinquish the position of Interim Chairman, all with effect from 8 June 2016; and
- Renewal of terms of appointment of three INEDs, namely, Mr. Wong Chi Hong, Frank, Dr. Lee Ka Yam, Danny and Dr. Bradley Jay Hamm for a term of 2 years with effect from 30 January 2017, 9 March 2017 and 1 March 2017 respectively.

The Nomination Committee also assessed the independence of INEDs in respect of the year ended 31 March 2017, and opined that all four INEDs of the Company complied with Rule 3.13 of the Listing Rules.

Other Committees

(i) A Board Committee consisting of any two of the EDs was established on 28 August 2007 to approve the issue and allotment of shares pursuant to the 2007 Share Option Scheme from time to time;

(ii) A Sub-committee consisting of the financial heads of all the major business units, the Company Secretary and Financial Controller was established in September 2000 to review connected transactions and ensure that they comply with the Listing Rules and other relevant legislation.

TRANSPARENCY AND FAIRNESS

Material Interests

The Directors are requested to declare their direct or indirect interests, if any, in any matters or transactions to be considered at Board or committee meetings. They may not vote on any resolution of the Board or committees if they have such an interest, and they may not be counted in the quorum for such a vote.

Time Commitment

In order to ensure that every Director could give sufficient time and attention to the Company's affairs, each Board member is required to make a disclosure to Next Digital every six months regarding the number and nature of the offices they hold in other public companies or organisations. They are also required to declare all their other significant commitments, including the identity of the public companies or organisations concerned. During the year under review, apart from Mr. Cassian Cheung, none of the Directors held any directorships or offices in any other public companies or organisations. Mr. Cassian Cheung is currently an independent non-executive director, a nomination committee member, an audit committee member and chairman of the remuneration committee of Trinity Limited, a company listed on the main board of the Stock Exchange.

Securities Transactions

Next Digital originally adopted the Model Code in April 2004. With effect from 1 April 2009, the Model Code was revised to extend the "blackout" period for dealings in its securities by a company's directors. The Company adopted the revised version with effect from 1 April 2009, by means of a written resolution unanimously approved by the members of the Board.

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

Following specific enquiries by the Company, all the Directors have confirmed that they fully complied with the required standards of the Model Code during the year ended 31 March 2017.

Specific officers and employees of the Company who, because of their offices, are likely to be in possession of unpublished inside information pertaining to Next Digital or its activities are also subject to compliance with the Model Code.

Voting by Poll

The Company has conducted all voting at general meetings by poll since 2004. At the 2016 AGM held on 29 July 2016, the Chairman of the meetings likewise demanded voting by poll on all the resolutions put to the meetings. The Shareholders' rights and procedures for demanding a poll were set out in the relevant circulars sent to the Shareholders within the stipulated timeframe, and they were explained to those present at the start of the general meetings.

To ensure the votes were counted correctly, Computershare, the Company's share registrar and transfer office, was appointed as the scrutiniser for the voting by poll at the 2016 AGM as mentioned above. The poll results was announced and posted on both the websites of the Stock Exchange and the Company immediately after the general meeting.

Directors' Training and Continuous Development

The Company has a policy of providing all newly appointed Directors with a comprehensive, formal and tailored induction to the Company. An induction package containing information in respect of the duties and responsibilities of all Directors under the Listing Rules, the Companies Ordinance and other related ordinances and relevant regulatory requirements of Hong Kong is provided to each newly appointed Director. As and when necessary, the Company also arranges seminar sessions for all the Directors at the Company's cost. Conducted by qualified professionals, these particularly relate to the roles, functions and duties of listed company directors, in order to ensure that their skill sets and knowledge remain consistent with all relevant legal and regulatory requirements. From time to time, the Company Secretary also provides updates to all Directors about the latest developments concerning the applicable laws, rules and regulations.

The Company has kept records of such training, which were provided by each Director for the year ended 31 March 2017. These were as follows:

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

Note: *Mr. Fok Kwong Hang, Terry has resigned as an INED of the Company on 1 April 2017.*

Company Secretary

Following the resignation of Ms. Wong Shuk Ha, Cat as the Company Secretary of the Company on 27 June 2016, Mr. Chow Tat Kuen, Royston (ED) has been appointed as the Company Secretary of the Company on the same date. Mr. Chow's primary responsibilities are to ensure the effective conduct of Board/Committee meetings and general meetings pursuant to the Group's policies and procedures; preparing and keeping records of minutes; and advising the Board on compliance under the applicable laws, rules and regulations in a way that keeps abreast of the Group's operations and ensures its adherence to the CG Code.

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

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

Independent and Professional Advice

The Directors and Board committee members are empowered with all the resources deemed necessary to carry out their duties to the best of their abilities. They are given full and timely access to the advice and services of the Company Secretary, and to all information that is relevant to Next Digital's operations. If the need arises, Directors and members of Board committees may also seek independent professional advice about the performance of their duties at the Company's expense and in accordance with the Procedures for Directors to Seek Independent Professional Advice, which have been adopted by the Board.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing financial statements that give a true and fair view of the Group's state of affairs. When preparing financial statements, the Directors review and approve appropriate accounting policies recommended by the management, Audit Committee and professional bodies. They apply the same standards consistently in demonstrating the Group's quantified operational performance and in exercising relevant judgment.

MONTHLY FINANCIAL UPDATES TO DIRECTORS

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

AUDIT, CONTROL AND RISK MANAGEMENT

External Auditor

Deloitte has been the Company's external auditor for thirteen consecutive years since 2004. For the year ended 31 March 2017, the total fees paid and payable to the external auditor for non-audit-related services amounted to HK$767,000.

Baker Tilly Hong Kong has been appointed by the Company on 8 February 2017 to provide taxation service. For the year ended 31 March 2017, the total fees paid and payable to Baker Tilly Hong Kong for taxation service amounted to HK$200,000.

Internal Control and Risk Management

The Board is responsible for ensuring that appropriate and effective risk management and internal control systems are established and maintained. Since 1 April 2006, the Board has engaged professional firm to conduct assessments to evaluate the Group's entity-level controls.

Through the Audit Committee, the Board is responsible for continuous review of the effectiveness of the Group's risk management and internal control systems which include financial, operational, compliance and risk management controls. Such process includes (i) a self-assessment from representatives across the Group which cover operation and business units, support functions and monitoring and control management and (ii) an internal audit reviews conducted by professional firm.

The professional firm has reviewed risk management and internal controls by (i) evaluating the control environment and risk identification and assessment processes; (ii) assessing the adequacy of risk response measures and internal controls; and (iii) testing the implementation of such measures and functioning of key controls through audit sampling.

The Audit Committee, supported by the professional firm, reviews the adequacy of resources, qualifications, experiences and training requirements of staff responsible for financial, operational and compliance processes. An internal audit report incorporating control recommendations and management's rectification plans is issued by the professional firm.

The professional firm reports to the Audit Committee on the results of its assessment of risk management and internal control systems and status of implementation of follow-up actions on control recommendations. In addition, representative from the professional firm attends Audit Committee meetings twice a year to report its progress.

For the year under review, the Board considers that the risk management and internal control systems of the Group are adequate and effective and the Company has compiled with the risk management and internal control code provisions set out in the CG Code.

With respect to the monitoring and disclosure of insider information, the Group has established a corporate disclosure policy, which applies to all employees and management of the Group and the Company's Directors, setting out the framework for the release and control of inside information to ensure that the Company is able to meet with the statutory and regulatory requirements from time to time, detail of which can be found on the Company's website or refer to page 23 under this section of this report.

COMMUNICATIONS WITH SHAREHOLDERS

AGM

Next Digital has always endeavoured to maintain amicable and open relationships with its Shareholders. The Company's AGM provides a forum at which the Board members and Shareholders can share opinions and ideas. Shareholders are invited to direct questions to the Board at the AGM. Those available to answer such questions include not only the EDs but also the Chairmen of the relevant committees or, in their absence, members of the committees as well as the Company's external auditor.

Details of voting procedures are included in the Company's circulars to its Shareholders.

Investor Relations

The Board is well aware of the importance of communication between investors, Shareholders and the Company. The Board ensures it disseminates details of major activities, inside information and transactions in full compliance with the Listing Rules. The Company has a series of procedures to communicate with analysts and the media. These measures were developed to ensure full compliance with the Stock Exchange's guidelines regarding the disclosure of price-sensitive information. The Company has also carefully selected certain EDs and senior management to act as its representatives in meetings with analysts and the media. On 3 October 2011, the Board adopted the Group's external communication policy for its operations in Taiwan, when dealing with communications with investors, analysts and the media there.

As a multimedia company, Next Digital remains determined to enhance its transparency further by making full use of all appropriate communications channels when sharing information with third parties. Specific activities undertaken in this area during the year included the publication of corporate news via press releases and formal announcements, and the issuing of circulars, interim and annual reports. All such information is freely accessible to anyone at http://www.nextdigital.com.hk.

Shareholders and interested members of the public are welcome to communicate directly with Next Digital by sending correspondence marked "for the attention of the Company Secretary" to the Company's registered office address, or via its designated investor relations e-mail account at ir@nextdigital.com.hk.

The Board has also established a Shareholder Communication Policy, which is available on the Company's website. It will regularly review this policy to ensure its effectiveness.

Shareholder Rights

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

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

(ii) Procedures for election of Directors; and

(iii) Procedures for convening an EGM on requisition.

DIRECTORS' AND OFFICERS' INSURANCE

The Directors and officers of the Group are fully indemnified against all costs, charges, losses, expenses and liabilities incurred by them in discharging their duties. Next Digital has taken out comprehensive Directors' and officers' liabilities insurance coverage for such purposes, subject to the provisions of the Companies Ordinance and other applicable legislation.

THINK

SUSTAINABLE

Next Digital supports sustainable development for its businesses.

The Group cares about the environment and strives to fulfil this goal in terms of its own operations and through close relationships with suppliers, customers and the wider community. Digitalization of the business will further reduce the Group's reliance and consumption on natural environmental resources.

SCOPE AND REPORTING YEAR

This is the first Environmental, Social, and Governance (the "ESG") report for Next Digital Limited and its subsidiaries (collectively referred to as the "Group"), highlighting its ESG performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 27 of the Listing Rules and Guidance set out by The Stock Exchange of Hong Kong Limited.

This ESG report covers the Group's overall performance in two subject areas, namely, Environmental and Social of its business operations of 11 premises in Hong Kong and Taiwan (with exclusion of premises in North America, which accounts for less than 0.5% of the Group's total headcount) from 1 April 2016 to 31 March 2017, unless otherwise stated. Operation in the United States and Canada are not part of the scope due to insignificant environmental and social impacts contributing to the Group. For governance, please refer to separate Corporate Governance Report in the Annual Report 2016/17.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

As a leading multimedia company in Hong Kong and Taiwan, Next Digital constantly strives to strengthen its relationships with investors. We believe that open, transparent and timely communication with them is one of our ongoing missions. In order to identify the most significant aspects for the Group to report on for this ESG report, key stakeholders have been involved in meetings and engagement sessions to exchange views and to review areas of attention which will help the business meets its sustainable growth and be prepared for future challenges.

STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on our environmental, social and governance approach and performance. Please give your suggestions or share your views with us via email at ir@nextdigital.com.hk or by post to our Company Secretary at Next Digital's registered office. We aim to reply directly to all written communications within seven days.

NEXT DIGITAL'S MISSION AND VISION ON SUSTAINABILITY COMMITMENT

Mission and Vision on Sustainability Commitment

The Group cares about the environment and strives to fulfil this goal in terms of its own operations and through close relationships with suppliers, customers and the wider community. Digitalization of the business will further reduce the Group's reliance and consumption on natural environmental resources.

We have been a member of the Forest Stewardship Council since 2009. Our membership means we abide by its standards concerning the independent certification and labelling of forestry products, and ensuring that these come from socially and environmentally sustainable sources.

The Group also makes use of organic-based printing ink, whenever possible, for newspaper and magazine publication during the year. The ink consists of a composite of resin and vegetable oil that fulfils environmental conservation objectives. At the same time, environmental monitoring and review system are strictly implemented in all our production process, further reducing pollution through better approaches and advanced technologies.

Talents and dedication of the Group's team members are the foundations for business's success and growth. Principle of equal opportunity is upheld by maintaining non-discriminatory recruitment policies, and staff members were employed purely in accordance with the relevance of their skills and experience.

Community service philosophy by the Group is based on the motto "Use what you receive from society in order to benefit society", in which less-privileged members of the community are engaged and assisted through the Apple Daily Charitable Foundation.

A. ENVIRONMENTAL

Type of emissions the Group involved in the reporting year include electricity, paper, water, town gas, liquefied petroleum gas (LPG), petrol, diesel, refrigerants, packaging materials, business air travel and production-generated wastewater, hazardous waste and non-hazardous waste which are regulated under national laws and regulations.

Regular third party sampling and testing is conducted at printing plants for below criteria to ensure the operations comply with national standards. No exceedances were recorded during the reporting year.

- Wastewater Discharge
- Indoor Air Quality
- Workplace Noise Pollution

Total floor area coverage for the Group was 112,523 m^2 (Hong Kong: 64,636 m^2; Taiwan: 47,887 m^2) and the Group accounts for emissions from its operations.

1. Emissions

(i) Air Pollutant Emissions

During the reporting year, nitrogen oxides (NO_x), sulphur oxides (SO_x) and respiratory suspended particles (PM) were emitted from fuel consumption of company vehicles and production lines. The Group will continue take steps to further decrease the dependence on fossil fuels and reduce air emissions.

NO_x Emission (kg)

94% Vehicle Operation | *366.25 kg*

6% Gaseous Fuel Consumption | *24.45 kg*

SO_x Emission (kg)

97% Vehicle Operation | *3.43 kg*

3% Gaseous Fuel Consumption | *0.12 kg*

PM Emission (kg)

100% Vehicle Operation | *31.61 kg*

Vehicle Operation

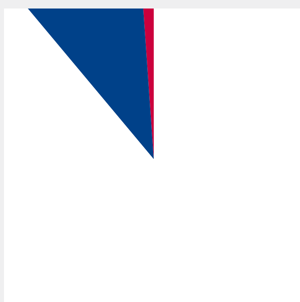
Vehicles were used for printing plant and business operations such as news assignment and circulations during the reporting year, contributing to 366.25 kg of NO_x emission and 3.43 kg of SO_x emission and 31.61 kg of PM. When selecting company fleet, factors such as reliability, maintenance cost and frequency, cost-effectiveness, fuel efficiency, fit for purpose would be considered. Electric vehicles have been purchased to further reduce fuel use. Biking racks are provided to encourage employees' healthy lifestyle and low carbon commute.

Gaseous Fuel Consumption

During the reporting year, town gas was used for heat generation required at printing operations in Hong Kong, contributing to 24.45 kg of NO_x emission and 0.12 kg of SO_x emission. Consumption of town gas also contributed to 323 tonnes of carbon dioxide equivalent emissions within scope 1 and 76 tonnes of carbon dioxide equivalent emissions within scope 2.

(ii) Greenhouse Gas (GHG) Emissions

Total GHG Emissions | after removal **(tCO_2e)**



89% Scope 3 | *209,007 tCO_2e*

10% Scope 2 | *22,421 tCO_2e*

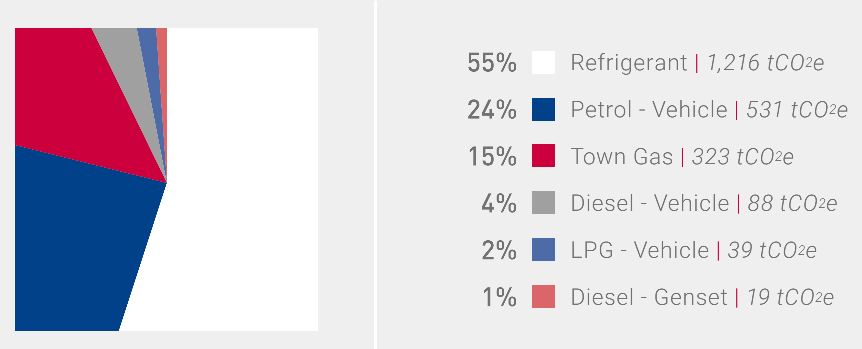
1% Scope 1 | *2,215 tCO_2e*

There were 233,644 tonnes of carbon dioxide equivalent (carbon dioxide, methane, nitrous oxide and hydrofluorocarbons) emitted in the reporting year. With the Group's effort in tree planting project, a decreased total amount of 233,643 tonnes of carbon dioxide equivalent were resulted during the reporting year. It is noteworthy that the GHG emissions was estimated under the assumption that all sold paper products from the Group were disposed in the landfills. The actual GHG emissions could be significantly lower with the environmental awareness in the society and paper recycling infrastructures in place for end-users.

Tree Planting

The Group has actively planted 58 trees with height over 5m and installed gardens at the surrounding area of printing plants in Taiwan, providing better air quality as well as reducing greenhouse effect. It contributed to a removal of 1 tonne of carbon dioxide equivalent greenhouse gases in scope 1.

Scope 1 – Direct Emissions (tCO_2e)



Refrigerants

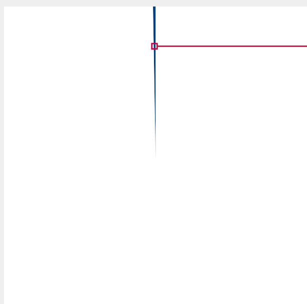
673 kg of HCFC-22/R22 and R-410A were used in air conditioning system in all premises during the reporting year, contributing to 1,216 tonnes of carbon dioxide equivalent emissions.

Scope 2 – Energy Indirect Emissions (tCO_2e)

99.66% Electricity | *22,345 tCO_2e*

0.34% Town Gas | *76 tCO_2e*

Scope 3 – Other Indirect Emissions (tCO_2e)



99.85% Paper disposed | *208,693 tCO_2e*

0.13% Business air travel | *270 tCO_2e*

0.01% Fresh water process | *30 tCO_2e*

0.01% Sewage process | *14 tCO_2e*

Paper

	HKG	TWN	Total	*Unit*
Paper Consumption (Production and non-production)	26,432	21,756	48,188	*t*
Paper Collected for Recycle	3,388	1,322	4,710	*t*
Total Disposed at Landfills	**23,044**	**20,434**	43,478	*t*

A total of 48,155 tonnes of production paper (from production printing, including web print and flat sheet print) and 33 tonnes of non-production paper (from daily office operation such as document printing) were consumed. For office, all general-purpose copiers are preloaded with recycled paper with one side printed, thus employees can easily use recycled paper, instead of double-side printing, for internal use. Paper saving labels are provided at every printing stations as reminders to employees. Active recycle mechanism are in place for collecting waste paper from office and production areas.

A total of 4,710 tonnes of paper (including both production and non-production) was diverted from landfill and collected by approved recyclers, contributing to nearly 10% reduction of GHG emissions related to paper disposal.

A total of 43,478 tonnes of paper was estimated to be disposed at landfills (under the assumption that all paper, whether is stored or purchased within the organization boundary, will eventually be disposed at landfills unless collected and recycled[1]).

Business Air Travel

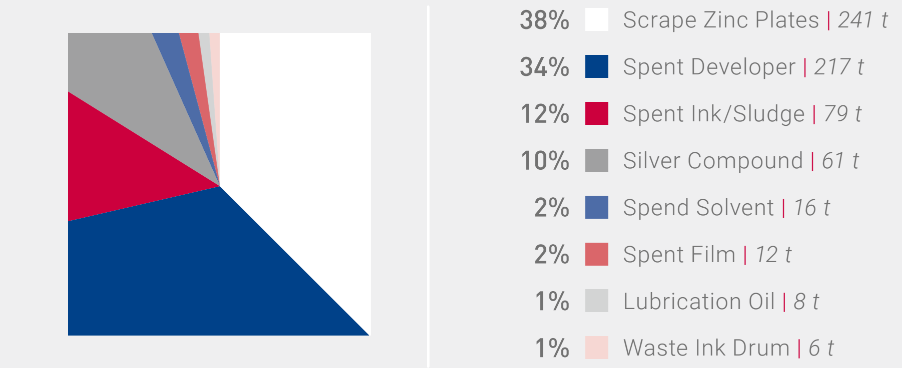
The Group keeps tracks of employees' business travelling and their relative carbon emission throughout the year. During the reporting year, the Group's business air travel contributed to a total 270 tonnes of carbon dioxide equivalent emissions. Administrative approval procedures have been implemented to pose control over business travel plans. The Group shall encourage employees to make use of teleconferencing, videoconferencing systems or WebEx for those destinations frequently visited to reduce carbon footprint on business air travel.

Note:

(1) EMSD/EPD Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong, 2008 and 2010 Editions

(iii) Hazardous Waste

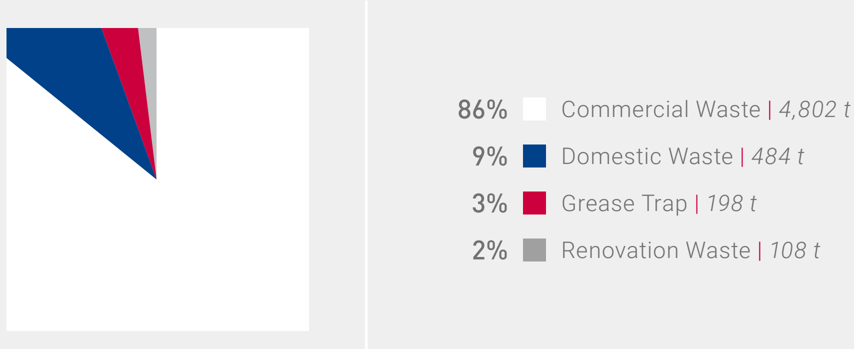
Hazardous Waste (t)



Hazardous waste such as spent ink, spent developer and spent solvent were generated in various processes during printing. A total amount of 640 tonnes of hazardous waste was generated during the reporting year (Hong Kong: 3.68 kg/m^2; Taiwan: 8.39 kg/m^2) and was handled by registered and licensed collectors regulated by the government in Hong Kong and by the centralized treatment facilities in Taiwan. Depending on the type and form of hazardous waste, they were incinerated, landfilled or recycled. In Hong Kong and Taiwan, most hazardous waste was incinerated except metal wastes such as scrap zinc plates and silver, which were all collected by recyclers.

(iv) Non-hazardous Waste

Non-Hazardous Waste (t)



5,592 tonnes of non-hazardous waste was generated from the Group during the reporting year (Hong Kong: 64.48 kg/m^2; Taiwan: 29.74 kg/m^2), and involved waste type such as domestic waste, grease trap waste, commercial waste and renovation waste. Due to a more supported and developed recycling industry in Taiwan, non-hazardous waste was separated at the point of disposal. Nearly all commercial wastes and renovation waste was collected and sold for recycling purposes, with domestic waste sent for incineration. In Hong Kong, lack of recycling infrastructure leads to domestic waste and most commercial waste ending up in landfills. Limited amount of recyclable commercial waste and renovation waste were sent to designated public filling facility managed by the government. Grease trap waste was collected by licensed collector for either incineration or recycled as bio-diesel.

To divert waste from landfill, recycling bins or containers for separate collection of paper, plastic bins and aluminium cans were strategically placed at all pantries, canteen, and major corridors. Each bin or container has been clearly labelled with colours on the cover for easy identification. Old electronic products or furniture would be kept for future use, donated for reuse or sold to employees or external parties.

2. Use of Resources

(i) Energy Consumption

The Group's business operations in Hong Kong and Taiwan resulted in the consumption of electricity, diesel, petrol, LPG and town gas, with energy intensity of 411.47 kWh/m² for Hong Kong and 403.75 kWh/m² for Taiwan.

Energy Consumption (kWh)

90.98%	Electricity | *41,787,032 kWh*
4.04%	Petrol | *1,853,821 kWh*
3.68%	Town Gas | *1,689,480 kWh*
0.94%	Diesel | *434,623 kWh*
0.36%	LPG | *165,038 kWh*

a. Electricity

The electricity consumption by the Group was 41,787,032 kWh (Hong Kong: 23,306,264 kWh; Taiwan: 18,480,768 kWh), contributing to 22,345 tonnes of carbon dioxide equivalent emissions in scope 2.

The Group regularly promotes energy-saving initiatives, such as:

- Establishing policy for energy saving and assigning supporting team and security team to turn off lights according to set schedule, and to check if all computers in the offices were turned off or with pre-approved exemption labels. Computer found turning on without exemption labels are recorded and IT Department will follow up with representative employees and management might handle the case if issue persists.
- Operating chiller systems in phases to cope with different thermal needs by manual or building management system.
- Phasing out air cooled chiller systems in Hong Kong printing plants, and replacing them with water cooled ones with higher energy efficiency (all chiller systems are water-cooled in Taiwan printing plants).
- Replacing energy intensive lighting such as high bay light, t8 fluorescent lamps with high luminous efficacy light sets such as LED lights at printing plants.

- Pre-setting computer to switch to energy saving mode after 30 minutes of idle.
- Installing thermostat for all air conditioning for smarter control of room temperature and better efficient use of energy in all premises wherever possible.
- Reminding employees with energy saving labels for turning off lights and air conditioners before leaving work. These labels are provided in major corridors and rooms throughout the offices.

b. Diesel, Petrol, LPG and Town Gas

During the reporting year, 12,916 kg of LPG, 31,879 litres of diesel and 197,216 litres of petrol were used for operation of mobile equipment; 7,276 litres of diesel were used for genset operation; 126,711 unit of town gas was used for printing operations.

(ii) Water Consumption

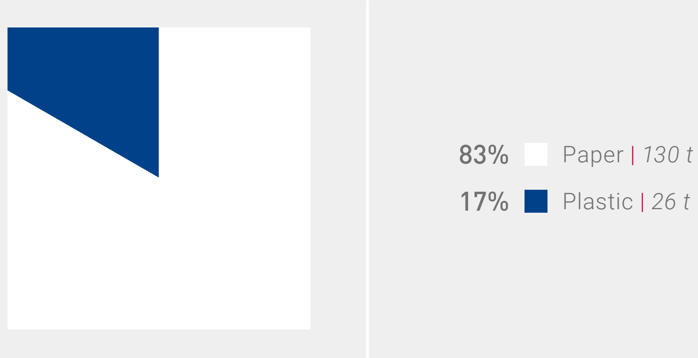
Water consumption by the Group was 122,922 m^3 (Hong Kong: 0.84 m^3/m^2; Taiwan: 1.44 m^3/m^2) contributing to 30 tonne of carbon dioxide equivalent emissions in scope 3. In Hong Kong, the water was supplied by Water Supplies Department. In Taiwan, water was mainly supplied by state-owned water utility company, Taiwan Water Corporation, except Taipei metropolis in which water was supplied by Taipei Water Department.

At printing plants in Hong Kong, water from chiller cooling water is bleed off to water closet flushing system to reduce the need for flushing water required by the Electrical and Mechanical Services Department. At all premiss, sensor controls have been installed, whenever possible, at all hand wash basins and urinals, as well as dual water volume release valves for water closets, to reduce water consumption. Automatic rainwater harvesting system was also installed at Taipei Office to make use of rainwater for landscape irrigation, further reducing fresh water consumption.

A total of 118,319 m^3 of wastewater was generated from the Group during the reporting year. Wastewater generated from premises in Hong Kong was discharged to and treated by Drainage Water Department, and wastewater generated from offices in Taiwan was discharged to and treated by municipal wastewater treatment plants in which the authority regularly conducts sample collection and monitors the discharge standards. For printing plants in Taiwan, the wastewater was either discharged to municipal wastewater treatment facility or pre-treated on site to meet permitted standards for pH value, suspended solids, chemical oxygen demand, zinc, iron, lead and conductivity prior to discharging to open water. No exceedances were reported during the reporting year.

(iii) Packaging Materials

Packing Materials (t)



Packaging materials consumed by the Group were mainly involved metal, plastic and paper for the protection of finished products during the reporting year. A total amount of 156 tonnes of packaging materials were consumed (Hong Kong: 1.84kg/m^2; Taiwan: 0.77kg/m^2). The Group shall simplify the packaging material in terms of quantity and type while ensuring quality of product protection during distribution.

KEY STATISTIC TABLE

	Hong Kong	Taiwan	Total	Unit
Area	64,636	47,887	112,523	m^2

Air Pollutant Emissions

	Hong Kong	Taiwan	Total	Unit
Nitrogen Oxides (NO_x)	327.76	62.94	390.70	*kg*
Sulphur Oxides (SO_x)	2.44	1.11	3.55	*kg*
Respiratory Suspended Particles (PM)	27.06	4.55	31.61	*kg*

Greenhouse Gas Emissions

	Hong Kong	Taiwan	Total	Unit
Scope 1	1,199	1,017	2,216	tCO_2e
– *intensity*	*18.55*	*21.24*	*19.69*	$kgCO_2e/m^2$
Scope 2	12,663	9,758	22,421	tCO_2e
– *intensity*	*195.91*	*203.77*	*199.26*	$kgCO_2e/m^2$
Scope 3	110,801	98,206	209,007	tCO_2e
– *intensity*	*1,714.23*	*2,050.79*	*1,857.46*	$kgCO_2e/m^2$
Total GHG Emissions (after removal)	124,663	108,980	233,643	tCO_2e
– *intensity*	*1,928.69*	*2,275.80*	*2,076.40*	$kgCO_2e/m^2$

Waste

	Hong Kong	Taiwan	Total	Unit
Total Hazardous Waste Generated	238	402	640	*t*
– *intensity*	*3.68*	*8.39*	*5.69*	kg/m^2
Total Non-hazardous Waste Generated	4,168	1,424	5,592	*t*
– *intensity*	*64.48*	*29.74*	*49.70*	kg/m^2

Energy Consumption

	Hong Kong	Taiwan	Total	Unit
Electricity	23,306,264	18,480,768	41,787,032	*kWh*
Town Gas	1,689,480	–	1,689,480	*kWh*
– unit consumed	126,711	–	126,711	*unit*
Diesel	363,849	70,774	434,623	*kWh*
– unit consumed	32,779	6,376	39,155	*litre*
Petrol	1,150,048	703,773	1,853,821	*kWh*
– unit consumed	122,346	74,870	197,216	*litre*
LPG	85,867	79,171	165,038	*kWh*
– unit consumed	6,720	6,196	12,916	*kg*
Total Energy Consumed	**26,595,508**	**19,334,486**	45,929,994	*kWh*
– *intensity*	*411.47*	*403.75*	*408.18*	*kWh/m²*

Water Consumption

	Hong Kong	Taiwan	Total	Unit
Total Fresh Water Consumed	54,103	68,819	122,922	m^3
– *intensity*	*0.84*	*1.44*	*1.09*	m^3/m^2

Packaging Material

	Hong Kong	Taiwan	Total	Unit
Total Packaging Material Consumed	119	37	156	*t*
– *intensity*	*1.84*	*0.77*	*1.38*	kg/m^2

Paper

	Hong Kong	Taiwan	Total	Unit
Total Paper Consumed	26,432	21,756	48,188	*t*
– GHG emissions	126,872	104,428	231,300	tCO_2e
Total Paper Recycled	3,388	1,322	4,710	*t*
– GHG emissions	16,262	6,345	22,607	tCO_2e
Total Paper Disposed at Landfills	23,044	20,434	43,478	*t*
– GHG emissions	110,610	98,083	208,693	tCO_2e

Notes:

(1) Emission factors were made reference to Appendix 27 of the Main Board Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.

(2) Emission factor of 0.54 kg CO_2e/kWh for purchased electricity (CLP) in Hong Kong is used, according to the latest figure from CLP's 2016 Sustainability Report.

(3) Emission factor of 0.5280 kg CO_2e/kWh for purchased electricity in Taiwan is used, according to the latest figure in 2015 from Bureau of Energy, Ministry of Economic Affairs.

(4) Emission factor of 0.599 kg CO_2e/unit for purchased electricity is used, according to the latest figure from Towngas' Sustainability Report 2016.

(5) Emission factor of 0.072 kg CO_2e/unit for processing both fresh water and wastewater in Taiwan is used, according to the latest 2016 figure from Taipei Water Department.

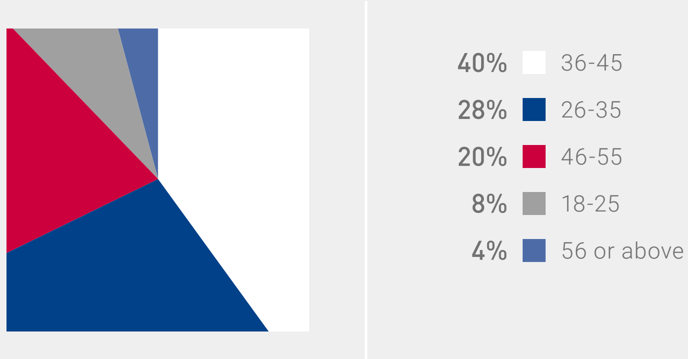
B. SOCIAL

1. Employment and Labour Practices

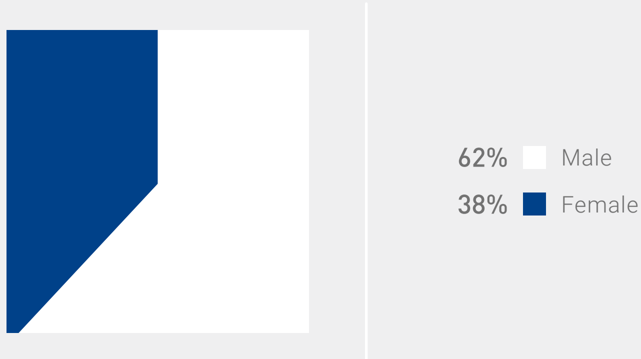
(i) Employment

The Group had a total number of 3,117 employees as of 31 March 2017. Since premises in the United States and Canada are excluded from the reporting scope due to their insignificant reflection of environmental and social impacts from the Group, 9 employees who worked at such areas are excluded from the total number of employees.

Workforce by Age Group



Workforce by Gender



Employees are the Group's most valuable asset. In addition to employee protection by complying with all applicable laws and regulation, the Group is actively improving and maintaining good employee relations. It is believed that by working together and sharing the Group's commitment and vision with employees, win-win situation can be achieved.

Employee Handbook and detailed policy documents are prepared based on the Group's Human Resources and Administration Policy. Conditions of employment and employee benefits, including working hours, remuneration, year-end bonus, various types of paid leave in addition to annual leave and sick leave (maternity, compensation, paternity, compassionate and marriage), insurance (medical, compensation), allowances (housing, transportation, education, marriage, new born child), pension fund/MPF, disciplines and penalty on malpractice or misconduct are listed. The Handbook also clearly states and standardizes the direction, procedures and guidelines for the process of recruitment, internal transfer, salary review, promotion, retirement, termination and dismissal. Employees are required to fully read, understand and accept the conditions by signing the Handbook during recruitment.

Equal Opportunity

Next Digital believes that talents and dedication of employees are the foundations of our success and growth. We uphold the principle of equal opportunity by maintaining non-discriminatory recruitment policies. Employees are not discriminated on the basis of ethnic background, class, language, idea, religion, political party, place of origin, place of birth, gender, sexual orientation, age, marital status, appearance, family status, physical and mental disability, or past trade union. Workplace appeal mechanism is also provided to protect employees' equal rights and to provide a healthy working environment. Employee can follow the Group's formal appeal procedures when receiving unfair treatment or any infringement of individual rights and privacy. The Group followed the guidelines and framework outlined by Equal Opportunities Commission in Hong Kong.

Appraisal System

Appraisal system is in place for annual assessment of the employees' work objectives and targets, knowledge and performance, planning and organisation skills, problem solving skills, team work, creativity, crisis management, work attitude, communication, discipline and proactiveness. Employees are entitled to basic salary with various allowance as per their job positions, extra work hours, year-end bonus on performance, basic social insurance including pension, medical, work-related injury, unemployment compensation and maternity. The Group regularly reviews employees' salary based on business growth and market norm, the pay is generally above market average.

Share Option Schemes

To motivate members of our senior and middle management, the Group offers a discretionary share option scheme that gives them options to subscribe for shares in the Group and its operating subsidiaries, so as to maintain the commitment of our employees to strive for excellence and professionalism.

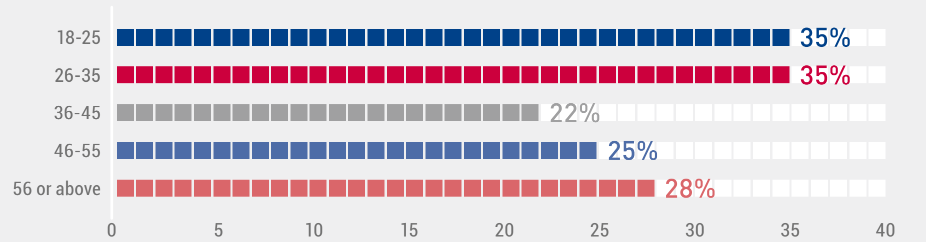
Workplace Welfare and Work-Life Balance

The Group believe that work-life balance has a positive impact on employee's sense of belonging and productivity. We aim to promote healthy lifestyle and engagement amongst all levels of employees. A wide range of leisure facilities are provided at workplace, such as cafeteria, open-air BBQ area, gymnasiums, basketball court, swimming pool and spa facilities. Accommodation, convenient store, and shuttle bus are also provided for employees working at remote plant locations.

Turnover

The overall annual turnover rate is 28% with 904 employees left the Group in 2016/2017 (of which 321 employees left as a result of organization restructure, turnover rate of 10%). The annual turnover rate (categorized by age and gender) in the reporting year are as follows:

Annual Turnover Rate by Age Group (%)



Annual Turnover Rate by Gender (%)

(ii) Employee Health and Safety

Workplace health and safety plays an important role in the Group's printing operation. To ensure employees are protected from potential occupational hazards, the Group makes every effort to provide a healthy and safe working environment. Commonly used equipment and ventilation system are regularly cleaned and maintained. Health advice and guidelines are also given periodically to raise the employees' awareness of personal hygiene.

There are in-house rules, guidelines and procedures on workplace health and safety. The Group is governed by Occupational Safety & Health Ordinance, Chapter 509 and Employees' Compensation Ordinance, Chapter 282 in Hong Kong.

Safety Management Policy

The Policy stipulates that the Group has the sole responsibility for employees' health and safety. Production Directors for printing operations (Hong Kong) recognize work health and safety as a vital and integrated part of the business. The Group strives to maintain high standard of health and safety performance, to provide sufficient and proper resources for Policy's implementation, to ensure that employees receive proper training for skills required for their job duties and responsibility and to involve and review the Policy on a regular basis. The Policy also states that all employees are required to comply with all applicable laws and regulations related to health and safety, and follow the policies and procedures set by the Group.

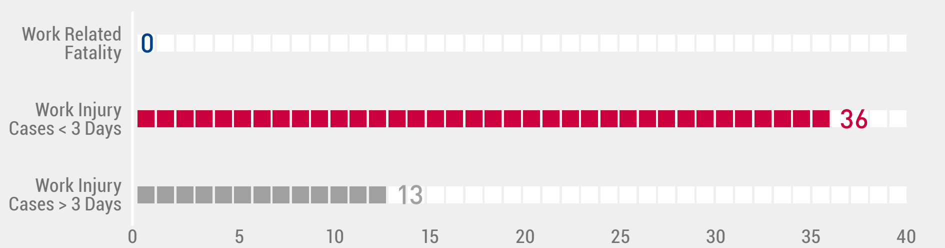
Targets set for 2016/17 were:

– Reduce number of work injury cases by 50%;

– All department heads must complete safety supervisor courses.

There was no work-related fatality in the reporting year. 537 working days were lost due to self-reported work injury cases (see below graph):

Number of Work Injury Cases



In Case of Severe Weather and Fire

Arrangement and code of practice in times of typhoons and rainstorms, and emergency escape in case of fire have been included in the Employee Handbook. Fire drill is conducted regularly to raise the safety awareness among employees.

On-site Qualified First Aider (Hong Kong)

Designated employees are trained to use Automated External Defibrillator (AED) and those qualified with first aid certificates are stationed during printing operation. As of 31 March 2017, there were 7 qualified first aider and 10 security guards trained to use AED.

Bi-annual Body Check and Monthly Doctor Visit (Taiwan)

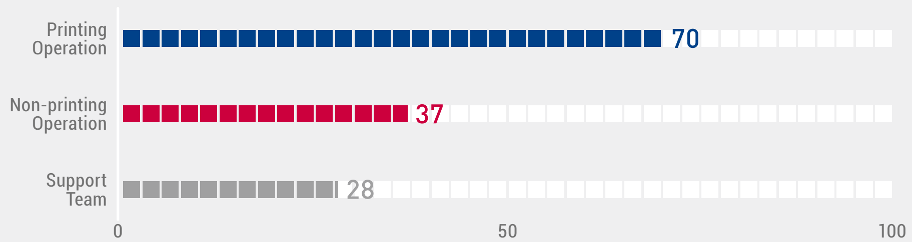
All employees working at printing plant are entitled to bi-annual body check. Nurses were hired to station at printing plants, and the Group arranged monthly doctor visit for on-site medical counselling and regular seminar related to occupational health and safety.

(iii) Development and Training

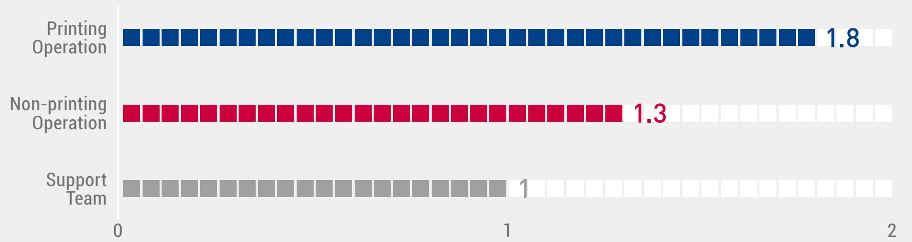
To enhance employee's knowledge and performance standard, and their sense of belonging, the Group offers education allowances for employees attending seminar, lecture, conference and external training, as stated in the Employee Handbook.

The Group offers training opportunities to all employees. Based on business needs and discussions after annual performance appraisal, the Head of Department will assign trainings for their staff. These trainings include internal, external and on-line courses, and encompass a wide aspect of areas including language, Information Technology, Health & Safety, Leadership programmes and etc.

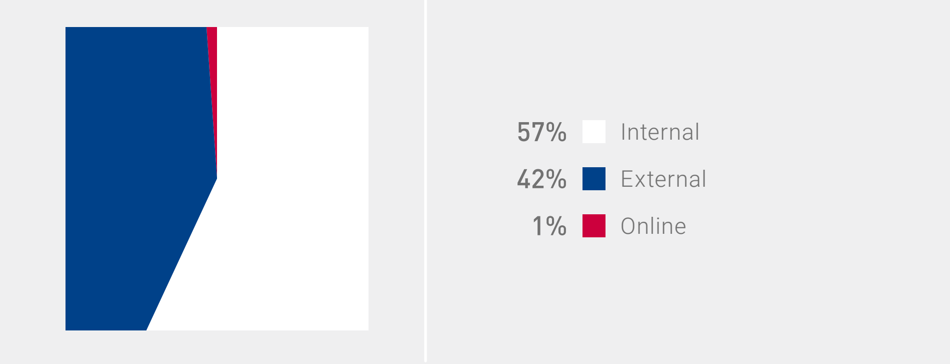
Percentage of Employees Trained by Employee Category (%)



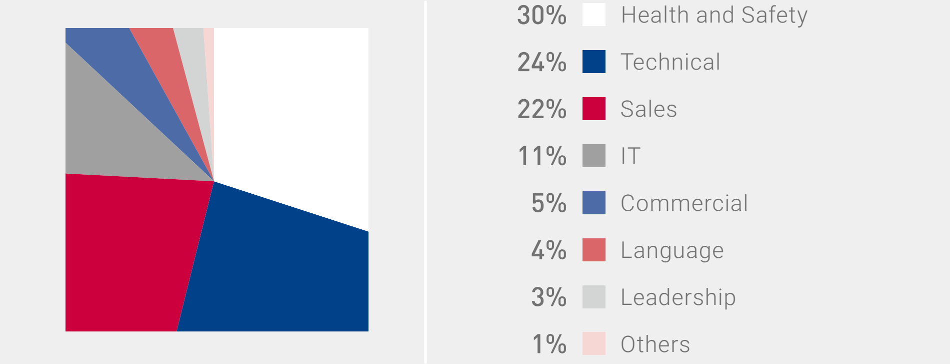
Average Training Hours Completed per Employee by Employee Category (Hour)



Types of training course



Training category



(iv) Labour Standard

There were no children nor forced labour in the Group's operations in the reporting year. Background and information check was conducted for every new employee by Human Resources Department to ensure compliance with the Employment Ordinance, Chapter 57 of the Laws of Hong Kong. Its Taiwan's operations are in compliance with Employment Services Act and Labour Standards Act.

2. Operating Practices

(i) Supply Chain Management

The Group has engaged over 90% of suppliers from Asia, and the rest was from Europe and North America during the reporting year. All of them adhere strictly to manufacturing processes that pose minimal impact on the environment and comply with ISO 14000 Environmental Management System Standard. The Group's Procurement Policy aims to setting directions and standardizing procedures on application, approval, quotation, purchasing, receiving and return of goods, as well as setting code of conduct and practice for employees to follow, especially for those in Procurement Department. Each supplier shall be assessed and selected based on company background, experience, reputation, market share, quotation, payment conditions, product quality and guarantee, service after sale, recognition and compliance with health and safety, environmental (HS&E) laws and regulations, and annual appraisal on suppliers' performance. Procurement Department has the responsibility to have regular communication with suppliers and review on quality issues and payment conditions; to give fair treatment and consistent information to all suppliers; to remind suppliers that the products provided must comply with HS&E law and regulations.

When engaging new suppliers, Procurement Department requires their voluntary disclosure on internal green policy and international accreditation.

(ii) Anti-corruption

Integrity is one of the Group's core values, in addition to complying with Prevention of Bribery Ordinance, the Group has set anti-corruption policy to regulate the discipline and professional conduct of employees, and to prevent potential bribery, extortion, fraud, money laundering and gambling. Internal control with more stringent requirements are imposed on employees in Procurement Department due to their job nature. Anti-corruption policies are also clearly stated in the Employee Handbook which was signed by employees during recruitment process, as well as in Procurement Policy when engaging suppliers. There was no concluded legal cases regarding corrupt practices during the reporting year.

(iii) Product Responsibility

Intellectual Property Rights

The Group has standards and codes of practice on proper ways of using computing resources and against illegal or pirated software within the business. It is distributed to all departments on an annual basis and upon update, reminding all department and users.

Consumer Data Protection

It is stated clearly in the Employee Handbook and Employment Contract, employees are not allowed to sell or use any Group property without authorization. No confidential information, editorial property or customer information shall be disclosed to anyone outside the Group under any circumstances during employment.

(iv) Freedom of Expression

The Group firmly believes that an independent press is pivotal to the informed practice of citizenship in any society.

We are part of that independent press. We believe that our role is to collect, analyse and disseminate news and information to the people, freely, fairly and accurately. Our courage is underpinned by our belief that as journalists we should neither bend to political pressures nor bow to commercial interests.

We believe in and treasure our freedoms. We believe in the freedom of speech and thought, and the free flow of information. By practicing quality journalism, we seek to promote and protect our freedoms.

Integral to our practice of quality journalism is our respect for intellectual property. Our staff are fully aware of our rules forbidding plagiarism.

We seek to hold leaders accountable, and to ensure that the voice of the people is freely expressed and heard.

We believe that if journalists never give up their duty to protect the people, the people will never lose their courage and determination to protect the free press.

3. Community Investment

(i) Supporting Charitable Foundations

The Group understands its responsibilities to be a good corporate citizen that benefits the community. In 1995, the Group founded the Apple Daily Charitable Foundation ("the Foundation") in Hong Kong. It is a charitable institution which is exempt from tax under Section 88 of the Inland Revenue Ordinance and the operation costs are funded by *Apple Daily*. Its principal objective is to assist less-privileged members of our community through direct financial support and sponsorship of various social service programmes so as to meet community's needs and cover deficiency of existing public services. With same objectives of the Foundation, *Taiwan Apple Daily* established a similar foundation – the Apple Daily Charity Fund ("the Fund") with an initial endowment of NT $15 million from *Taiwan Apple Daily* in 2003.

Apple Daily and *Taiwan Apple Daily* support the Foundation and the Fund by regularly publishing a column attracting donations from readers and promoting its charitable programmes. The Foundation and the Fund established online donation service, which has become a popular channel for readers to make donations. The online donation service and the Foundation's Facebook page act as communication platform to readers and the public by publishing quarterly newsletters, transparent information of received and disbursed donations, beneficiaries of the donations and details of upcoming programmes.

The Foundation and the Fund serve by providing emergency assistance, medical assistance, social welfare projects support, bursaries supporting schemes, festive celebration projects and winter warm action projects. Particularly, the Fund has been assisting over 10,000 families encountering misfortune or calamity since 2003. The Fund also provides scholarships to help over 1,000 students who needed financial assistance to finish education, and partners with over 400 charities to help elderly and children in remote districts.

(ii) Hong Kong – Apple Daily Charitable Foundation

The Foundation is committed to assisting community encountering misfortune or calamity. During the year, the Foundation donated a total of HK$2 million for 42 emergency assistance cases, supporting such community financially and physically. Major beneficiaries include families of:

- Two firemen who died in a mini storage fire accident in Kowloon Bay while on duty;
- Three highway maintenance workers who passed away in an accident in Tsing Kwai Highway; and
- A road maintenance worker who passed away in a traffic accident in Kowloon Tong.

To provide medical assistance to people suffering from serious illness that require immediate or special medical treatment, the Foundation donated a total of HK$7.5 million for 246 beneficiaries including:

- A 71-year-old woman who needed fund for her eye treatment so that she can recover part of her vision to take care of her visually impaired husband;
- A mother with two little children, suffering from blood cancer who needed fund for her therapy's treatment and her burial expenses afterwards; and
- A physically handicapped lady who needed fund for her rehabilitation equipment and to move her home after leaving the hospital.

In 1996, the Foundation launched the Apple Bursaries Scheme, which provides direct financial support to students from primary, secondary and University students to broaden their views and enhance their exposure through participating in extra-curricular activities. The scheme provided bursaries totalling HK$0.7 million to a total of 297 primary and secondary school students as well as undergraduates during the reporting year.

Apart from providing financial support, the Foundation established the "Next Digital Volunteer Team" (壹義工隊) comprising employees from Next Digital, their families and the general public, which proactively reach out and serve the community. During the year, the Foundation has organised 18 voluntary activities, including festival celebration with people in need and the elderly and home visits for the underprivileged families.

(iii) Taiwan – Apple Daily Charity Fund

During the reporting year, the Fund contributed:

- NT$229 million to provide emergency assistance to 1,038 families encountering misfortune or calamity who required urgent support;
- NT$81 million to provide medical assistance to 381 people suffering from serious illness that requires immediate funds for medical treatment; and
- NT$5.88 million to 338 students who were in need of financial assistance.

Major Beneficiaries include:

- A low-income family who has an 85-year-old grandmother, a half-paralyzed mother and a young child to take care of. The Fund donated NT$25,000 to the family and transferred NT$662,307 donations from readers. This donation let the mother return home from nursing home, supporting her doing physiotherapy treatment. Her husband wrote a thank you note saying, "My wife benefits greatly with everyone's help and care. Thank you.";
- A 46-year-old father, injured from car accident who was unable to work and to take care of his children including a 7-year-old son diagnosed with Mucopolysaccharidoses. His wife was a nurse but after this car accident, she must quit her job in order to take care her husband and 7-year-old son. The Fund provided NT$35,000 to the family and transferred NT$665,620 donations from readers. This donation assisted the injured father to recover from the car accident and relieved him from supporting whole family's cost of living. His wife wrote a thank you note saying, "I really appreciate everyone's help. My husband is now able to take a temporary job."; and
- A 40-year-old father (also a single-parent) who had a family of three children and a 68-year-old mother. However, the father later died of hepatic cancer and his mother must take care of the grandchildren herself. The Fund provided NT$25,000 and transferred NT$4,301,469 donations from readers. The donation assisted grandmother to take care the grandchildren, and she wrote a thank you note saying, "with everyone's help, I can raise my grandchildren in a better and healthier environment."

The Group is committed to supporting and participating in community affairs, and it will continue to adhere to its philosophy of supporting disadvantaged members of society in the years to come.

HONG KONG 香港

Hong Kong Association of Interactive Marketing

Media Convergence Awards 2015

香港互動市務商會

《2015傳媒轉型大獎》

=

10大傑出宣媒
Apple Daily
《蘋果日報》

+

報紙類別(流動程式)
銀獎
Apple Daily
《蘋果日報》

+

報紙類別(社交媒體)
銅獎
Apple Daily
《蘋果日報》

+

報紙類別(網站)
銀獎
Apple Daily
《蘋果日報》

+

報紙類別(整體)
銀獎
Apple Daily
《蘋果日報》

+

流動程式
銀獎
Apple Daily
《蘋果日報》

+

網站
銅獎
Apple Daily
《蘋果日報》

+

整體大獎
銅獎
Apple Daily
《蘋果日報》

+

十大最喜愛紛絲專頁
Apple Daily
《蘋果日報》

HONG KONG 香港

Amnesty International

The 20th Annual Human Rights Press Award

國際特赦組織

第二十屆人權新聞獎

Chinese News
中文突發新聞

Merits
優異

Apple Daily
《蘋果日報》

Project Name
Vote Rigging in District Council Elections

主題
葵涌大白田及紅磡選區嘅區選種票報道

Spot News Photography
突發新聞圖片

Merits
優異

Apple Daily
《蘋果日報》

Project Name
The First Blood Shed in the Yuen Long Anti-smuggler Movement

主題
光復元朗第一滴血

Spot News Photography
突發新聞圖片

Merits
優異

Apple Daily
《蘋果日報》

Project Name
British Lesbian Faces Discrimination in Hong Kong

主題
英女同志被歧視

Photography
圖片特寫

Merits
優異

Next Magazine
《壹週刊》

Project Name
We Shout Erwiana!

主題
我們呼喊Erwiana!

The Society of Publishers in Asia (SOPA)

2016 Awards for Editorial Excellence

亞洲出版業協會

2016年度卓越新聞獎

Excellence in Human Rights Reporting
卓越人權報導獎

Honorable Mention
優異

Apple Action News
《蘋果日報動新聞》

Project Name
Love with Disabilities

主題
有愛無陷系列

Excellence in Feature Photography
特寫攝影大獎

Award for Excellence
大獎

Apple Daily
《蘋果日報》

Project Name
Anti-parallel Trading Protests

主題
反水貨

The Scoop Award
獨家新聞獎

Award for Excellence
大獎

Apple Daily
《蘋果日報》

Project Name
The Lifelong College Scandal

主題
國力書院醜聞

Excellence in Investigative Reporting
卓越調查報導獎

Award for Honorable Mention
優異大獎

Apple Daily
《蘋果日報》

Project Name
Vote Rigging in 2015 District Council Elections

主題
2015年區議會選舉種票系列

The Pacific Area Newspaper Publishers' Association (PANPA)

2016 Newspaper of the Year Awards

太平洋地區報紙出版者協會

2016年度新聞大獎

=

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

Winner
得獎
Apple Daily
《蘋果日報》

World Association of Newspapers and News Publishers (WAN-IFRA)

Asian Digital Media Awards 2016

世界報業及新聞出版協會

2016亞洲數碼媒體大獎

=

First Prize
冠軍
Apple Action News
《蘋果日報動新聞》

Project Name
Best Use of Online Video – Left- behind Children: Orphans with Parents, the Tragedies of 70 Million

主題
留守兒童系列最佳網上影片

+

First Prize
冠軍
Apple Action News
《蘋果日報動新聞》

Project Name
Best Reader Engagement – 2015 District Council Election Minisite

主題
區議會選舉專頁最佳讀者參與度金獎

+

Third Prize
季軍
Next Mobile
《壹傳動》

Best Digital Advertising Campaign

最佳網上廣告策劃

Project Name
Go Around Japan with KIT KAT

HONG KONG 香港

Asian Media Awards 2016

2016亞洲媒體大獎

Best in Print Award – Circulation above 150,000 copies
15萬份以上印刷組別最佳印刷獎

Silver Award
銀獎
Apple Daily
《蘋果日報》

News
新聞組

Bronze Award
銅獎
Next Magazine
《壹週刊》
主題
街市獨大領展養肥「豬霸王」小商戶冇運行

\+

Sustainable Consumption Award (Press Photo)
可持續消費獎(新聞攝影)組

Theme Award
主題獎
Apple Daily
《蘋果日報》
主題
抗議虐待鱷魚

\+

Press Photo
新聞攝影組

Bronze Award
銅獎
Apple Daily
《蘋果日報》
主題
工展會Running Man

=

The 16th Consumer Rights Reporting Awards

第十六屆消費權益新聞報導獎

Hong Kong Press Photographers Association

Focus On The Frontline 2016

香港攝影記者協會

《前線 • 焦點2016》

=

Spot News
突發新聞組

First Prize
冠軍
Apple Daily
《蘋果日報》

+

General News
一般新聞組

Third Prize
季軍
Apple Daily
《蘋果日報》

Honorable Mention
優異
Apple Daily
《蘋果日報》

+

Sports
體育組

Honorable Mention
優異
Apple Daily
《蘋果日報》

+

Feature
特寫組

Honorable Mention
優異
Apple Daily
《蘋果日報》

+

Nature & Environment
自然與環境組

First Prize
冠軍
Next Magazine
《壹週刊》

+

Photo Story
圖片故事組

First Prize
冠軍
Apple Daily
《蘋果日報》

Print Press
印刷傳媒組

Award for Excellence
大獎
Apple Daily
《蘋果日報》

主題
橫洲及套丁報道新聞獎

||

Hong Kong Journalists Association

The 8th Annual Kam Yiu-yu Press Freedom Awards

香港記者協會

第八屆金堯如新聞自由獎

HONG KONG 香港

Citi Journalistic Excellence Award 2016

花旗集團傑出財經新聞獎

First Prize
冠軍
Apple Daily
《蘋果日報》

主題
科技反轉傳統行業金融科技系列報導系列

Gold Play Button

Award for Excellence
大獎
Apple Action News
《蘋果日報動新聞》

YouTube

ANNUAL AND INTERIM REPORT AWARDS

2016 Galaxy Awards

The 27th Annual International Competition

2016年度

第27屆Galaxy Awards國際賽

Annual Report – Non-Traditional: Asia/Pacific
年報－非傳統：亞洲／太平洋

Gold Winner
金獎
Next Digital Limited
《壹傳媒有限公司》

Publication
Annual Report 2015/2016

作品
年報2015/2016

2016 IADA

2016年度IADA

=

Print/Non-traditional format: Media Company
印刷／非傳統模式：傳媒公司

Silver Award
銀獎

Next Digital Limited
《壹傳媒有限公司》

Publication
Annual Report 2015/2016

作品
年報2015/2016

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

Annual Report – Non-Traditional
年報－非傳統

Silver Award
銀獎

Next Digital Limited
《壹傳媒有限公司》

Publication
Annual Report 2015/2016

作品
年報2015/2016

+

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

Special Production Techniques
特別生產技術

Bronze Award
銅獎

Next Digital Limited
《壹傳媒有限公司》

Publication
Annual Report 2015/2016

作品
年報2015/2016

+

Overall Presentation : Media Company
整體介紹：傳媒公司

Honorable Mention
優異

Next Digital Limited
《壹傳媒有限公司》

Publication
Annual Report 2015/2016

作品
年報2015/2016

=

2016/17 Mercury Awards

2016/17年度 Mercury Awards

TAIWAN 台灣

Taiwan Press Photographer Association

The 2016 Taiwan Press Photography Competition

台灣新聞攝影研究會

2016台灣新聞攝影大賽

=

一般新聞類

1st Runner-up
第二名
Taiwan Apple Daily
《台灣蘋果日報》

+

肖像類

2nd Runner-up and Honorable Distinction
第三名及優選
Taiwan Apple Daily
《台灣蘋果日報》

+

突發新聞類

Winner
第一名
Taiwan Apple Daily
《台灣蘋果日報》

+

藝術與娛樂新聞類

2nd Runner-up
第三名
Taiwan Apple Daily
《台灣蘋果日報》

+

體育新聞類

1st Runner-up and 2nd Runner-up
第二名及第三名
Taiwan Apple Daily
《台灣蘋果日報》

金浪獎
《台灣蘋果日報》
主題
台北空難　復航墜河

+

台海人物新聞類銅牌獎
《台灣蘋果日報》
主題
各有盤算

=

中國媒體主辦

第五屆台海新聞攝影獎

The Society of Publishers in Asia (SOPA)

2016 Awards for Editorial Excellence

亞洲出版業協會

2016年度卓越新聞獎

=

Excellence in News Photography
新聞攝影獎

Honorable Mention
優異

Taiwan Apple Daily
《台灣蘋果日報》

主題
八仙樂園粉塵爆炸－傷者搶救

平面媒體類
專題報導獎優勝

《台灣蘋果日報》

主題
鉛水風暴 踢爆全台
有3.6萬鉛管戶

+

平面媒體類
專題報導獎佳作

《台灣蘋果日報》

主題
追蹤平價紅價三精
一水調和真相

=

National Press Council

2016 Customer Protection Rights Reporting Awards

中華民國新聞媒體自律協會

2016年度消費者權益報導獎

The Pacific Area Newspaper Publishers' Association (PANPA)

2016 Newspaper of the Year Awards

太平洋地區報紙出版者協會

2016年度新聞大獎

=

Technical Excellence in Print and Production (Single Width Press: Community)
印刷技術卓越獎
（單幅機：社區性）

Winner
得獎

Taiwan Sharp Daily
《台灣爽報》

+

Technical Excellence in Print and Production (Single Width Press: Regional)
印刷技術卓越獎
（單幅機：地區性）

Winner
得獎

Taiwan Apple Daily
《台灣蘋果日報》

NON-EXECUTIVE DIRECTOR

Mr. Ip Yut Kin, aged 65, has been the Non-executive Chairman of the Group and a Non-executive Director of the Company since June 2016. Prior to the aforesaid appointment, he was an Executive Director of the Company and the Chief Executive Officer – Print Media to oversee the Group's newspapers, magazines and print operations in both Hong Kong and Taiwan, as well as the Publisher of *Apple Daily*. Before he joined the Group, Mr. Ip worked with many leading Hong Kong newspapers during a long journalistic career that spanned more than 30 years. He is a graduate of the National Chengchi University of Taiwan with a Bachelor of Social Sciences (Journalism) degree.

EXECUTIVE DIRECTORS

Mr. Cheung Ka Sing, Cassian, aged 62, has been a Director of the Company since November 2008. He has been re-designated as Chief Executive Officer of the Group from October 2011. Mr. Cheung is responsible for formulation of the Group's strategies, and leads the management and operation units to achieve goals set by the Board. He has also been appointed as the Interim Chairman of the Group with effect from 12 December 2014 and then resigned as the Interim Chairman on 8 June 2016.

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

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

Mr. Chow Tat Kuen, Royston, aged 59, has been a Director of the Company since January 2016. He is currently the Group's Chief Financial Officer, as well as the Chief Operating Officer of Apple Daily Printing Limited and Paramount Printing Company Limited. Prior to joining the Group, he held senior management accounting positions with several leading financial institutions in Hong Kong and Australia. The holder of a Bachelor of Commerce in Accounting degree and a Master of Commerce in Finance degree from the University of New South Wales, Australia, Mr. Chow is also a fellow member of the CPA Australia and The Hong Kong Institute of Certified Public Accountants.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Chi Hong, Frank, aged 62, has been a Director of the Company since January 2009. He is currently the President of the Asia region for Scholastic Inc. Prior to that, he held various general management and brand management positions with multinational companies in the U.S.A. and Mainland China such as Pepsi, Nabisco and Colgate Palmolive. Mr. Wong has a BA degree from George Washington University and a Master degree from Columbia University, and did further graduate studies at Harvard University's Kennedy School of Government. He is a member of the International Advisory Council of George Washington University's School of Public & International Affairs; and serves on the boards of 2 NGOs – AFS Intercultural Exchanges and Teach4HK.

Dr. Lee Ka Yam, Danny, aged 55, has been a Director of the Company since March 2009. He has extensive experience in strategic management, merger and acquisitions, assurance and financial advisory work, particularly in the areas of marketing communications and media industry. Dr. Lee is a fellow member of the Chartered Association of Certified Accountants U.K., the Hong Kong Institute of Certified Public Accountants and an associate member of the Institute of Chartered Accountants in England and Wales.

Dr. Lee obtained a Master of Arts degree in international accounting from the City University of Hong Kong, a Master of Arts degree in English for the professions and a Doctorate degree in business administration, both from the Hong Kong Polytechnic University and a Master of Science degree in electronic commerce and internet computing from the University of Hong Kong.

Dr. Bradley Jay Hamm, aged 52, has been a Director of the Company since March 2015. He is currently the dean of Medill School of Journalism, Media, Integrated Marketing Communications of Northwestern University in the U.S.A. Previously, he was the dean for seven years of the Indiana University School of Journalism. Dr. Hamm has obtained his doctor of philosophy in mass communication research from the University of North Carolina, a master's degree in journalism from the University of South Carolina and an undergraduate degree from Catawba College in North Carolina. He was the associate dean of the School of Communications at Elon University in North Carolina. Dr. Hamm has taught study-abroad programs in Japan, China and Great Britain and started his career as a newspaper reporter. His teaching and research interests are in journalism history and media theory, particularly agenda setting theory.

SENIOR MANAGEMENT

Mr. Cheung Kim Hung, aged 55, is currently the Publisher of *Apple Daily*. He has been appointed as the Chief Executive Officer – Publishing since June 2016 to oversee the Group's newspapers and magazines operations in both Hong Kong and Taiwan. Mr. Cheung worked in the Group from 1991 to 2005, he left the Group and rejoined in 2010. He has over 25 years of journalist experience. Mr. Cheung graduated from the Chinese University of Hong Kong and he holds a Bachelor's degree in Social Science (Journalism).

Ms. Chan Pui Man, aged 47, Editor-in-Chief of *Apple Daily*. She joined the Group in 1996 as a senior reporter of *Apple Daily*. She graduated from the Chinese University of Hong Kong and holds a Bachelor's degree in Business Administration.

Mr. Chen Yu Hsin, Eric, aged 56, is currently the Publisher of *Taiwan Apple Daily*. He joined the Group in 2003 and has been Editor-in-Chief of *Taiwan Apple Daily* and Editor-in-Chief and Co-President of Next TV. Prior to joining the Group, Mr. Chen has been Editor-in-Chief of *The Journalist*, *明日報* and *Power News* respectively. Mr. Chen graduated from the National Taiwan University with a Bachelor's degree in Political Science.

Mr. Chiu Ming Huei, Vincent, aged 52, is currently the Editor-in-Chief of *Taiwan Next Magazine*. Prior to joining the Group in 2001, he has been Deputy Executive Editor-in-Chief of *The Journalist* from 1991 to 1999 and Deputy Editor-in-Chief of *明日報* respectively. Mr. Chiu graduated from the Fu Jen Catholic University, Taiwan with a Bachelor's degree in Mass Communication.

Ms. Wong Lai Sheung, Louise, aged 45, is currently the Associate Publisher and Editor-in-Chief of *Next Magazine*. Ms. Wong joined the Group since 1995; she left the Group in 1997 and rejoined it in 1998. She has over 18 years of experience in journalism and media. Ms. Wong graduated from the University of Hong Kong in 1995 with a Bachelor's degree in Social Sciences. In 1999, she was awarded the Chevening Scholarship by the British government to study journalism in the University of Sheffield. In 2006, she obtained a Certificate for a magazine program from the Media Management Centre, Kellogg School of Management of the Northwestern University.

Ms. Cheung Mai Wah, aged 56, is the Group Chief Information Officer and Chief Technology Officer of Digital Business. She has over 30 years of experience in software development and technology innovation in the media & entertainment industry, and has spent her last 20 years in IT executive positions leading major broadcast companies to use technology for business transformation and process improvement. Before joining Next Digital, she worked at Univision Communication Inc. ("Univision") for 17 years where she held various positions. Her last position at Univision was Senior Vice President of Digital Operations and Services when she spearheaded the Digital Supply Chain Optimization program to transform Univision from a TV broadcast centric operations to cross-platform digital media entertainment network operations. She was also a founding member of Univision Interactive Division where she led Univision.com from a start-up operation to perform and grow into a profit-making business division. Prior to Univision, she worked at American Broadcasting Company ("ABC") for 3 years where she was the director of Application Engineering, responsible for the software development of various sales, broadcasting, network affiliates applications as well as website development of abc.com. Prior to ABC, she spent over 9 years at National Broadcasting Company responsible for software development for the TV network. Ms. Cheung graduated from the State University of New York in Albany, U.S.A. with a Bachelor's degree in Science at 4.0 GPA, majored in Management Information Science and Marketing.

Mr. Chung Mo Wai, aged 42, is currently the Vice President – Sales of Next Mobile and *Apple Daily*. Mr. Chung is responsible for overseeing advertising sales of Next Digital's print and digital publications. He is a seasoned professional with 18 years' experience in Internet industry. He joined the Group in 2012 as General Manager of Digital Sales - Next Mobile. Prior to that, Mr. Chung worked in Yahoo! and PCCW where he was a sales leader and also held a regional business development role when he worked in Cisco System. Mr. Chung graduated from the Baker University in Kansas, U.S.A. and holds a Bachelor's degree in International Business and Economics.

CORPORATE INFORMATION

DIRECTORS

Non-executive Director

- Ip Yut Kin (Non-executive Chairman)

Executive Directors

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

Independent Non-executive Directors

- Wong Chi Hong, Frank
- Lee Ka Yam, Danny
- Bradley Jay Hamm

AUTHORISED REPRESENTATIVES

- Cheung Ka Sing, Cassian
- Chow Tat Kuen, Royston

COMPANY SECRETARY

- Chow Tat Kuen, Royston

AUDITOR

- Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

- The Hongkong and Shanghai Banking Corporation Limited
- Taichung Commercial Bank Co., Ltd.
- The Shanghai Commercial & Savings Bank, Ltd.
- DBS Bank (Hong Kong) Limited
- KGI Bank

LEGAL ADVISORS

- Reed Smith Richards Butler
- Deacons

REGISTERED OFFICE

- 1/F., 8 Chun Ying Street
  Tseung Kwan O Industrial Estate
  Tseung Kwan O
  New Territories
  Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

- Computershare Hong Kong Investor Services Limited

  Shops 1712-1716
  17/F., Hopewell Centre
  183 Queen's Road East
  Hong Kong

SHAREHOLDERS' ENQUIRIES

For additional information,
please contact the Company Secretary by:

- Mail: Company's registered office address
- Fax: (852) 2623 9386
- E-mail: ir@nextdigital.com.hk

FINANCIAL REPORTS APPS

Financial apps icon

QR code

WEBSITE

http://www.nextdigital.com.hk

COMPANY PROFILE

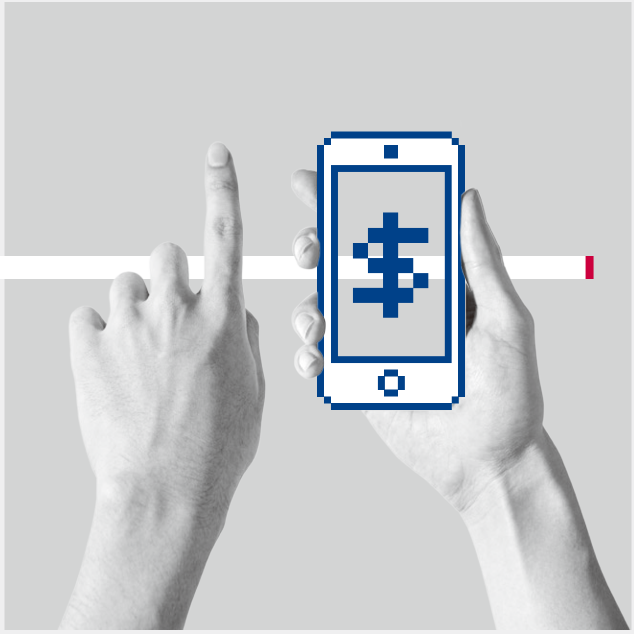
Since the launch of *Next Magazine* in 1990 and *Apple Daily* in 1995, Next Digital has become the largest and one of the most important Chinese-language print media publishing groups in Hong Kong.

Readers know they can rely on Next Digital publications for comprehensive, in-depth, forthright and factual coverage of the issues that have an impact on their lives. The journalists at Next Digital deliver the facts – without fear or favour, without prejudice, and without pandering to advertisers.

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

Next Digital has always taken a proactive stance in the media landscape and has embraced the digital era over the past decade. The Group has kept pace with changing consumer trends and technologies, and has consistently developed creative solutions in serving our content in digital form. The digital versions of *Apple Daily*, in video and animated formats have been accompanied by a signature style branded as *Apple Action News*, making it the most popular news source for mobile devices in Hong Kong and Taiwan. All of the Group's magazine contents are now available on an integrated *Apple Daily* platform, so that a cross platform synergy can be realised on a "super app". As such, the number of readers and page views of the Group's magazines, *Next Plus*, *Eat & Travel* and *Ketchup*er, are all seeing a healthy growth. In addition, the Group's other magazines and special interest sites are devoted to enrich the lifestyles of Chinese-reading Internet users worldwide. In North America, *Apple Daily* has launched an USA version that shows the popularity of the paper among the overseas Chinese population.

Leveraging on the portals' popularity, the Group is also involved in creative collaborations to develop online games and animation contents since 2012, a line-up online games has stabilized over the reporting year.



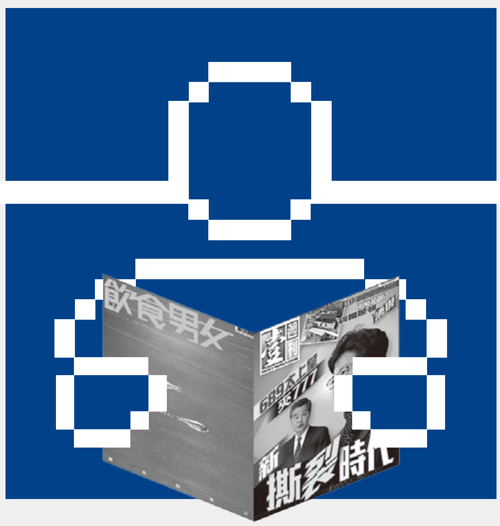
DIGITAL
BUSINESSES DIVISION

- Web Portals
- Online Advertising
- Internet Content
- Mobile & Online Games
- Apps Development

NEWSPAPERS
PUBLICATION AND PRINTING DIVISION

- Apple Daily
- Taiwan Apple Daily
- Taiwan Sharp Daily
- Newspaper Printing

BOOKS AND MAGAZINES
PUBLICATION AND PRINTING DIVISION



- Next Magazine Bundle
- Taiwan Next Magazine Bundle
- Magazine Printing
- Book, Calendar and Catalogue Printing

SHARE INFORMATION

As at 31 March 2017

SHAREHOLDERS

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

ISSUED SHARES

2,431,726,881 Shares

MARKET CAPITALISATION

at HK$0.365 per Share (closing price on 31 March 2017) HK$0.89 billion

STOCK CODE

The Stock Exchange of Hong Kong Limited Main Board 00282

BOARD LOT

2,000 Shares

OUTSTANDING SHARE OPTIONS GRANTED UNDER THE 2007 SHARE OPTION SCHEME

Exercise price per Share	Number of Shares
HK$1.000	33,900,000
HK$1.050	4,686,000
HK$1.420	5,000,000
Total	43,586,000

OUTSTANDING SHARE OPTIONS GRANTED UNDER THE 2014 SHARE OPTION SCHEME

Exercise price per Share	Number of Shares
HK$0.373	5,000,000
HK$0.420	6,500,000
HK$0.690	500,000
HK$0.710	5,000,000
HK$0.760	510,000
HK$0.860	1,500,000
Total	19,010,000

The Directors present their report and Financial Statements for the year ended 31 March 2017.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

The Company's principal activity is to operate as an investment holding company. The activities of its principal subsidiaries are set out in note 37(a) to the Financial Statements.

The Group's performance for the year is analysed by business and geographical segments in note 6 to the Financial Statements. The Management Discussion and Analysis on pages 7 to 19 describes the material factors underlying the Group's performance and its financial position.

RESULTS AND APPROPRIATIONS

The Group's results for the year are set out in the consolidated statement of profit or loss and other comprehensive income on page 106.

No interim dividend was paid to the Shareholders during the year (2016: nil).

The Directors have resolved not to recommend the payment of a final dividend for the year ended 31 March 2017 (2016: nil).

PROPERTY, PLANT AND EQUIPMENT

Details of changes in the Group and Company's property, plant and equipment during the year are set out in note 17 to the Financial Statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last five financial years is set out on page 196.

SHARES ISSUED DURING THE YEAR

Pursuant to the terms of the shares award granted to INEDs of the Company on 30 June 2014 and 13 April 2015, a total of 100,000 Shares, 310,000 Shares and 100,000 Shares were issued and allotted to the INEDs on 13 April 2016, 30 June 2016 and 13 April 2017 respectively.

Details of movements in respect of shares issued during the year are set out in note 27 to the Financial Statements.

DISTRIBUTABLE RESERVES

There was no distributable reserves of the Company at 31 March 2017, calculated under Part 6 of the CO (2016: nil).

Details of changes in the Company's distributable reserves during the year are set out in note 29 to the Financial Statements.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's five largest customers accounted for 32.2% of its revenue, and its five largest suppliers accounted for 16.2% of its total purchases during the year. The Group's largest customer accounted for 22.6% of its revenue, and its largest supplier accounted for 5.2% of its total purchases during the year.

None of the Directors, their associates or the Shareholders (which to the knowledge of the Directors own more than 5.0% of the Company's issued Shares), had an interest in any of the abovementioned suppliers or customers.

DONATIONS

Donations for charitable and other purposes made by the Group during the year amounted to HK$3,297,000 (2016: HK$3,435,000).

SHARE INCENTIVE SCHEMES

(a) Next Digital Share Option Schemes

2007 Share Option Scheme

On 30 July 2007, the Company adopted the 2007 Share Option Scheme. Its terms comply with the requirements of Chapter 17 of the Listing Rules. The most important of these are as follows:

1. The purpose of the 2007 Share Option Scheme is to reward participants who have contributed to the Group, and to encourage them to work towards enhancing the value of the Company and the Shares, for the benefit of the Company and all Shareholders.

2. The participants are Directors (including EDs, NED and INEDs) and full-time employees of the Group, as well as any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint-venture business partners, promoters and providers of services to the Group whom the Board considers, at its sole discretion, have contributed to the Group in the past, or who will contribute to it in the future.

3. The total number of the Shares issued and to be issued upon exercise of the options granted and to be granted to each participant (including both exercised and outstanding options) during any 12-month period shall not exceed 1.0% of the Shares in issue. Any additional grant of options in excess of this limit must be subject to separate approval by the Shareholders in a general meeting, with the participants and their associates abstaining from voting.

SHARE INCENTIVE SCHEMES (continued)

(a) Next Digital Share Option Schemes (continued)

2007 Share Option Scheme (continued)

4. The period of a particular option is the period during which the option can be exercised. This period shall be determined by the Board and notified to each grantee at the time when an offer is made. In any event, this period shall not expire later than 10 years from the date of the grant.

5. The exercise price per Share shall be determined by the Board at its absolute discretion, but in any event it shall not be less than the higher of: (i) the closing price of the Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of the grant; or (ii) the average closing price of the Share as stated in the daily quotation sheets issued by the Stock Exchange on the 5 trading days immediately preceding the date of the grant.

6. The total number of the Shares that may be issued upon the exercise of all the options to be granted under the 2007 Share Option Scheme and any of the Company's other share option schemes shall not exceed 10.0% in aggregate of the Shares in issue on 30 July 2007, the adoption date of the 2007 Share Option Scheme, subject to a refresher of the scheme's mandate limit.

7. The Company may refresh the scheme mandate limit at any time, subject to prior approval by the Shareholders in a general meeting. But in any event, the limit shall not exceed 10.0% in aggregate of the Shares in issue on the date when it is approved by the Shareholders.

SHARE INCENTIVE SCHEMES (continued)

(a) Next Digital Share Option Schemes (continued)

2007 Share Option Scheme (continued)

The table below sets out the movements in options under the 2007 Share Option Scheme during the year:

Name or category of participant	Date of grant	Exercise price per Share	Vesting date (%)	Exercisable period	Balance as at 01.04.2016	Granted during the year	Cancelled during the year	Lapsed during the year	Balance as at 31.03.2017
Directors									
Ip Yut Kin	24.01.2014	HK$1.000	25.01.2015 (30%) 25.01.2016 (60%) 25.01.2017 (100%)	25.01.2014 – 29.07.2017	2,500,000	–	–	–	2,500,000
Cheung Ka Sing, Cassian	01.02.2012	HK$1.000	01.02.2013 (100%)	02.02.2012 – 29.07.2017	9,000,000	–	–	–	9,000,000
	01.02.2013	HK$1.420	01.02.2014 (100%)	02.02.2013 – 29.07.2017	5,000,000	–	–	–	5,000,000
	04.02.2014	HK$1.000	04.02.2015 (100%)	05.02.2014 – 29.07.2017	5,000,000	–	–	–	5,000,000
Chow Tat Kuen, Royston	10.12.2010	HK$1.050	10.12.2011 (30%) 10.12.2012 (60%) 10.12.2013 (100%)	11.12.2010 – 29.07.2017	1,656,000	–	–	–	1,656,000
	24.01.2014	HK$1.000	25.01.2015 (30%) 25.01.2016 (60%) 25.01.2017 (100%)	25.01.2014 – 29.07.2017	1,000,000	–	–	–	1,000,000
Fok Kwong Hang, Terry	10.12.2010	HK$1.050	10.12.2011 (30%) 10.12.2012 (60%) 10.12.2013 (100%)	11.12.2010 – 29.07.2017	510,000	–	–	–	510,000
Wong Chi Hong, Frank	10.12.2010	HK$1.050	10.12.2011 (30%) 10.12.2012 (60%) 10.12.2013 (100%)	11.12.2010 – 29.07.2017	510,000	–	–	–	510,000
Lee Ka Yam, Danny	10.12.2010	HK$1.050	10.12.2011 (30%) 10.12.2012 (60%) 10.12.2013 (100%)	11.12.2010 – 29.07.2017	510,000	–	–	–	510,000

SHARE INCENTIVE SCHEMES (continued)

(a) Next Digital Share Option Schemes (continued)

2007 Share Option Scheme (continued)

Name or category of participant	Date of grant	Exercise price per Share	Vesting date (%)	Exercisable period	Balance as at 01.04.2016	Granted during the year	Cancelled during the year	Lapsed during the year	Balance as at 31.03.2017
Employees									
In aggregate	10.12.2010	HK$1.050	10.12.2011 (30%) 10.12.2012 (60%) 10.12.2013 (100%)	11.12.2010 – 29.07.2017	1,980,000	–	–	(480,000)	1,500,000
	08.07.2011	HK$1.000	08.07.2012 (30%) 08.07.2013 (60%) 08.07.2014 (100%)	09.07.2011 – 29.07.2017	200,000	–	–	–	200,000
	01.02.2012	HK$1.050	01.02.2013 (60%) 01.02.2014 (100%)	02.02.2012 – 29.07.2017	1,000,000	–	–	(1,000,000)	–
	26.09.2012	HK$1.000	26.09.2013 (30%) 26.09.2014 (60%) 26.09.2015 (100%)	27.09.2012 – 29.07.2017	3,000,000	–	–	–	3,000,000
	24.01.2014	HK$1.000	25.01.2015 (30%) 25.01.2016 (60%) 25.01.2017 (100%)	25.01.2014 – 29.07.2017	20,900,000	–	–	(7,700,000)	13,200,000
Total outstanding					52,766,000	–	–	(9,180,000)	43,586,000

Notes:

(1) Apart from the abovementioned movements, no options were granted and exercised under the 2007 Share Option Scheme during the year ended 31 March 2017.

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

SHARE INCENTIVE SCHEMES (continued)

(a) Next Digital Share Option Schemes (continued)

2014 Share Option Scheme

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

The table below sets out the movements in options under the 2014 Share Option Scheme during the year:

Name or category of participant	Date of grant	Exercise price per Share	Vesting date (%)	Exercisable period	Balance as at 01.04.2016	Granted during the year	Cancelled during the year	Lapsed during the year	Balance as at 31.03.2017
Directors									
Cheung Ka Sing, Cassian	02.02.2015	HK$0.710	02.02.2016 (100%)	03.02.2015 – 30.07.2024	5,000,000	–	–	–	5,000,000
	03.02.2016	HK$0.420	03.02.2017 (100%)	04.02.2016 – 30.07.2024	5,000,000		–	–	5,000,000
	01.02.2017	HK$0.373	01.02.2018 (100%)	02.02.2017 – 30.07.2024	–	5,000,000	–	–	5,000,000
Chow Tat Kuen, Royston	03.02.2016	HK$0.420	03.02.2017 (30%) 03.02.2018 (60%) 03.02.2019 (100%)	04.02.2016 – 30.07.2024	1,500,000	–	–	–	1,500,000
Bradley Jay Hamm	02.03.2015	HK$0.760	02.03.2016 (30%) 02.03.2017 (60%) 02.03.2018 (100%)	03.03.2015 – 30.07.2024	510,000	–	–	–	510,000
Employees									
In aggregate	06.10.2014	HK$0.860	06.10.2015 (33.3%) 06.10.2016 (66.6%) 06.10.2017 (100%)	07.10.2014 – 30.07.2024	1,500,000	–	–	–	1,500,000
	27.01.2015	HK$0.690	27.01.2016 (30%) 27.01.2017 (60%) 27.01.2018 (100%)	28.01.2015 – 30.07.2024	500,000	–	–	–	500,000
Total outstanding					14,010,000	5,000,000	–	–	19,010,000

SHARE INCENTIVE SCHEMES (continued)

(a) Next Digital Share Option Schemes (continued)

2014 Share Option Scheme (continued)

Apart from the abovementioned movements, no options were exercised, cancelled or lapsed under the 2014 Share Option Scheme during the year ended 31 March 2017.

The Company has used the Binomial Model for assessing the fair values of the options granted under the 2014 Share Option Scheme during the year ended 31 March 2017. This is an appropriate method for assessing the fair value of an option that can be exercised before the expiry of the option period. The value of the option granted during the year ended 31 March 2017 were calculated as follows:

Date of grant	No. of options granted	Closing price per Share as at the date of grant (HK$)	Risk-free rate	Expected life (years)	Expected volatility	Expected dividend yield	Fair value per option (HK$)
06.10.2014	1,500,000	0.800	2.065%	9.82	49.745%	0%	0.397 – 0.419
27.01.2015	500,000	0.690	1.484%	9.51	49.658%	1.879%	0.310 – 0.321
02.02.2015	5,000,000	0.710	1.291%	9.50	49.682%	1.879%	0.316
02.03.2015	510,000	0.760	1.586%	9.42	49.830%	1.879%	0.342 – 0.355
03.02.2016	6,500,000	0.420	1.595%	8.49	51.590%	0.873%	0.172 – 0.195
01.02.2017	5,000,000	0.370	1.77%	7.50	46.10%	2.01%	0.149

An amount of HK$2,090,000 was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2017 (2016: HK$4,735,000).

When calculating the fair value of the options, no allowance was made for forfeiture prior to vesting. It should be noted that the value of an option varies according to the different variables of certain subjective assumptions, and changes in the variables adopted may materially affect the fair value estimate.

Details of the Share Incentive Schemes of the Company are also set out in note 28 to the Financial Statements.

SHARE INCENTIVE SCHEMES (continued)

(b) Subsidiary Share Option Schemes

During the year, the following subsidiaries of the Company had their own respective share option schemes (collectively referred to as the "Subsidiary Share Option Schemes") with terms in compliance with the requirements of Chapter 17 of the Listing Rules.

Name of Subsidiary	Adoption Date	Share Option Scheme Title
Apple Daily Publication Development Limited (ADPDL)	30 July 2007	2007 ADPDL Share Option Scheme
Next Media Publishing Limited (NMPL)	30 July 2007	2007 NMPL Share Option Scheme
Next Media Distribution Limited (NMDL)	20 February 2008	2008 NMDL Share Option Scheme
nxTomo Games Limited (nxTomo Games)	20 February 2008	2008 nxTomo Games Share Option Scheme
Aim High Investments Limited (AHIL)	12 June 2009	2009 AHIL Share Option Scheme
Anyplex Company Limited (Anyplex)	20 March 2012	2012 Anyplex Share Option Scheme
Next E-Shopping Limited (Next E-Shopping)	20 March 2012	2012 Next E-Shopping Share Option Scheme
Next Mobile International Limited (NMIL) (formerly known as Next Mobile Limited)	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 terms of the Subsidiary Share Option Schemes are broadly similar. The most important of them can be summarized as follows:

1. The purpose of each of the schemes is to provide its participants with an opportunity to acquire a proprietary interest in the subsidiary concerned, and to encourage them to work towards enhancing the value of the subsidiary and its shares, for the benefit of the subsidiary and all its shareholders.

2. The participants in the schemes include any full-time employees and directors of the subsidiary or any of its subsidiaries, and any person whom the board of directors of the subsidiary considers to be capable of enhancing its operation or value.

3. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each participant (including both exercised and outstanding options) during any 12-month period shall not exceed 1.0% of the shares in issue. Any additional grants of options (including exercised, cancelled and outstanding options) to participants that exceed 1.0% of the shares in issue shall be subject to the approval of the subsidiary's shareholders. Also, for so long as a subsidiary remains a subsidiary of the Company, such additional grants of options shall require the approval of the Shareholders of the Company in advance. In both cases, the participants and their associates shall abstain from voting.

SHARE INCENTIVE SCHEMES (continued)

(b) Subsidiary Share Option Schemes (continued)

4. The board of directors of the subsidiary may, at its absolute discretion, determine the period within which the option must be exercised, provided that it does not extend beyond the date on which the subsidiary or its intermediate holding company or other such company holding the business conducted or to be conducted by the subsidiary and its subsidiaries is listed on an internationally recognised stock exchange in Hong Kong or elsewhere (a listing) or the 10th anniversary of the scheme's adoption date, whichever is the earlier.

5. The period for which an option must be held before it can be exercised shall be determined by the subsidiary's board of directors.

6. The exercise price per share of the respective Subsidiary Share Option Schemes shall be determined solely by the board of directors of the subsidiary concerned. The subscription price for a share under any option that is granted after a subsidiary has resolved to seek a listing or within six months prior to the lodgment of an application for a listing with the relevant stock exchange shall not be less than the issue price of a share in the listing.

7. The maximum number of shares that may be issued upon the exercise of all the options to be granted shall be 10.0% of the subsidiary's issued shares on the date of the scheme's adoption. Options that lapse in accordance with the terms of subsidiary share option schemes shall not be included in the calculation of the scheme mandate limit. However, the scheme mandate limit may be refreshed at any time, subject to the prior approval of the shareholders of the subsidiary, as well as the prior approval of the Shareholders for so long as the subsidiary remains a subsidiary of the Company.

8. The terms of a subsidiary share option scheme shall expire on either (a) the date of the listing; or (b) the 10th anniversary date of its adoption, whichever is the earlier. No further options shall be granted and no options may be exercised after this date.

SHARE INCENTIVE SCHEMES (continued)

(b) Subsidiary Share Option Schemes (continued)

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

2007 ADPDL Share Option Scheme

Name or category of participant	Date of grant	Exercise price per share	Vesting date (%)	Exercisable period	Balance as at 01.04.2016	Granted during the year	Exercised during the year	Lapsed during the year	Balance as at 31.03.2017
Employees	16.04.2014	HK$0.01	16.04.2015 (30%) 16.04.2016 (60%) 16.04.2017 (100%)	17.04.2015 – 30.07.2017	100,000	–	(24,000)	(31,000)	45,000
Total outstanding					100,000	–	(24,000)	(31,000)	45,000

2008 nxTomo Games Share Option Scheme

Name or category of participant	Date of grant	Exercise price per share	Vesting date (%)	Exercisable period	Balance as at 01.04.2016	Granted during the year	Exercised during the year	Lapsed during the year	Balance as at 31.03.2017
Director	23.09.2013	HK$0.01	23.09.2014 (100%)	24.09.2014 – 20.02.2018	50,000	–	–	–	50,000
Employees	23.09.2013	HK$0.01	23.09.2014 (100%)	24.09.2014 – 20.02.2018	400,000	–	(20,000)	(60,000)	320,000
	03.10.2014	HK$0.01	03.10.2015 (100%)	04.10.2015 – 20.02.2018	125,000	–	(10,000)	(15,000)	100,000
	15.12.2014	HK$0.01	15.12.2015 (100%)	16.12.2015 – 20.02.2018	10,000	–	–	–	10,000
Total outstanding					585,000	–	(30,000)	(75,000)	480,000

SHARE INCENTIVE SCHEMES (continued)

(b) Subsidiary Share Option Schemes (continued)

2013 nxTomo Share Option Scheme

Name or category of participant	Date of grant	Exercise price per share	Vesting date (%)	Exercisable period	Balance as at 01.04.2016	Granted during the year	Lapsed during the year	Balance as at 31.03.2017
Director	23.09.2013	HK$0.01	23.09.2014 (100%)	24.09.2014 – 14.06.2023	50,000	–	–	50,000
Employees	23.09.2013	HK$0.01	23.09.2014 (100%)	24.09.2014 – 14.06.2023	315,000	–	(100,000)	215,000
	03.10.2014	HK$0.01	03.10.2015 (100%)	04.10.2015 – 14.06.2023	48,000	–	–	48,000
	27.01.2015	HK$0.01	27.01.2016 (100%)	28.01.2016 – 14.06.2023	50,000	–	–	50,000
Total outstanding					463,000	–	(100,000)	363,000

2015 ADEC Share Option Scheme

Name or category of participant	Date of grant	Exercise price per share	Vesting date (%)	Exercisable period	Balance as at 01.04.2016	Granted during the year	Lapsed during the year	Balance as at 31.03.2017
Employees	07.10.2015	HK$0.01	07.10.2016 (100%)	08.10.2016 – 28.08.2025	240,000	–	(120,000)	120,000
Total outstanding					240,000	–	(120,000)	120,000

Apart from the movements as stated above, no options were granted, exercised, lapsed or cancelled under the other Subsidiary Share Option Schemes during the year ended 31 March 2017.

SHARE INCENTIVE SCHEMES (continued)

(b) Subsidiary Share Option Schemes (continued)

The Company has used the Binomial Model to assess the respective fair values of options granted under the 2007 ADPDL Share Option Scheme, 2008 nxTomo Games Share Option Scheme, 2013 nxTomo Share Option Scheme and 2015 ADEC Share Option Scheme for the year ended 31 March 2017. This is an appropriate method for assessing the fair value of an option that can be exercised before the expiry of the option period. The value of the option granted during the year ended 31 March 2017 was calculated as follows:

Date of Grant	No. of options granted	Risk-free rate	Expected life (years)	Expected volatility	Expected dividend yield	Fair value per option (HK$)
2007 ADPDL Share Option Scheme						
16.04.2014	105,000	0.52%-0.59%	1-3	22.75%-46.52%	0%	79.05
2008 nxTomo Games Share Option Scheme						
03.10.2014	205,000	1.070%	3.386	86.79%	0%	18.34
15.12.2014	10,000	0.888%	3.186	86.89%	0%	19.01
2013 nxTomo Share Option Scheme						
03.10.2014	108,000	1.953%	8.701	46.49%	0%	32.05
27.01.2015	50,000	1.407%	8.384	46.10%	0%	37.38
2015 ADEC Share Option Scheme						
07.10.2015	240,000	1.703%	9.90	51.468%	0%	0.00

The fair value per option granted under the 2007 ADPDL Share Option Scheme, 2008 nxTomo Games Share Option Scheme, 2013 nxTomo Share Option Scheme and 2015 ADEC Share Option Scheme respectively is an averaged fair value of such options. The Group recognised an expense of HK$515,000 in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2017 (2016: HK$6,842,000) in respect of the aggregate value of the options granted during the year under the Subsidiary Share Option Schemes.

(c) Next Digital Share Subscription and Financing Plan

The Subscription Plan allows the Board to invite eligible persons to subscribe for new Shares in the Company. Its key terms are summarized below:

1. The Subscription Plan's purpose is to recognise contributions made by eligible persons (including employees and Directors of the relevant Group subsidiary), to seek to retain them for the Group's continued operations and development, and to attract suitable personnel for its future development. The Subscription Plan encourages such persons to reinvest part of their remuneration in the form of equity participation in the Company, thus closely aligning their goals and interests with those of the Company and all Shareholders.

SHARE INCENTIVE SCHEMES (continued)

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

2. The Subscription Plan also provides an alternative for eligible persons (except Directors of the Group subsidiary concerned) to apply for loans from the Group subsidiary to pay all or part of the subscription price.

3. Eligible persons including full and part-time employees and Directors (both executive and non-executive) of the Group subsidiary concerned may be invited to participate. However, Directors of the Group subsidiary concerned cannot apply for loans under the Subscription Plan.

4. The Subscription Plan has no set term, and it may be terminated or suspended by the Board at any time.

5. The recipient of an invitation letter may, after satisfying certain conditions such as his or her length of service and performance targets, subscribe for up to the maximum number of new Shares stated in the letter at a price per Share that does not represent a discount of 20.0% or more from the higher of:

   (a) he closing price of the Share on the invitation date; or

   (b) The average closing price of the Share on the 5 trading days immediately prior to the invitation date, being the date of the announcement to be made on each invitation date.

6. The limit on the total number of new Shares that may be issued under the Subscription Plan shall not exceed 70,000,000 Shares, representing 2.9% of the Company's issued Shares as at 29 October 2007 (i.e. the date of adoption of the Subscription Plan). These Shares shall be issued under the general mandate to issue shares available on the relevant date. Part of the general mandate may therefore be reserved each year for the issue of Shares under the Subscription Plan.

7. Having accepted an invitation to subscribe under the Subscription Plan, and having satisfied certain conditions such as the period of his or her service and performance targets, the eligible person may subscribe for the number of new Shares specified in the invitation. Each invitation may specify different conditions.

Invitations for subscription under the Subscription Plan were all lapsed during the year ended 31 March 2013 and no further invitations for subscription were issued, subscribed for or cancelled during the years ended 31 March 2014, 2015, 2016 and 2017. As at 31 March 2017, there were no outstanding invitations for subscription under the Subscription Plan.

SHARE INCENTIVE SCHEMES (continued)

(d) Share Award to Directors of the Company

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

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

Subject to the payment of nominal amount of subscription price by the INEDs and the INEDs remaining as Directors of the Company, the Company will allot and issue the Award Shares to each of the INEDs on the respective vesting dates as stated above. On 1 April 2017, Mr. Fok has resigned as an INED of the Company.

Pursuant to the terms and vesting conditions, the first and second tranches of the Award Shares each of 100,000 Shares were issued and allotted to Dr. Hamm, an INED, on 13 April 2016 and 13 April 2017 respectively.

On 30 June 2016, the second tranche of the Award Shares a total of 310,000 Shares were issued and allotted to the three INEDs, Mr. Fok as to 110,000 Shares, Mr. Wong as to 100,000 Shares and Dr. Lee as to 100,000 Shares pursuant to the terms of the Awards Shares.

The Company has used the Binomial Model to assess the fair value of the Award Shares. For the year ended 31 March 2017, the Group recognised a total expense of HK$178,000 (2016: HK$407,000) in relation to the Award Shares.

DIRECTORS

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

Non-executive Director:

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

Executive Directors:

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

Independent Non-executive Directors:

Mr. Fok Kwong Hang, Terry (resigned on 1 April 2017)
Mr. Wong Chi Hong, Frank
Dr. Lee Ka Yam, Danny
Dr. Bradley Jay Hamm

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

Name	**Term of Appointment**
Mr. Ip	08.06.2016 to 07.06.2018
Mr. Wong	30.01.2017 to 29.01.2019
Dr. Lee	09.03.2017 to 08.03.2019
Dr. Hamm	01.03.2017 to 28.02.2019

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

Pursuant to Articles 84 and 85 of the Articles of Association, one-third of the relevant number of Directors (or, if their number is not a multiple of three, then the number nearest to but not exceeding one-third) shall retire from office at every AGM. Accordingly, Mr. Ip and Mr. Cassian Cheung will retire at the 2017 AGM and, being eligible, offer themselves for re-election.

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

Biographical details of the Directors as at 31 March 2017 are set out on pages 70 to 73. Details of the Director's emoluments are provided under note 10 to the Financial Statements.

During the year and up to the date of this report, Mr. Cassian Cheung, Mr. Ip Yut Kin and Mr. Chow Tat Kuen, Royston are also directors of the subsidiaries of the Company.

DIRECTORS' SERVICE CONTRACTS

Neither any of the Directors has a service contract that cannot be terminated by the Group within one year without payment of compensation (other than statutory compensation).

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2017, the interests and short positions of the Directors and Chief Executive and their associates in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(a) Interests in the Company

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

	Number of Shares						
Name of Director/ Chief Executive	Personal interests	Family interests	Corporate interests	Other interests	Interests in underlying Shares/equity derivatives	Total Shares	Percentage of Company's issued share capital
Ip Yut Kin	10,200,377	2,630,000	–	–	2,500,000 (Note 1)	15,330,377	0.63
Cheung Ka Sing, Cassian	18,172,000	–	–	–	19,000,000 (Note 1) 15,000,000 (Note 2)	52,172,000	2.15
Chow Tat Kuen, Royston	300,000				2,656,000 (Note 1) 1,500,000 (Note 2)	4,456,000	0.18
Fok Kwong Hang, Terry	2,130,000 (Note 3)	–	–	–	510,000 (Note 1)	2,640,000	0.11
Wong Chi Hong, Frank	300,000 (Note 4)	–	–	–	510,000 (Note 1)	810,000	0.03
Lee Ka Yam, Danny	300,000 (Note 4)	–	–	–	510,000 (Note 1)	810,000	0.03
Bradley Jay Hamm	300,000 (Note 5)				510,000 (Note 2)	810,000	0.03

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

(b) Interests in Associated Corporations

The tables below sets out the long positions in the underlying shares of the Company's associated corporations (within the meaning of Part XV of the SFO) of each Director and the Chief Executive:

nxTomo Ltd.

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

nxTomo Games Limited

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

Notes:

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

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

(3) These interests represent Shares of the Company beneficially held by the INED and the award shares subject to vesting conditions granted on 30 June 2014. Mr. Fok resigned as an INED of the Company with effect from 1 April 2017.

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

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

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

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

Apart from the details disclosed above and in the section headed "Discloseable Interests and Short Positions of Shareholders under the SFO" below, none of the Directors or the Chief Executive of the Company or their associates had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 March 2017.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 31 March 2017, the following persons (other than a person who is a Director or Chief Executive of the Company) had interests or short positions in the Shares and underlying Shares of the Company recorded in the register required to be kept under Section 336 of the SFO and so far as is known to any Director or Chief Executive of the Company:

Name of Shareholder	Number of Shares/ underlying Shares held	Percentage of issued share capital
Lai Chee Ying, Jimmy	1,786,533,165	73.47
Li Wan Kam, Teresa	1,786,533,165 (Note 1)	73.47
David Michael Webb	122,136,000 (Note 2)	5.02

Notes:

(1) These Shares represent the same total number of Shares held by Mr. Lai, Ms. Li Wan Kam, Teresa is the spouse of Mr. Lai and is deemed to be interested in these Shares.

(2) 81,900,000 Shares are held by Preferable Situation Assets Limited, a company which is 100% controlled by Mr. David Michael Webb.

Save as disclosed above, the Company had not been notified of any other person (other than Directors or Chief Executive of the Company) who had an interest or a short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO and so far as is known to any Director or the Chief Executive of the Company as at 31 March 2017.

CONNECTED TRANSACTIONS

During the year, the Company conducted the following transactions which constituted connected transactions for the Company under Chapter 14A of the Listing Rules:

On 8 June 2016, the Company announced that Amazing Sino International Limited ("ASIL"), an indirect wholly-owned subsidiary of the Company and a shareholder of ADPDL, purchased 216,688 shares, representing 2.0% of the total issued shares of ADPDL from Mr. Ip Yut Kin, being a NED of the Company, at a consideration of HK$8,840,870 (the "Acquisition"). As the applicable percentage ratios (other than the profits ratio) calculated in accordance with the Listing Rules for the Acquisition exceeded 0.1% but fell below 5.0%, the Acquisition was subject to the reporting and announcement requirements but was exempted from the independent Shareholders' approval pursuant to Chapter 14A of the Listing Rules. Completion of the Acquisition took place on 4 July 2016.

CONTINUING CONNECTED TRANSACTIONS

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

1. On 31 March 2014, the Company and NASL (formerly known as NMA) entered into a business framework agreement (the "2014 Business Framework Agreement") in respect of the animation services to be rendered by NASL Group (formerly known as NMA Group) to the Group, the advertising services and supporting services to be rendered by the Group to the NASL Group. The 2014 Business Framework Agreement has expired on 31 March 2017. On 31 March 2017, the Company and NASL entered into a new business framework agreement (the "2017 Business Framework Agreement") for a term of three years from 1 April 2017 to 31 March 2020 subject to the annual caps as follows:

Period	Annual cap in respect of animation services	Annual cap in respect of advertising services	Annual cap in respect of supporting services
From 1 April 2017 to 31 March 2018	HK$40,000,000	HK$1,000,000	HK$1,000,000
From 1 April 2018 to 31 March 2019	HK$40,000,000	HK$1,000,000	HK$1,000,000
From 1 April 2019 to 31 March 2020	HK$40,000,000	HK$1,000,000	HK$1,000,000

The annual caps for each of the periods as set out in the 2017 Business Framework Agreement are determined after taking into account (a) the historical transaction amounts in respect of the provision of the animation services, advertising services and supporting services pursuant to the 2014 Business Framework Agreement; and (b) the estimated demand for the aforesaid services.

On 31 March 2014, the Company and NASL also entered into an intellectual properties revenue sharing agreement (the "2014 IPRS Agreement") in respect of the revenue sharing arrangements between the Group and NASL Group on revenue generated by the sale of digital content and merchandise developed from the NASL's intellectual properties. The IPRS Agreement has expired on 31 March 2017. On 31 March 2017, the Company and NASL also entered into a new intellectual properties revenue sharing agreement (the " 2017 IPRS Agreement") for a term of three years from 1 April 2017 to 31 March 2020 subject to the annual caps as follows:

Period	Annual Cap
From 1 April 2017 to 31 March 2018	HK$1,000,000
From 1 April 2018 to 31 March 2019	HK$1,000,000
From 1 April 2019 to 31 March 2020	HK$1,000,000

The annual caps for each of the periods as set out in the 2017 IPRS Agreement are determined after taking into account (a) the historical transaction amounts in respect of the NASL intellectual properties revenue sharing arrangement; and (b) the estimated revenue to be generated from the NASL Intellectual Properties and Merchandise.

During the year, the Group had paid HK$59,438,000 as animation service charge and received HK$680,000 as supporting service fee under the 2014 Business Framework Agreement.

CONTINUING CONNECTED TRANSACTIONS (continued)

2. On 15 September 2015, NMBL entered into the Termination Agreement to terminate the existing lease agreement dated 31 July 2013 with the Taiwan Branch of NASL, with effect from 16 September 2015. NMBL, on the same date, has also entered into the new lease agreement (the "New Lease Agreement") with the Taiwan Branch of NASL, pursuant to which, NMBL agreed to lease the properties located at 3/F., 4/F., 5/F., 6/F. and 9/F., No. 39, Lane 141, Xingai Road, Neihu District, Taipei City, Taiwan at a monthly rental of NT$1,427,978 (inclusive of tax) to the Taiwan Branch of NASL for a term commencing from 16 September 2015 to 31 March 2018 (both days inclusive). The Taiwan Branch of NASL had paid a deposit of NT$4,283,934 (inclusive of tax) as guarantee of its performance of obligations under the New Lease Agreement. Such deposit will be refunded to the Taiwan Branch of NASL without interest upon expiry or termination of the New Lease Agreement.

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

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

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

   The total rental of NT$2,720,000 (equivalent to HK$655,000) was paid by the Taiwan Branch of NASL in respect of the period from 1April 2016 to 31 May 2016 (both days inclusive) to NMBL under the New Lease Agreement.

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

Details of the continuing connected transactions are set out in the note 36 to the Financial Statements.

The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the continuing connected transactions entered into by the Company and the Group during the year ended 31 March 2017.

ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTIONS

All the INEDs have reviewed the above disclosed continuing connected transactions (the "CCTs") for the year ended 31 March 2017 and confirmed that the CCTs were entered into by the Company and the Group:

a. in the ordinary business of the Group;

b. on normal commercial terms; and

c. on terms that are fair and reasonable and in interests of the Shareholders as a whole.

The Company's Auditor, Deloitte, has been engaged to report on the Group's or the Company's CCTs in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA. The Auditor has issued an unqualified letter containing the findings and conclusions in respect of the Group's CCTs in pages 96 to 97 of the Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the Auditor's letter has been provided by the Company to the Stock Exchange.

RELATED PARTY TRANSACTIONS

During the year, the Group entered into certain transactions with parties regarded as related parties under applicable accounting principles, details of which are set out in note 36 to the Financial Statements. These mainly concerned contracts entered into by the Group in the ordinary course of business. These contracts were negotiated on normal commercial terms and on an arm's length basis with reference to prevailing market conditions.

Save as disclosed above and note 36 to the Financial Statements, no other contract of significance between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries were entered into or existed during the year.

UPDATE ON MATERIAL LITIGATIONS

The Group had a dispute with UDL Contracting Limited ("UDL") as the contractor for the construction of a printing facility of a subsidiary of the Company, ADPL, over amounts payable in respect of the construction of the facility. Separate legal action concerning the claim was taken against ADPL and Mr. Lai, a controlling shareholder of the Company, in the High Court during 2007.

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

UPDATE ON MATERIAL LITIGATIONS (continued)

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

In July 2010, BaWang International (Group) Holding Limited (as 1st Plaintiff) and BaWang (Guangzhou) Company Limited (as 2nd Plaintiff) (collectively referred as the "Plaintiffs") issued a writ against Next Magazine Publishing Limited in respect of an article published in the weekly magazine, *Next Magazine*, alleging, amongst other things, that certain parts of such article were defamatory and/or amounted to a malicious falsehood. Next Magazine Publishing Limited filed a Defence to such claim in January 2011. Trial commenced on 2 March 2015 and concluded on 29 August 2015. The judgment (the "Judgment") made by the High Court has been handed down on 23 May 2016. The High Court has found in favour of the Plaintiffs on certain grounds but has dismissed the Plaintiffs claim in malicious falsehood and in conclusion has ordered, amongst other matters, Next Magazine Publishing Limited to pay a total of approximately HK$3.0 million in damages and 80% of the Plaintiffs' legal costs. Next Magazine Publishing Limited has paid the damages to the Plaintiffs on 3 June 2016. Upon further negotiation between the parties, the Plaintiffs have accepted HK$18.0 million in full and final settlement of all claim for costs, disbursements and interest in this case on 16 December 2016. The litigation between Next Magazine Publishing Limited and the Plaintiffs have been wholly concluded as at the date hereof.

BUSINESS REVIEW

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

A discussion on the Group's environmental and social performance is set out in the section headed "Environmental, Social and Governance Report" of this annual report.

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

MANAGEMENT CONTRACTS

No contract concerning the management and administration of all or any substantial part of the Group's business was entered into or existed during the year.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Group's business to which the Company, its subsidiaries or associated companies was a party and in which a Director had a material interest, whether directly or indirectly, existed at the end of the year or at any time during the year.

RETIREMENT BENEFITS PLANS

Details of the Group's retirement benefits plans are set out in note 25 to the Financial Statements.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the percentage of the Shares in the public's hands exceed 25.0% as at 12 June 2017, the latest practicable date to ascertain such information prior to the issue of this report.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the options disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

The Company has not redeemed any of its listed Shares during the year. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed Shares during the year.

AUDITOR

The Financial Statements have been audited by Messrs. Deloitte Touche Tohmatsu. A resolution will be submitted to the 2017 AGM to re-appoint the auditor, Messrs. Deloitte Touche Tohmatsu.

On behalf of the Board

Ip Yut Kin
Non-executive Chairman

Hong Kong, 12 June 2017

TO THE MEMBERS OF NEXT DIGITAL LIMITED
壹傳媒有限公司
(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Next Digital Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 106 to 195, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment on intangible assets	
We identified the impairment on intangible assets as a key audit matter due to significant judgment required by the management in estimating the recoverable amounts of the intangible assets. The impairment on intangible assets is determined by comparing the carrying amounts with the recoverable amounts which are estimated with reference to the value in use calculation based on the cash flow projections prepared by management. The value in use calculation requires the management to estimate the future cash flows which are discounted in their present value taking in account key assumptions including growth rates, discount rates and the forecast performance based on management's view of future business prospects. As at 31 March 2017, the carrying value of intangible assets was HK$817.9 million and impairment loss of HK$202.4 million has been recognised during the year ended 31 March 2017. Details relating to the Group's intangible assets are set out in notes 15 and 16 to the consolidated financial statements.	Our procedures in relation to the impairment on intangible assets included: • Understanding how the Group's management performs the impairment testing, including the valuation model adopted, basis and assumptions used; • Engaging our internal valuation expert to assess the appropriateness of the valuation, methodology and discount rate adopted; • Checking the mathematical accuracy of the value in use calculation; • Evaluating the reasonableness of the key assumptions including growth rates, discount rates and the forecast performance used by the management with reference to the historical performance and market data; and • Checking the inputs used in the cash flow projections against supporting documentation.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Provisions for legal cases	
We identified the provisions for legal cases as a key audit matter due to their complexity and significant judgment required by the management in estimating the outcome of the claims and legal proceedings, taking into account the risks and uncertainties surrounding the legal cases. The provisions recognised is the management's best estimate of the consideration required to settle the obligation, after consultation with the legal counsel on the possible outcome and liability of the Group. As at 31 March 2017, the provisions in respect of a number of legal proceedings in Hong Kong and Taiwan was HK$98.4 million. Details relating to the Group's provisions are set out in note 31 to the consolidated financial statements.	Our procedures in relation to provisions for legal cases included: • Understanding how the Group's management perform assessment on the provisions for legal cases; • Discussing with the management and the internal legal counsel on the status of legal cases and their expectation of the possible outcome and estimation of the liabilities of the Group; • Obtaining and reviewing the related legal documents and discussing the legal impact with the management and the internal legal counsel; • Obtaining legal letters from external legal counsels and discussing with external legal counsels on the potential financial impact of significant legal cases; and • Arranging litigation search and checking against the information stated in the legal letters from external legal counsels to verify the status and completeness of the legal cases.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Tsang Kai Tai.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
12 June 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	5	**1,783,757**	2,327,730
Production costs			
Cost of raw materials consumed		**(271,749)**	(417,103)
Other overheads		**(332,728)**	(369,210)
Staff costs	13	**(631,240)**	(655,364)
		(1,235,717)	(1,441,677)
Personnel costs excluding direct production staff costs	13	**(493,869)**	(658,451)
Other income	5	**34,384**	56,596
Net exchange gain		**1,002**	4,907
Depreciation of property, plant and equipment		**(108,167)**	(126,066)
Release of prepaid lease payments		**(1,797)**	(1,797)
Other expenses		**(197,044)**	(242,639)
Impairment loss recognised in respect of intangible assets	16	**(202,374)**	(280,582)
Reversal of allowance for bad and doubtful debts, net		**13,797**	16,274
Finance costs	7	**(9,972)**	(9,353)
Loss before tax		**(416,000)**	(355,058)
Income tax credit	8	**22,002**	30,814
Loss for the year	9	**(393,998)**	(324,244)
Other comprehensive income (expense)			
Item that will not be reclassified subsequently to profit or loss:			
Actuarial gain from remeasurement of defined benefit obligations, net of tax	25(b)	**7,631**	3,357
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**53,498**	(34,892)
Total comprehensive expense for the year		**(332,869)**	(355,779)

	Note	2017 HK$'000	2016 HK$'000
(Loss) profit for the year attributable to:			
Owners of the Company		**(392,777)**	(324,688)
Non-controlling interests		**(1,221)**	444
		(393,998)	(324,244)
Total comprehensive expense attributable to:			
Owners of the Company		**(331,937)**	(355,445)
Non-controlling interests		**(932)**	(334)
		(332,869)	(355,779)
Loss per share	14		
– Basic		**HK(16.2 cents)**	HK(13.4 cents)
– Diluted		**HK(16.2 cents)**	HK(13.4 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Intangible assets	15	**817,925**	1,020,299
Property, plant and equipment	17	**1,082,670**	1,094,647
Prepaid lease payments	18	**52,570**	54,367
Deposit for acquisition of property, plant and equipment		**8,690**	8,857
		1,961,855	2,178,170
CURRENT ASSETS			
Inventories	20	**69,730**	93,313
Trade and other receivables	21	**445,685**	539,790
Prepaid lease payments	18	**1,797**	1,797
Tax recoverable		**28,163**	19,271
Restricted bank balances	22	**1,500**	1,500
Amounts due from related parties	19	**7,226**	3,565
Bank balances and cash	22	**500,546**	457,333
		1,054,647	1,116,569
CURRENT LIABILITIES			
Trade and other payables	23	**444,360**	445,565
Deferred revenue	26	**4,930**	5,646
Borrowings	24	**–**	76,305
Provisions	31	**98,426**	123,630
Tax liabilities		**123**	14,747
		547,839	665,893
NET CURRENT ASSETS		**506,808**	450,676
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,468,663**	2,628,846
NON-CURRENT LIABILITIES			
Borrowings	24	**461,066**	222,557
Retirement benefits plans	25	**55,756**	76,805
Deferred tax liabilities	30	**178,421**	213,507
		695,243	512,869
NET ASSETS		**1,773,420**	2,115,977

	Note	2017 HK$'000	2016 HK$'000
CAPITAL AND RESERVES			
Share capital	27	**2,435,345**	2,435,010
Reserves		**(678,278)**	(358,112)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**1,757,067**	2,076,898
NON-CONTROLLING INTERESTS		**16,353**	39,079
TOTAL EQUITY		**1,773,420**	2,115,977

The consolidated financial statements on pages 106 to 195 were approved and authorised for issue by the Board of Directors on 12 June 2017 and are signed on its behalf by:

Cheung Ka Sing, Cassian
DIRECTOR

Chow Tat Kuen, Royston
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Attributable to owners of the Company					Attributable to non-controlling interests			
	Share capital HK$'000	Translation reserve HK$'000	Share-based payment reserve HK$'000	Accumulated profits (losses) HK$'000	Sub-total HK$'000	Share-based payment reserve of subsidiaries HK$'000	Share of net assets of subsidiaries HK$'000	Sub-total HK$'000	Total HK$'000
At 1 April 2015	2,434,747	(87,179)	17,520	102,911	2,467,999	11,522	34,710	46,232	2,514,231
Exchange differences on translating foreign operations	–	(33,997)	–	–	(33,997)	–	(895)	(895)	(34,892)
(Loss) profit for the year	–	–	–	(324,688)	(324,688)	–	444	444	(324,244)
Actuarial gain on defined benefit obligations, net of tax	–	–	–	3,240	3,240	–	117	117	3,357
Total comprehensive expense for the year	–	(33,997)	–	(321,448)	(355,445)	–	(334)	(334)	(355,779)
Payment of dividends (note 12)	–	–	–	(48,626)	(48,626)	–	–	–	(48,626)
Recognition of equity-settled share-based payments	–	–	5,142	–	5,142	6,505	337	6,842	11,984
Issue of ordinary shares in relation to award of new shares	263	–	(263)	–	–	–	–	–	–
Exercise of share options *(Note a)*	–	–	–	–	–	(671)	671	–	–
Lapse of share options	–	–	(4,137)	7,065	2,928	(2,928)	–	(2,928)	–
Acquisition of additional interests in subsidiaries *(Notes a and b)*	–	–	–	4,900	4,900	–	(10,733)	(10,733)	(5,833)
At 31 March 2016	2,435,010	(121,176)	18,262	(255,198)	2,076,898	14,428	24,651	39,079	2,115,977
Exchange differences on translating foreign operations	–	53,276	–	–	53,276	–	222	222	53,498
Loss for the year	–	–	–	(392,777)	(392,777)	–	(1,221)	(1,221)	(393,998)
Actuarial gain on defined benefit obligations, net of tax	–	–	–	7,564	7,564	–	67	67	7,631
Total comprehensive income (expense) for the year	–	53,276	–	(385,213)	(331,937)	–	(932)	(932)	(332,869)
Recognition of equity-settled share-based payments	–	–	2,268	–	2,268	510	5	515	2,783
Issue of ordinary shares in relation to award of new shares	335	–	(335)	–	–	–	–	–	–
Exercise of share options *(Note c)*	–	–	–	–	–	(2,141)	2,141	–	–
Lapse of share options	–	–	(2,898)	5,401	2,503	(2,503)	–	(2,503)	–
Acquisition of additional interests in subsidiaries *(Note c)*	–	–	–	7,335	7,335	–	(19,806)	(19,806)	(12,471)
At 31 March 2017	2,435,345	(67,900)	17,297	(627,675)	1,757,067	10,294	6,059	16,353	1,773,420

Notes:

(a) During the year ended 31 March 2016, options to subscribe in a total of 40,000 shares with fair value of HK$3.01 per option and 30,000 shares with fair value of HK$18.34 per option at the grant dates (see note 28d (ii)) were exercised under the 2008 Share Option Scheme of nxTomo Games Limited ("nxTomo Games") on 28 May 2015 and 4 March 2016, respectively. On 7 August 2015 and 31 March 2016, Max Grand Investments Limited ("Max Grand"), a wholly owned subsidiary of the Company, purchased a total of 70,000 shares of nxTomo Games from non-controlling shareholders. As a result, the Group holds 100% equity interest of nxTomo Games.

(b) During the year ended 31 March 2016, the equity ownership of the Group in a non-wholly owned subsidiary, Apple Daily Publication Development Limited ("ADPDL") increased from 95.05% to 96.30% (see note 37).

(c) During the year ended 31 March 2017, options to subscribe in a total of 20,000 shares with fair value of HK$3.01 per option and 10,000 shares with fair value of HK$18.34 per option at the grant dates (see note 28d(ii)) were exercised under the 2008 Share Option Scheme of nxTomo Games on 8 April 2016. As a result, the Group's equity interest in nxTomo Games was changed from 100% to 99.7%. On 5 September 2016, Max Grand purchased all 30,000 shares of nxTomo Games from a non-controlling shareholder. As a result, the Group holds 100% equity interest of nxTomo Games.

During the year ended 31 March 2017, options to subscribe in a total of 24,000 shares with fair value of HK$79.05 per option at the grant date (see note 28d(i)) were exercised under the 2007 Share Option Scheme of ADPDL on 20 June 2016. As a result, the Group's equity interest in ADPDL was changed from 96.3% to 96.1%. On 14 June 2016, 28 June 2016, 29 June 2016 and 4 July 2016, Amazing Sino International Limited, a wholly owned subsidiary of the Company, purchased a total of 305,694 shares of ADPDL from non-controlling shareholders. As a result, the Group holds 98.9% equity interest of ADPDL.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	2017 HK$'000	2016 HK$'000
OPERATING ACTIVITIES		
Loss for the year	**(393,998)**	(324,244)
Adjustments for:		
Income tax credit	**(22,002)**	(30,814)
Finance costs	**9,972**	9,353
Reversal of allowance for bad and doubtful debts, net	**(13,797)**	(16,274)
Depreciation of property, plant and equipment	**108,167**	126,066
Release of prepaid lease payments	**1,797**	1,797
Loss on disposal of property, plant and equipment	**1,057**	3,405
Share-based payment expense	**2,783**	11,984
Impairment loss recognised in respect of intangible assets	**202,374**	280,582
Interest income	**(1,291)**	(1,738)
Operating cash flows before movements in working capital	**(104,938)**	60,117
Decrease in inventories	**26,691**	20,473
Decrease in trade and other receivables	**119,609**	80,274
Increase in amounts due from related parties	**(3,661)**	(1,000)
(Decrease) increase in trade and other payables	**(8,635)**	12,897
Decrease in deferred revenue	**(716)**	(6,034)
(Decrease) increase in provisions	**(26,346)**	18,640
Decrease in retirement benefits plans	**(16,695)**	(2,212)
Net cash (used in) generated from operations	**(14,691)**	183,155
Income tax paid	**(37,350)**	(25,045)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	**(52,041)**	158,110
INVESTING ACTIVITIES		
Interest received	**1,291**	1,738
Proceeds from disposal of property, plant and equipment	**479**	1,152
Purchases of property, plant and equipment	**(26,770)**	(40,280)
Deposit for acquisition of property, plant and equipment	**(8,578)**	(8,906)
NET CASH USED IN INVESTING ACTIVITIES	**(33,578)**	(46,296)

	2017 HK$'000	2016 HK$'000
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(317,694)**	(76,305)
New loan raised	**445,104**	–
Interest paid	**(9,972)**	(9,353)
Acquisition of additional interests in subsidiaries	**(12,471)**	(5,833)
Dividends paid	**–**	(48,626)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**104,967**	(140,117)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**19,348**	(28,303)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**457,333**	499,846
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**23,865**	(14,210)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**500,546**	457,333

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate controlling party is Mr. Lai Chee Ying, Jimmy ("Mr. Lai"), who is the controlling shareholder of the Company. The address of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 37.

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle

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

Amendments to HKAS 1 *Disclosure Initiative*

The Group has applied the amendments to HKAS 1 *Disclosure Initiative* for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by an HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

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

Amendments to HKAS 1 *Disclosure Initiative* (continued)

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The Group has applied these amendments retrospectively. Hence, the grouping and ordering of certain notes has been revised to give prominence to the areas of the Group's activities that management considers to be most relevant to an understanding of the Group's financial performance and financial position. Specifically, information to capital risk management and financial instruments was reordered to notes 34 and 35. Other than the above presentation changes, the application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group in these consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and an interpretation that (the "new and revised HKFRSs") have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle[5]
HK(IFRIC) – Int22	Foreign Currency Transactions and Advance Consideration[1]

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

2 *Effective for annual periods beginning on or after 1 January 2019*

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

4 *Effective for annual periods beginning on or after 1 January 2017*

5 *Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate*

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

HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirement of HKFRS 9 which are relevant to the Group is:

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

Based on the Group's financial instruments and risk management policies as at 31 March 2017, application of HKFRS 9 in the future may have an impact on the classification and measurement of the Group's financial assets. The expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

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

HKFRS 15 *Revenue from Contracts with Customers*

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

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

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

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

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

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

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where that Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2017, the Group as lessee has non-cancellable operating lease commitments of HK$27,087,000 as disclosed in note 33(b). A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

The directors of the Company do not anticipate that the application of other new and revised and an interpretation to HKFRSs will have a material impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

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

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

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

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognised when services are provided.

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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

(viii) Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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

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

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

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

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

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

- Consumable virtual items represent items that are extinguished after consumption in the form of fixed charges levied on each round of games played. The Paying Players will not continue to benefit from the virtual items thereafter. Revenue is recognised (as a release from deferred revenue) when the items are consumed and the related services are rendered.
- Durable virtual items represent items that are accessible and beneficial to Paying Players over an extended period of time. Revenue is recognised ratably over the average life of durable virtual items for the applicable game, which the Group makes best estimates to be average playing period of Paying Players ("Player Relationship Period").

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(x) (continued)

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

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

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

Masthead and publishing rights

On initial recognition, intangible assets (masthead and publishing rights of the Group's newspapers and magazines) acquired separately and from business combinations are recognised at cost and fair value respectively. Subsequent to initial recognition, the intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Intangible assets with indefinite useful lives are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment other than freehold land are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

Depreciation is recognised so as to write off the cost of assets other than freehold land and properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(i) The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

(ii) The Group as lessee

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

(iii) Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

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

Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(ii) Profit sharing and bonus plans

The expected cost of profit sharing and bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

(iii) Retirement benefit costs and termination benefits

The Group operates defined contribution retirement schemes in Hong Kong and Taiwan, a mandatory provident fund scheme for its eligible employees in Hong Kong and defined benefits plans for its eligible employees in Taiwan, the assets of which are held in separate independent trustee-administered funds.

The Group's contributions to the defined contribution retirement schemes and the mandatory provident fund scheme are recognised as an expense when employees have rendered service entitling them to the contributions and, in respect of the non-mandatory provident fund schemes, such contributions are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the Group's contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

(iv) Short term and other long term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expenses unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

(v) Share options and share subscription rights granted to employees of the Group

The Group has applied HKFRS 2 *Share-based Payment* to share options granted on or after 1 April 2005, share subscription rights granted on 29 October 2007 and award shares granted on 30 June 2014 and 13 April 2015.

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

The fair value of services received determined by reference to the fair value of share options and share subscription rights granted at the grant date is expensed on a straight-line basis over the vesting period based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payment reserve).

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

When share options and share subscription rights are exercised, the amount previously recognised in share-based payment reserve will be transferred to share capital. When the share options and share subscription rights are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to accumulated profits (losses).

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

At the end of each reporting period, the Group revises its estimates of the number of options and share subscription rights expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payment reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

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

Interest income is recognised by applying the effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of loans and receivables

Financial assets classified as loans and receivables are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 7 to 120 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Financial liabilities

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition (continued)

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Impairment losses on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("CGU") (or group of CGUs) to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on tangible and intangible assets other than goodwill (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Impairment on intangible assets

Determining whether intangible asset is impaired requires an estimation of the recoverable amounts of the intangible assets. The impairment on intangible assets is determined by comparing the carrying amounts with the recoverable amounts which are estimated with reference to the value in use calculation based on the cash flow projections prepared by management. The impairment model is sensitive to changes in the key assumptions including growth rates, discount rates and the forecast performance based on management's view of future business prospects. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2017, the carrying amount of intangible assets is HK$817,925,000 (2016: HK$1,020,299,000). For the year ended 31 March 2017, impairment loss of HK$202,374,000 (2016: HK$280,582,000) has been recognised. Details of the recoverable amount calculation are disclosed in note 16.

Provisions for legal cases

The management estimates the outcome of the claims and legal proceedings, taking into account the risks and uncertainties surrounding the legal cases. Provisions which are the management's best estimate of the consideration required to settle the obligation, after consultation with the legal counsel on the possible outcome and liability of the Group would then be recognised. As at 31 March 2017, an amount of approximately HK$98,426,000 (2016: HK$123,630,000) has been provided for a number of legal proceedings in Hong Kong and Taiwan. Details are set out in note 31.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Revenue recognition

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

Assessment of the indefinite useful lives of masthead and publishing rights

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

The useful lives of masthead and publishing rights could change significantly as a result of changes in commercial and technological environment. When the actual useful lives of masthead and publishing rights are different from their estimated useful lives due to change in commercial and technological environment, such difference will impact the amortisation charges and the amounts of assets written down for future periods. The carrying amount of masthead and publishing rights with indefinite useful lives is HK$817,925,000 at 31 March 2017 (2016: HK$1,020,299,000). Details of impairment testing of masthead and publishing rights with indefinite useful lives are disclosed in note 16.

Impairment loss of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows to determine the amount of impairment loss. The amount of the impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2017, the carrying amount of trade receivables was HK$341,828,000 (2016: HK$427,301,000), net of allowance for doubtful debts of HK$44,756,000 (2016: HK$58,104,000). Details are set out in note 21.

Retirement benefit obligations

Obligations for retirement benefit and related net periodic pension costs are determined in accordance with actuarial valuations. These valuations rely on key assumptions including discount rates and expected rate of salary growth. The discount rates assumptions are determined by reference to yield on high-quality corporate bonds of appropriate duration and currency at the end of the reporting period. In case such yields are not available, discount rates are based on government bonds yields. Due to changing economic conditions, the underlying key assumptions may differ from actual developments and may lead to significant changes in retirement benefit obligations. During the year ended 31 March 2017, actuarial gain from remeasurement of defined benefit obligations before tax effect amounting to HK$9,194,000 (2016: actuarial gain before tax effect of HK$4,045,000) are recognised directly in equity in the period in which they occur. Details are set out in note 25.

5. REVENUE AND OTHER INCOME

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

	2017 HK$'000	2016 HK$'000
Revenue		
Internet advertising income, internet subscription income, content provision and development of mobile games and apps income ("Digital businesses")	**649,667**	659,731
Sales of newspapers	**354,988**	416,834
Sales of books and magazines	**50,889**	89,025
Newspapers advertising income	**454,972**	664,586
Books and magazines advertising income	**106,190**	308,802
Printing and reprographic services income	**167,051**	188,752
	1,783,757	2,327,730
Other income		
Sales of waste materials	**5,143**	8,210
Interest income on bank deposits	**1,291**	1,738
Rental income	**16,485**	19,759
Others	**11,465**	26,889
	34,384	56,596

6. SEGMENT INFORMATION

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

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

Operating segments	Principal activities
Digital businesses	Internet advertising, internet subscription, content provision and development of mobile games and apps in Hong Kong, Taiwan and North America
Newspapers publication and printing	Sales of newspapers and provision of newspapers printing and advertising services in Hong Kong and Taiwan
Books and magazines publication and printing	Sales of books and magazines and provision of books and magazines printing and advertising services in Hong Kong, Taiwan, North America, Europe and Australasia

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

6. SEGMENT INFORMATION (continued)

Segment revenue and results

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

For the year ended 31 March 2017

	Digital businesses HK$'000	Newspapers publication and printing HK$'000	Books and magazines publication and printing HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE					
External sales	**649,667**	**906,427**	**227,663**	**–**	**1,783,757**
Inter-segment sales	**–**	**226,025**	**13,293**	**(239,318)**	**–**
	649,667	**1,132,452**	**240,956**	**(239,318)**	**1,783,757**
Segment results	**(1,239)**	**(256,275)**	**(161,430)**	**–**	**(418,944)**
Unallocated expenses					**(16,325)**
Unallocated income					**29,241**
Finance costs					**(9,972)**
Loss before tax					**(416,000)**

For the year ended 31 March 2016

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

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

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities

As at 31 March 2017

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

As at 31 March 2016

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

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

- all assets are allocated to operating segments other than tax recoverable, certain bank balances and cash and corporate assets that are not attributable to segments; and
- all liabilities are allocated to operating segments other than certain other payables, tax liabilities, certain bank borrowings, deferred tax liabilities and corporate liabilities that are not attributable to segments.

6. SEGMENT INFORMATION (continued)

Other segment information

For the year ended 31 March 2017

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

	Digital businesses HK$'000	Newspapers publication and printing HK$'000	Books and magazines publication and printing HK$'000	Corporate HK$'000	Consolidated HK$'000
Addition to non-current assets	**16,580**	**11,915**	**6,965**	**–**	**35,460**
Depreciation of property, plant and equipment	**18,464**	**55,799**	**29,343**	**4,561**	**108,167**
Impairment loss recognised in respect of intangible assets (notes 15 and 16)	**–**	**202,374**	**–**	**–**	**202,374**
Release of prepaid lease payments	**–**	**991**	**–**	**806**	**1,797**
Allowance (reversal of allowance) for bad and doubtful debts, net	**2,635**	**(11,700)**	**(4,732)**	**–**	**(13,797)**
Share-based payment expense	**–**	**515**	**–**	**2,268**	**2,783**
Loss (gain) on disposal of property, plant and equipment	**1,057**	**83**	**(83)**	**–**	**1,057**
Provision for litigation expense, net of reversal (note 31)	**1,315**	**125**	**4,752**	**–**	**6,192**
Legal and professional fee	**7,283**	**1,272**	**4,880**	**–**	**13,435**

For the year ended 31 March 2016

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

	Digital businesses HK$'000	Newspapers publication and printing HK$'000	Books and magazines publication and printing HK$'000	Corporate HK$'000	Consolidated HK$'000
Addition to non-current assets	16,686	13,690	7,541	11,220	49,137
Depreciation of property, plant and equipment	17,162	59,160	45,694	4,050	126,066
Impairment loss recognised in respect of intangible assets (notes 15 and 16)	–	–	280,582	–	280,582
Release of prepaid lease payments	–	991	–	806	1,797
Allowance (reversal of allowance) for bad and doubtful debts, net	2,062	(6,351)	(11,985)	–	(16,274)
Share-based payment expense	4,388	2,454	–	5,142	11,984
Loss (gain) on disposal of property, plant and equipment	3,618	25	(238)	–	3,405
Provision for litigation expense, net of reversal (note 31)	–	20,877	2,061	–	22,938
Legal and professional fee	13,902	2,025	7,245	–	23,172

6. SEGMENT INFORMATION (continued)

Geographical information

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

	Revenue from external customers (Note)		Non-current assets	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong (country of domicile)	**1,075,712**	1,387,691	**1,244,501**	1,479,216
Taiwan	**673,031**	899,503	**716,467**	698,276
North America	**18,598**	21,799	**887**	678
Europe	**7,414**	7,524	**–**	–
Australasia	**6,177**	7,722	**–**	–
Others	**2,825**	3,491	**–**	–
	1,783,757	2,327,730	**1,961,855**	2,178,170

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

Information about major customers

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

	2017	2016
	HK$'000	HK$'000
Customer A *(Note)*	**398,073**	494,735

Note: *Revenue from this customer comprised revenue earned in newspapers and magazines publication amounting to HK$354,963,000 (2016: HK$416,834,000) and HK$43,110,000 (2016: HK$77,901,000), respectively.*

7. FINANCE COSTS

	2017	2016
	HK$'000	HK$'000
Interest expense on bank borrowings	**9,972**	9,353

8. INCOME TAX CREDIT

	2017 HK$'000	2016 HK$'000
Current tax:		
Hong Kong	**13,720**	26,542
Taiwan	**–**	1,880
Under (over) provision in prior years:		
Hong Kong	**–**	1,066
Taiwan	**(134)**	(170)
Other jurisdictions	**528**	253
	14,114	29,571
Deferred tax (note 30):		
Current year	**(36,116)**	(60,385)
	(22,002)	(30,814)

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

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

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

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

	2017 HK$'000	2016 HK$'000
Loss before tax	**(416,000)**	(355,058)
Tax at Hong Kong Profits Tax rate of 16.5%	**(68,640)**	(58,585)
Tax effect of expenses not deductible for tax purpose	**5,200**	3,723
Tax effect of income not taxable for tax purpose	**(6,120)**	(10,995)
Underprovision in prior years	**394**	1,149
Tax effect of estimated tax losses not recognised for Hong Kong subsidiaries	**35,435**	33,771
Tax effect of estimated tax losses not recognised for Taiwan subsidiaries	**16,060**	390
Utilisation of tax losses previously not recognised	**(1,503)**	–
Effect of different tax rates of subsidiaries operating in Taiwan and other jurisdictions	**(376)**	496
Others	**(2,452)**	(763)
Income tax credit for the year	**(22,002)**	(30,814)

9. LOSS FOR THE YEAR

	2017 HK$'000	2016 HK$'000
Loss for the year has been arrived at after charging:		
Auditor's remuneration	**3,317**	3,152
Minimum operating lease expenses on:		
Properties	**2,436**	3,437
Plant and equipment	**15,842**	17,023
Provision for litigations expenses, net of reversal, (included in other expenses) (note 31)	**6,192**	22,938
Legal and professional fee (included in other expenses)	**13,435**	23,172
Loss on disposal of property, plant and equipment	**1,057**	3,405

10. DIRECTORS', CHIEF EXECUTIVE'S AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the 7 (2016: 8) directors were as follows:

For the year ended 31 March 2017

	Ip Yut Kin ("Mr. Ip") HK$'000 *(Note a)*
NON-EXECUTIVE DIRECTOR ("NED")	
Fees	**200**
Other emoluments:	
Salaries and other benefits	**1,705**
Discretionary bonus payments	**102**
Share-based payments	**156**
Pension costs – defined contribution plans	**27**
Total emoluments	**2,190**

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

(a) Directors' emoluments (continued)

For the year ended 31 March 2017 (continued)

	Cheung Ka Sing, Cassian ("Mr. Cheung") HK$'000	Chow Tat Kuen, Royston ("Mr. Chow") HK$'000	Total HK$'000
EXECUTIVE DIRECTORS ("EDs")			
Fees	260	200	460
Other emoluments:			
Salaries and other benefits	4,457	2,527	6,984
Discretionary bonus payments	394	412	806
Share-based payments	843	207	1,050
Pension costs – defined contribution plans	193	109	302
Total emoluments	6,147	3,455	9,602

	Fok Kwong Hang, Terry ("Mr. Fok") HK$'000	Wong Chi Hong, Frank ("Mr. Wong") HK$'000	Lee Ka Yam, Danny ("Dr. Lee") HK$'000	Bradley Jay Hamm ("Dr. Hamm") HK$'000	Total HK$'000
INDEPENDENT NON-EXECUTIVE DIRECTORS ("INEDs")					
Fees	330	300	300	230	1,160
Other emoluments:					
Share-based payments	87	79	79	106	351
Total emoluments	417	379	379	336	1,511

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

(a) Directors' emoluments (continued)

For the year ended 31 March 2016

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

	Mr. Fok HK$'000	Mr. Wong HK$'000	Dr. Lee HK$'000	Dr. Hamm HK$'000	Total HK$'000
INEDs					
Fees	330	300	300	230	1,160
Other emoluments:					
Share-based payments	101	92	92	221	506
Total emoluments	431	392	392	451	1,666

Notes:

(a) Mr. Ip has been re-designated as a NED of the Company and appointed as the Non-Executive Chairman of the Group on 8 June 2016.

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

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

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

(a) Directors' emoluments (continued)

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

The emoluments disclosed above include expenses of HK$125,000 (2016: HK$118,000) paid by the Group under one operating lease (2016: one) in respect of residential accommodation provided to one (2016: one) Non-executive Director.

During the years ended 31 March 2017 and 2016, no director of the Company waived or agreed to waive any emoluments.

During the year, certain directors were granted share options and award shares in respect of their services to the Group under the share option scheme and share award scheme of the Company. Details of the schemes are set out in note 28.

(b) Senior Management's Emoluments

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

	Number of individuals	
Emoluments Bands	**2017**	2016
HK$5,000,001 to HK$5,500,000	**–**	1
HK$4,500,001 to HK$5,000,000	**–**	–
HK$4,000,001 to HK$4,500,000	**1**	–
HK$3,500,001 to HK$4,000,000	**1**	1
HK$3,000,001 to HK$3,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**1**	2
HK$1,000,001 to HK$1,500,000	**3**	4

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

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

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2016: three) were directors of the Company whose emoluments are included in the disclosure in note 10(a) above. The emoluments of the remaining individual were as follows:

	2017 HK$'000	2016 HK$'000
Salaries and other benefits	11,091	7,304
Performance related incentive payments	182	1,226
Share-based payments	255	567
	11,528	9,097

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

	Number of individuals	
Emoluments Bands	2017	2016
HK$5,000,001 to HK$5,500,000	–	1
HK$4,500,001 to HK$5,000,000	–	–
HK$4,000,001 to HK$4,500,000	1	–
HK$3,500,001 to HK$4,000,000	1	1

12. DIVIDENDS

	2017 HK$'000	2016 HK$'000
Dividend recognised as a distribution during the year:		
2016 Final – nil (2016: 2015 Final of HK2.0 cents) per share	–	48,626

The Board of directors (the "Board") does not recommend any final dividend for the year ended 31 March 2017 (2016: nil).

13. STAFF COSTS

	2017 HK$'000	2016 HK$'000
Wages, salaries and other benefits	**1,089,438**	1,248,402
Pension costs – defined contribution plans, net of forfeited contributions	**45,841**	53,078
Pension costs – defined benefits plans (note 25(b))	**(12,953)**	351
Share-based payment	**2,783**	11,984
	1,125,109	1,313,815

The staff costs for the year ended 31 March 2017 included directors' emoluments of HK$13,302,000 (2016: HK$20,322,000) as set out in note 10(a).

14. LOSS PER SHARE

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

	2017 HK$'000	2016 HK$'000
Loss		
Loss for the year attributable to the owners of the Company for the purposes of basic and diluted loss per share	**(392,777)**	(324,688)

	2017	2016
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share *(Note)*	**2,431,647,155**	2,431,240,651

Note: *For the years ended 31 March 2017 and 2016, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options and award of new shares since these would result in a decrease in loss per share.*

15. INTANGIBLE ASSETS

	Masthead and publishing rights HK$'000
COST	
At 1 April 2015, 31 March 2016 and 31 March 2017	1,482,799
ACCUMULATED IMPAIRMENT	
At 1 April 2015	181,918
Impairment loss recognised for the year (note 16)	280,582
At 31 March 2016 and 1 April 2016	462,500
Impairment loss recognised for the year (note 16)	202,374
At 31 March 2017	664,874
CARRYING VALUES	
At 31 March 2017	817,925
At 31 March 2016	1,020,299

The management of the Group have performed studies on the market trends which supports that masthead and publishing rights have no foreseeable limit to the period over which masthead and publishing rights are expected to generate net cash flows for the Group. As a result, 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 indefinitely. They have been tested for impairment annually and whenever there is an indication that they may be impaired. Particulars of the impairment testing are disclosed in note 16.

16. IMPAIRMENT TESTING ON INTANGIBLE ASSETS WITH INDEFINITE-USEFUL LIVES

For the purposes of impairment testing, the carrying amounts of masthead and publishing rights with indefinite useful lives set out in note 15 have been allocated to two CGUs, represented by one subsidiary in newspapers publication and printing segment and the other one in books and magazines publication and printing segment. The masthead and publishing rights are allocated to unit:

	Masthead and publishing rights	
	2017	2016
	HK$'000	HK$'000
Newspapers publication and printing unit	**817,925**	1,020,299

During the year ended 31 March 2017, the directors of the Company further reviewed the carrying amounts of the Group's masthead and publishing rights and identified that the recoverable amounts of the CGU attributable to Apple Daily I.P. Limited ("Apple Daily"), are less than the carrying amounts of assets of the unit. Accordingly, the carrying amounts of these intangible assets are reduced to their recoverable amounts and an impairment loss of approximately HK$202,374,000 has been recognised in the profit and loss for the year ended 31 March 2017.

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

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

The recoverable amounts of masthead and publishing rights have been determined on the basis of the value in use of respective CGUs to which the assets have been allocated. The recoverable amounts are based on certain similar key assumptions which are based on historical operating records and management's expectation for the market development. Value in use calculations of Apple Daily are cash flow projections based on financial budgets approved by management covering a 5-year period with an average annual growth rate of 7.2% (2016: 6.7%) and a pre-tax discount rate of 12.6% (2016: 12.6%). Cash flow projections beyond the 5-year period are extrapolated using a steady growth rate of 3% (2016: 3%). If the discount rate had been decreased/increased by 1% and all other variables were held constant, the recoverable amount of Apple Daily would increase/decrease by approximately HK$ 30 million.

17. PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Computer software HK$'000	Motor vehicles HK$'000	Total HK$'000
COST								
At 1 April 2015	274,645	841,798	79,094	1,219,954	341,176	16,660	5,474	2,778,801
Exchange difference	(13,186)	(14,628)	(326)	(14,066)	(4,268)	–	(28)	(46,502)
Additions	–	–	3,178	–	33,443	5,916	1,311	43,848
Disposals	–	–	(1,355)	(600)	(22,573)	(6,593)	(803)	(31,924)
At 31 March 2016	261,459	827,170	80,591	1,205,288	347,778	15,983	5,954	2,744,223
Exchange difference	29,415	32,542	744	31,317	9,507	–	61	103,586
Additions	–	–	787	101	22,219	12,520	–	35,627
Disposals	–	–	(775)	(94)	(13,745)	(5,712)	(52)	(20,378)
At 31 March 2017	290,874	859,712	81,347	1,236,612	365,759	22,791	5,963	2,863,058
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
At 1 April 2015	–	186,223	43,479	1,031,503	296,385	4,457	5,234	1,567,281
Exchange difference	–	(1,605)	(78)	(10,825)	(3,872)	–	(24)	(16,404)
Charge for the year	–	21,432	4,072	66,250	27,076	7,147	89	126,066
Eliminated on disposals	–	–	(1,247)	(600)	(21,786)	(2,986)	(748)	(27,367)
At 31 March 2016	–	206,050	46,226	1,086,328	297,803	8,618	4,551	1,649,576
Exchange difference	–	4,742	218	27,583	8,887	–	57	41,487
Charge for the year	–	21,513	3,737	50,453	25,339	6,832	293	108,167
Eliminated on disposals	–	–	(674)	(94)	(13,270)	(4,752)	(52)	(18,842)
At 31 March 2017	–	232,305	49,507	1,164,270	318,759	10,698	4,849	1,780,388
CARRYING VALUES								
At 31 March 2017	290,874	627,407	31,840	72,342	47,000	12,093	1,114	1,082,670
At 31 March 2016	261,459	621,120	34,365	118,960	49,975	7,365	1,403	1,094,647

17. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 March 2017, the carrying value of the Group's land and buildings comprised the following:

	2017 HK$'000	2016 HK$'000
Buildings situated in Hong Kong	**300,796**	310,682
Buildings situated outside Hong Kong on freehold land	**326,611**	310,438
Freehold land situated outside Hong Kong	**290,874**	261,459
	918,281	882,579

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

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

Note: *As at 31 March 2017, certain of the Group's freehold land and buildings with carrying values of HK$293,393,000 (2016: HK$257,169,000) and HK$338,932,000 (2016: HK$319,277,000), respectively were pledged as security for the Group's banking facilities (note 24).*

18. PREPAID LEASE PAYMENTS

	2017 HK$'000	2016 HK$'000
Leasehold land in Hong Kong	**54,367**	56,164
Analysed for reporting purposes as:		
Current asset	**1,797**	1,797
Non-current asset	**52,570**	54,367
	54,367	56,164

19. AMOUNTS DUE FROM RELATED PARTIES

The amounts due from the Colored World Holdings Limited and its subsidiaries ("Colored World Group") are related to the office rental and supporting services fee receivable by the Group (note 36(b)). Mr. Lai has controlling interest in the Colored World Group. The amounts are unsecured, non-interest bearing and aged within a credit period of 30 days and not yet past due.

20. INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials	**65,241**	88,985
Work in progress	**1,476**	1,354
Finished goods	**3,013**	2,974
	69,730	93,313

21. TRADE AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	**386,584**	485,405
Less: allowance for doubtful debts	**(44,756)**	(58,104)
	341,828	427,301
Prepayments *(Note)*	**71,933**	58,327
Rental and other deposits	**12,582**	13,603
Others	**19,342**	40,559
Trade and other receivables	**445,685**	539,790

Note: *Included in the balance are mainly rental and utilities prepayments of HK$2,067,000 (2016: HK$4,388,000), value-added tax receivables of HK$19,671,000 (2016: HK$16,123,000) and other prepayments of HK$50,195,000 (2016: HK$37,816,000).*

The Group allows credit terms of 7 to 120 days to its trade customers. The following is an aged analysis of the trade receivables after deducting the allowance for doubtful debts presented based on invoice dates, which approximated the respective revenue recognition dates, at the end of the reporting period:

	2017 HK$'000	2016 HK$'000
0 – 1 month	**129,622**	149,335
1 – 3 months	**120,954**	162,516
3 – 4 months	**51,149**	56,827
Over 4 months	**40,103**	58,623
	341,828	427,301

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

21. TRADE AND OTHER RECEIVABLES (continued)

Included in the Group's trade receivable balances are debtors with an aggregate carrying amount of HK$40,103,000 (2016: HK$58,623,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as the directors of the Company assessed that the balances will be recovered based on their settlement records. The Group does not hold any collateral over these balances.

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

	2017 HK$'000	2016 HK$'000
Over 4 months	**40,103**	58,623

Movement in the allowance for doubtful debts

	2017 HK$'000	2016 HK$'000
Balance at beginning of the year	**58,104**	76,851
Impairment loss recognised	**4,192**	1,377
Reversal of allowance for bad and doubtful debts	**(17,989)**	(17,651)
Exchange difference	**467**	(472)
Amounts written off as uncollectible	**(18)**	(2,001)
Balance at end of the year	**44,756**	58,104

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$44,756,000 (2016: HK$58,104,000) which have delayed payments with poor settlement record. The Group does not hold any collateral over these balances.

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

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

	2017		2016	
	Denominated currency $'000	Equivalent to HK$'000	Denominated currency $'000	Equivalent to HK$'000
United States Dollar ("USD")	**623**	**4,842**	516	3,998
Australian Dollar ("AUD")	**14**	**82**	27	161
Pound Sterling ("GBP")	**3**	**32**	9	104

22. RESTRICTED BANK BALANCES/BANK BALANCES AND CASH

As at 31 March 2017, bank balances amounting to HK$1,500,000 (2016: HK$1,500,000) were restricted for the use of settling certain potential debts and claims as stipulated as part of a share capital reduction exercise carried out during the year ended 31 March 2015. The restricted bank balances carry fixed interest rate at 0.50% (2016: 0.20%) per annum for the year.

Included in bank balances and cash is an amount of approximately HK$168,837,000 (2016: HK$191,945,000) placed in time deposits for periods from 1 week to 12 months. Such deposits bear fixed interest between 0.30% to 1.08% (2016: 0.20% to 1.31%) per annum.

The remaining bank balances are placed in current and savings accounts, the former bear no interest and the latter bear prevailing market interest rate of 0.10% (2016: 0.10%) per annum.

23. TRADE AND OTHER PAYABLES

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

	2017 **HK$'000**	2016 HK$'000
Trade payables	**72,847**	68,759
Accrued staff costs	**185,491**	176,285
Accrued charges *(Note a)*	**110,829**	120,808
Other payables *(Note b)*	**75,193**	79,713
Trade and other payables	**444,360**	445,565

Notes:

(a) The balance includes accrual for repair and maintenance expenses of HK$41,676,000 (2016: HK$42,904,000), accrual for utilities of HK$9,336,000 (2016: HK$14,127,000) and other miscellaneous accruals of HK$59,817,000 (2016: HK$63,777,000).

(b) The balance includes deposit received for subscription of and advertisement in newspapers, magazines and internet of HK$4,911,000 (2016: HK$5,051,000) and receipt in advance from customers of newspaper publication of HK$23,204,000 (2016: HK$24,674,000) and other operating expenses payables of HK$47,078,000 (2016: HK$49,988,000).

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

	2017 **HK$'000**	2016 HK$'000
0 – 1 month	**40,071**	47,600
1 – 3 months	**20,784**	16,359
Over 3 months	**11,992**	4,800
	72,847	68,759

23. TRADE AND OTHER PAYABLES (continued)

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

	2017 Denominated currency $'000	2016 Denominated currency $'000
USD	**1,881**	2,214
Equivalent to	**HK$14,620**	HK$17,171

24. BORROWINGS

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

	2017 HK$'000	2016 HK$'000
Carrying amount repayable		
– on demand or within one year	**–**	76,305
– in the second year	**–**	76,305
– in the third year	**102,459**	76,305
– in the fourth year	**102,459**	69,947
– in the fifth year	**102,459**	–
– more than five years	**153,689**	–
	461,066	298,862
Less: Amount due within one year or on demand shown under current liabilities	**–**	(76,305)
Non-current portion	**461,066**	222,557

Bank loans comprise balances of HK$461,066,000 carrying interests at 3 months Taipei Interbank Offered Rate plus 1.55% per annum (2016: bank loans of HK$298,862,000 carrying interests at Postal Saving 2 Years Floating Rate in Taiwan plus 1.4275% per annum).

The weighted average effective interest rates (which are equal to contractual interest rates) of borrowings is 2.33% (2016: 2.59%) per annum.

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

As at 31 March 2017 and 2016, the Group had total unutilised bank loan facilities of HK$136,865,000 (2016: HK$100,546,000).

The bank borrowings are secured by certain property, plant and equipment, of which the details are set out in note 17.

25. RETIREMENT BENEFITS PLANS

	2017 HK$'000	2016 HK$'000
Obligations on:		
Pensions – defined contribution plans, include in other payables under current liabilities *(Note a)*	**2,092**	3,391
Defined benefit plans obligations *(Note b)*	**55,756**	76,805
	57,848	80,196

Notes:

(a) Defined contribution plans

Hong Kong

The Group participates in two (2016: two) Occupational Retirement Schemes Ordinance schemes (the "HK Scheme") and a mandatory provident fund scheme (the "MPF Scheme") for eligible employees in Hong Kong.

The Group's and the employees' contributions to the MPF Scheme are each set at 5% of the employees' salaries up to a maximum of HK$1,500 since 1 June 2014 per employee per month. The Group's contributions to the MPF Scheme are fully and immediately vested to the employees once they are paid.

The Group's and the employees' contributions to the HK Scheme are each set at 5% after deducting the MPF contribution of the employees' salaries including basic salaries, commission and certain bonuses.

The HK Scheme and the MPF Scheme were established under trust with the assets of the funds held separately from those of the Group by independent trustees.

During the year ended 31 March 2017, forfeited contributions totalling HK$1,435,000 were utilised (2016: HK$1,196,000). At 31 March 2017 and 2016, the Group has no balance available to reduce future contributions in respect of the HK Scheme.

As at 31 March 2017, the Group had contributions payable under the HK Scheme and the MPF Scheme totalling HK$248,000 (2016: HK$16,000), which is included in trade and other payables under current liabilities in the consolidated statement of financial position.

Taiwan

Starting from 1 July 2005, employees may choose a scheme where the rate of contribution by an employer should not be less than 6% of the employees' monthly salaries and the employees may also voluntarily contribute up to 6% of the monthly salaries to the provision fund account under the Labor Pension Act of Taiwan.

The Taiwan defined contribution scheme was established under trust with the assets of the funds held separately from those of the Group by independent trustees.

There were no forfeited contributions for the years ended 31 March 2017 and 2016.

As at 31 March 2017, the Group had contributions payable under the Taiwan defined contribution scheme totalling HK$1,844,000 (2016: HK$3,375,000) which is included in trade and other payables under current liabilities in the consolidated statement of financial position.

25. RETIREMENT BENEFITS PLANS (continued)

Notes: (continued)

(b) *Defined benefit plans*

Taiwan

The Group also participates in three (2016: three) defined benefit retirement schemes for its eligible employees in Taiwan (the "Taiwan Schemes"). Under the Taiwan Schemes, the employees are entitled to retirement benefits varying between 50% and 75% of their final salary on the attainment of a retirement age of 60. The assets of the Taiwan Schemes are held under a government-run trust separate from those of the Group. As at 31 March 2017, an actuarial valuation of plan assets and the present value of the defined benefits obligations were carried out and valued by a qualified actuary, Mr. Chen Wen-Hsien, associate of the Actuarial Institute of the Republic of China, of Client View Management Consulting Co. Ltd. The present value of the defined benefit obligations and the related current service cost were measured using the projected unit credit method.

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

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

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

	2017	2016
	%	%
Discount rate	**1.50**	1.25
Expected rate of future salary increases	**3.00**	3.50

The discount rate is set on a risk free rate which is determined by reference to market yields of government bonds of which duration is consistent with the term of obligations.

The actuarial valuation showed that the market value of plan assets was HK\$13,333,000 (2016: HK\$11,624,000) and that the actuarial value of these assets represented 19.3% (2016: 13.1%) of the benefits that had accrued to members. The shortfall of HK\$55,756,000 (2016: HK\$76,805,000) is to be cleared over the estimated remaining service period of the expected working lives of the employees of 17.5 years (2016: 17.5 years).

25. RETIREMENT BENEFITS PLANS (continued)

Notes: (continued)

(b) *Defined benefit plans* (continued)

Taiwan (continued)

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

	2017 HK$'000	2016 HK$'000
Service cost:		
Current service cost	**1,121**	1,341
Past service cost	**(15,063)**	(2,725)
Net interest expense	**989**	1,735
Components of defined benefit cost recognised in profit or loss (note 13)	**(12,953)**	351
Actuarial gain from remeasurement of defined benefit obligations	**(9,194)**	(4,045)
Income tax related to actuarial gain from remeasurement of defined benefit obligations (note 30)	**1,563**	688
Components of defined benefit cost recognised in other comprehensive income	**(7,631)**	(3,357)
Total	**(20,584)**	(3,006)

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plans is as follows:

	2017 HK$'000	2016 HK$'000
Present value of funded defined benefit obligations	**69,089**	88,429
Fair value of plan assets	**(13,333)**	(11,624)
Net liability arising from defined benefit obligations	**55,756**	76,805

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

	2017 HK$'000	2016 HK$'000
At 1 April	**88,429**	96,833
Current service cost	**1,121**	1,341
Interest cost	**1,163**	1,958
Actuarial gain	**(9,194)**	(4,045)
Past service cost	**(15,063)**	(2,725)
Exchange differences on foreign plans	**5,307**	(2,702)
Benefits paid	**(2,674)**	(2,231)
At 31 March	**69,089**	88,429

25. RETIREMENT BENEFITS PLANS (continued)

Notes: (continued)

(b) *Defined benefit plans* (continued)

Taiwan (continued)

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

	2017 HK$'000	2016 HK$'000
At 1 April	**11,624**	11,404
Interest income	**174**	223
(Loss) return on plan assets (excluding amounts included in net interest expense)	**(88)**	155
Contributions from the employer	**3,566**	2,386
Exchange differences on foreign plans	**731**	(313)
Benefits paid	**(2,674)**	(2,231)
At 31 March	**13,333**	11,624

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

	Expected return		Fair value of plan assets	
	2017 %	2016 %	2017 HK$'000	2016 HK$'000
Equity instruments	**(2.18)**	8.10	**3,030**	3,124
Debt instruments	**1.50**	1.50	**7,855**	6,337
Bank deposits	**1.40**	1.40	**2,448**	2,163
			13,333	11,624

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

During the year ended 31 March 2017, the actual return on plan assets was HK$86,000 (2016: HK$378,000).

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

- *If the discount rate is 25 basis points higher (lower), the defined benefit obligations would decrease by HK$2,551,000 (increase by HK$2,675,000) (2016: decrease by HK$3,435,000 (increase by HK$3,609,000)).*
- *If the expected salary growth increases (decreases) by 0.25%, the defined benefit obligations would increase by HK$2,629,000 (decrease by HK$2,520,000) (2016: increase by HK$3,520,000 (decrease by HK$3,370,000).*

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

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

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

25. RETIREMENT BENEFITS PLANS (continued)

Notes: (continued)

(b) *Defined benefit plans* (continued)

Taiwan (continued)

The history of experience adjustments is as follows:

	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000
Present value of defined benefit obligations	**(69,089)**	(88,429)	(96,833)	(83,923)	(109,686)
Fair value of plan assets	**13,333**	11,624	11,404	17,061	16,998
Deficit	**(55,756)**	(76,805)	(85,429)	(66,862)	(92,688)

The Group expects to make a contribution of HK$3,566,000 (2016: HK$3,354,000) to the deferred benefit plans during the next financial year.

26. DEFERRED REVENUE

Deferred revenue represents service fee paid by the Paying Players, for which the related services had not been rendered as at 31 March 2017 and 2016.

27. SHARE CAPITAL

	Number of shares		Share capital	
	31 March 2017	31 March 2016	**31 March 2017 HK$'000**	31 March 2016 HK$'000
Issued and fully paid:				
At beginning of year	**2,431,316,881**	2,431,006,881	**2,435,010**	2,434,747
Issue of ordinary shares in relation to award of new shares (note 28)	**410,000**	310,000	**335**	263
At end of the year	**2,431,726,881**	2,431,316,881	**2,435,345**	2,435,010

28. SHARE INCENTIVE SCHEMES

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

At 31 March 2017, the number of shares in respect of which options had been granted and remained outstanding under the 2007 Share Option Scheme and the 2014 Share Option Scheme were 43,586,000 and 19,010,000, respectively, totalling 62,596,000 (2016: totalling 66,776,000), representing 2.6% (2016: 2.7%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the 2007 Share Option Scheme and the 2014 Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at the time of adoption of the respective share option schemes, without prior approval from the shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the shareholders.

(a) 2007 Share Option Scheme adopted by the Company

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

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

28. SHARE INCENTIVE SCHEMES (continued)

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

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

2017

Category of grantee	Date of grant	Exercise price per share	Expiry date	Number of options				
				Balance as at 01.04.2016	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Balance as at 31.03.2017
Directors	10.12.2010	HK$1.050	29.07.2017	3,186,000	–	–	–	3,186,000
	01.02.2012	HK$1.000	29.07.2017	9,000,000	–	–	–	9,000,000
	01.02.2013	HK$1.420	29.07.2017	5,000,000	–	–	–	5,000,000
	24.01.2014	HK$1.000	29.07.2017	3,500,000	–	–	–	3,500,000
	04.02.2014	HK$1.000	29.07.2017	5,000,000	–	–	–	5,000,000
Employees	10.12.2010	HK$1.050	29.07.2017	1,980,000	–	–	(480,000)	1,500,000
	08.07.2011	HK$1.000	29.07.2017	200,000	–	–	–	200,000
	01.02.2012	HK$1.050	29.07.2017	1,000,000	–	–	(1,000,000)	–
	26.09.2012	HK$1.000	29.07.2017	3,000,000	–	–	–	3,000,000
	24.01.2014	HK$1.000	29.07.2017	20,900,000	–	–	(7,700,000)	13,200,000
				52,766,000	–	–	(9,180,000)	43,586,000
Exercisable at the end of the year								43,586,000
Weighted average exercise price				HK$1.046				HK$1.054

28. SHARE INCENTIVE SCHEMES (continued)

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

2016

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

The options granted under the 2007 Share Option Scheme fully vested on the first anniversary of the respective dates of grant except for the followings grant of options:

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

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

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

(iii) The 12,824,000 options granted to directors of the Company and employees on 10 December 2010, the 680,000 options granted to employees on 8 July 2011, the 5,000,000 options granted to an employee on 26 September 2012 and the 37,700,000 options granted to directors of the Company and employees on 24 January 2014 vest as follows:

On 1st anniversary of the date of grant	30% vest
On 2nd anniversary of the date of grant	further 30% vest
On 3rd anniversary of the date of grant	remaining 40% vest

No options were granted under 2007 Share Option Scheme during the years ended 31 March 2017 and 2016.

28. SHARE INCENTIVE SCHEMES (continued)

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

These fair values were calculated by using the binomial model based on each tranche of the 2007 Share Option Scheme with reference to the vesting period respectively. The variables and assumptions are based on the management's best estimate. Change in variables and assumptions may result in change in fair value of the option. The inputs into the model with different issue dates were as follows:

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

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

28. SHARE INCENTIVE SCHEMES (continued)

(b) 2014 Share Option Scheme adopted by the Company

The 2014 Share Option Scheme was adopted by the Company for the purpose of providing incentives to the participants (i.e. directors and full-time employees of the Group, as well as any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint-venture business partners, promoters and service providers of any members of the Group). Under the 2014 Share Option Scheme, the Board may grant options to the participants to subscribe for shares in the Company.

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

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

2017

				Number of options				
Category of grantee	Date of grant	Exercise price per share	Expiry date	Balance as at 01.04.2016	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Balance as at 31.03.2017
Directors	02.02.2015	HK$0.710	30.07.2024	5,000,000	–	–	–	5,000,000
	02.03.2015	HK$0.760	30.07.2024	510,000	–	–	–	510,000
	03.02.2016	HK$0.420	30.07.2024	6,500,000	–	–	–	6,500,000
	01.02.2017	HK$0.373	30.07.2024	–	5,000,000	–	–	5,000,000
Employees	06.10.2014	HK$0.860	30.07.2024	1,500,000	–	–	–	1,500,000
	27.01.2015	HK$0.690	30.07.2024	500,000	–	–	–	500,000
				14,010,000	5,000,000	–	–	19,010,000
Exercisable at the end of the year								12,056,000
Weighted average exercise price				HK$0.593				HK$0.535

28. SHARE INCENTIVE SCHEMES (continued)

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

2016

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

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

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

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

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

On 1st anniversary of the date of grant	30% vest
On 2nd anniversary of the date of grant	further 30% vest
On 3rd anniversary of the date of grant	remaining 40% vest

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

(v) The 5,000,000 options granted to a director of the Company on 1 February 2017 will be vested on 1 February 2018.

28. SHARE INCENTIVE SCHEMES (continued)

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

During the year ended 31 March 2017, share options were granted on 1 February 2017 with estimated fair value of HK$745,000.

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

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

Grant date	6 October 2014	27 January 2015	2 February 2015
Valuation date	6 October 2014	27 January 2015	2 February 2015
Share price	HK$0.800	HK$0.690	HK$0.710
Exercise price	HK$0.860	HK$0.690	HK$0.710
Expected volatility	49.75%	49.66%	49.68%
Risk-free rate	2.07%	1.48%	1.29%
Expected dividend yield	0%	1.88%	1.88%
Exercisable period	9.82 years	9.51 years	9.50 years
Vesting period	1 to 3 years	1 to 3 years	1 year
Fair value per option	HK$0.3970 to HK$0.4190	HK$0.310 to HK$0.321	HK$0.316

Grant date	2 March 2015	3 February 2016	1 February 2017
Valuation date	2 March 2015	3 February 2016	1 February 2017
Share price	HK$0.760	HK$0.420	HK$0.370
Exercise price	HK$0.760	HK$0.420	HK$0.373
Expected volatility	49.83%	51.59%	46.10%
Risk-free rate	1.59%	1.60%	1.77%
Expected dividend yield	1.88%	0.87%	2.01%
Exercisable period	9.42 years	8.49 years	7.50 years
Vesting period	1 to 3 years	1 to 3 years	1 year
Fair value per option	HK$0.342 to HK$0.355	HK$0.172 to HK$0.195	HK$0.149

28. SHARE INCENTIVE SCHEMES (continued)

(c) Share Subscription and Financing Plan adopted by the Company

The Company adopted a Share Subscription and Financing Plan (the "Share Subscription Plan") on 29 October 2007. Under the Share Subscription Plan, the Company may issue share invitations to any of their employees and directors or employees and directors of any of its subsidiaries and eligible persons as defined therein. The number of shares which may be issued upon exercise of all outstanding share invitations issued under the Share Subscription Plan is limited to 70,000,000 shares, representing 2.9% of the issued shares of the Company as at 29 October 2007.

All the invitations for subscriptions under the Share Subscription Plan were lapsed during the year ended 31 March 2013 and no further invitations for subscriptions were issued, subscribed for or cancelled for the years ended 31 March 2017 and 2016.

No expense in relation to the Share Subscription Plan was recognised for the years ended 31 March 2017 and 2016.

(d) Share option schemes adopted by certain subsidiaries

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

Under the 2007 Subsidiary Share Option Schemes, the 2008 Subsidiary Share Option Schemes, the 2009 AHIL Share Option Scheme, the 2012 Subsidiary Share Option Schemes and the 2013 nxTomo Share Option Scheme and the 2015 ADEC Share Option Scheme, the Subsidiaries may grant options to any of their full-time employees and directors or employees and directors of any of their subsidiaries and any eligible persons as defined therein to subscribe for the respective ordinary shares of ADPDL, NMPL, NMDL, nxTomo Games, AHIL, Anyplex, NMIL, Next E-Shopping, Sharp Daily, nxTomo and ADEC. The number of shares which may be issued upon exercise of all outstanding options granted under the 2007 Subsidiary Share Option Schemes, the 2008 Subsidiary Share Option Schemes, the 2009 AHIL Share Option Scheme, the 2012 Subsidiary Option Schemes, the 2013 nxTomo Share Option Scheme and the 2015 ADEC Share Option Scheme and any other share option scheme of the Subsidiaries is limited to 30% of the respective subsidiaries' shares in issue from time to time.

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

(i) 2007 Subsidiary Share Option Schemes

During the years ended 31 March 2017 and 2016, no options were granted, lapsed or cancelled under the 2007 Subsidiary Share Option Schemes of NMPL.

Details of the terms and movements of the share options granted pursuant to the 2007 Subsidiary Share Option Schemes of ADPDL for the years ended 31 March 2017 and 2016 are as follows:

2017

				Number of options				
Category of grantee	Date of grant	Exercise price per share	Expiry date	Balance as at 01.04.2016	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Balance as at 31.03.2017
ADPDL Employees	16.04.2014	HK$0.01	30.07.2017	100,000	–	(24,000)	(31,000)	45,000
Exercisable at the end of the year								27,000
Weighted average exercise price				HK$0.01				HK$0.01

2016

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

28. SHARE INCENTIVE SCHEMES (continued)

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

(i) 2007 Subsidiary Share Option Schemes (continued)

The options granted under the 2007 Subsidiary Share Option Schemes of ADPDL are vested as follows:

On 1st anniversary of the date of grant	30% vest
On 2nd anniversary of the date of grant	further 30% vest
On 3rd anniversary of the date of grant	remaining 40% vest

(ii) 2008 Subsidiary Share Option Schemes

During the years ended 31 March 2017 and 2016, no options were granted, lapsed or cancelled under the 2008 Subsidiary Share Option Schemes of NMDL.

Details of the terms and movements of the share options granted pursuant to the 2008 Subsidiary Share Option Schemes of nxTomo Games for the years ended 31 March 2017 and 2016 are as follows:

2017

				Number of options				
Category of grantee	Date of grant	Exercise price per share	Expiry date	Balance as at 01.04.2016	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Balance as at 31.03.2017
nxTomo Games Director	23.09.2013	HK$0.01	20.02.2018	50,000	–	–	–	50,000
Employees	23.09.2013	HK$0.01	20.02.2018	400,000	–	(20,000)	(60,000)	320,000
	03.10.2014	HK$0.01	20.02.2018	125,000	–	(10,000)	(15,000)	100,000
	15.12.2014	HK$0.01	20.02.2018	10,000	–	–	–	10,000
				585,000	–	(30,000)	(75,000)	480,000
Exercisable at the end of the year								480,000
Weighted average exercise price				HK$0.01				HK$0.01

28. SHARE INCENTIVE SCHEMES (continued)

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

(ii) 2008 Subsidiary Share Option Schemes (continued)

2016

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

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

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

(iii) 2009 AHIL Share Option Scheme

During the years ended 31 March 2017 and 2016, no options were granted, exercised, lapsed, cancelled or outstanding under the 2009 AHIL Share Option Scheme.

(iv) 2012 Subsidiary Share Option Schemes

During the years ended 31 March 2017 and 2016, no options were granted, exercised, lapsed or cancelled under the 2012 Subsidiary Share Option Schemes of Sharp Daily, Anyplex, NMIL and Next E-Shopping.

28. SHARE INCENTIVE SCHEMES (continued)

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

(v) 2013 nxTomo Share Option Scheme

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

2017

				Number of options				
Category of grantee	Date of grant	Exercise price per share	Expiry date	Balance as at 01.04.2016	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Balance as at 31.03.2017
nxTomo Director	23.09.2013	HK$0.01	14.06.2023	50,000	–	–	–	50,000
Employees	23.09.2013	HK$0.01	14.06.2023	315,000	–	–	(100,000)	215,000
	03.10.2014	HK$0.01	14.06.2023	48,000	–	–	–	48,000
	27.01.2015	HK$0.01	14.06.2023	50,000	–	–	–	50,000
				463,000	–	–	(100,000)	363,000
Exercisable at the end of the year								363,000
Weighted average exercise price				HK$0.01				HK$0.01

28. SHARE INCENTIVE SCHEMES (continued)

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

(v) 2013 nxTomo Share Option Scheme (continued)

2016

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

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

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

28. SHARE INCENTIVE SCHEMES (continued)

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

(vi) 2015 ADEC share option scheme

Details of the terms and movements of the share options granted pursuant to 2015 ADEC Share Option Scheme for the years ended 31 March 2017 and 2016 are as follows:

2017

				Number of options				
Category of grantee	Date of grant	Exercise price per share	Expiry date	Balance as at 01.04.2016	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Balance as at 31.03.2017
ADEC Employees	07.10.2015	HK$0.01	28.08.2025	240,000	–	–	(120,000)	120,000
Exercisable at the end of the year								120,000
Weighted average exercise price				HK$0.01				HK$0.01

2016

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

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

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

28. SHARE INCENTIVE SCHEMES (continued)

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

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

Grant date	16 April 2014	3 October 2014	3 October 2014
Subsidiary scheme	ADPDL	nxTomo Games	nxTomo
Valuation date	16 April 2014	3 October 2014	3 October 2014
Share price	HK$79.06	HK$18.35	HK$32.06
Exercise price	HK$0.01	HK$0.01	HK$0.01
Expected volatility	22.75% to 46.52%	86.79%	46.49%
Risk-free rate	0.52% to 0.59%	1.07%	1.95%
Expected dividend yield	0%	0%	0%
Exercisable period	0 to 1 year	3.39 years	8.70 years
Vesting period	1 to 3 years	1 year	1 year
Fair value per option	HK$79.050	HK$18.340	HK$32.050

Grant date	15 December 2014	27 January 2015	7 October 2015
Subsidiary scheme	nxTomo Games	nxTomo	ADEC
Valuation date	15 December 2014	27 January 2015	7 October 2015
Share price	HK$19.02	HK$37.39	HK$0
Exercise price	HK$0.01	HK$0.01	HK$0.01
Expected volatility	86.89%	46.10%	51.47%
Risk-free rate	0.89%	1.41%	1.70%
Expected dividend yield	0%	0%	0%
Exercisable period	3.19 years	8.38 years	9.9 years
Vesting period	1 year	1 year	1 year
Fair value per option	HK$19.010	HK$37.380	HK$0

Expected volatility was determined by using the historical volatility of comparable companies' share prices corresponding to the terms of options from their respective valuation dates.

28. SHARE INCENTIVE SCHEMES (continued)

(e) 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 a total of 930,000 Shares and 300,000 Shares of the Company (the "Award Shares") to the three INEDs and one INED respectively subject to the vesting conditions as set out below:

Name of INED	Award Dates	No. of Award Shares	Vesting Date/ No. of Award Shares
Mr. Fok	30 June 2014	330,000	30 June 2015/110,000 30 June 2016/110,000 30 June 2017/110,000
Mr. Wong	30 June 2014	300,000	30 June 2015/100,000 30 June 2016/100,000 30 June 2017/100,000
Dr. Lee	30 June 2014	300,000	30 June 2015/100,000 30 June 2016/100,000 30 June 2017/100,000
Dr. Hamm	13 April 2015	300,000	13 April 2016/100,000 13 April 2017/100,000 13 April 2018/100,000

Subject to the payment of nominal amount of subscription price by the INEDs and the INEDs remaining as directors of the Company, the Company will allot and issue the Award Shares to each of the INEDs on the respective vesting dates as stated above. On 1 April 2017, Mr. Fok has resigned as an INED of the Company.

Pursuant to the terms and vesting conditions, the first and second tranches of the Award Shares each of 100,000 Shares were issued and allotted to Dr. Hamm, an INED, on 13 April 2016 and 13 April 2017 respectively.

On 30 June 2016, the second tranche of the Award Shares a total of 310,000 Shares were issued and allotted to the three INEDs, Mr. Fok as to 110,000 Shares, Mr. Wong as to 100,000 Shares and Dr. Lee as to 100,000 Shares pursuant to the terms of the Award Shares.

During the year ended 31 March 2016, the estimated fair value, which was determined by the Company's share price at grant date, on the Award shares was HK$203,000.

The Group recognised the total expense of HK$2,783,000 for the year ended 31 March 2017 (2016: HK$11,984,000) in relation to options granted under the share option schemes and the Award Shares of the Group.

29. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**119,641**	124,203
Prepaid lease payments	**23,563**	24,369
Interests in subsidiaries	**1,506,735**	1,956,735
	1,649,939	2,105,307
CURRENT ASSETS		
Other receivables	**3,661**	3,317
Prepaid lease payments	**806**	806
Amounts due from subsidiaries	**154,706**	153,181
Amount due from related parties	**–**	3
Tax recoverable	**–**	1,880
Restricted bank balances	**1,500**	1,500
Bank balances and cash	**3,509**	756
	164,182	161,443
CURRENT LIABILITIES		
Other payables	**19,761**	24,187
Amounts due to subsidiaries	**413**	857
Tax liabilities	**123**	–
	20,297	25,044
NET CURRENT ASSETS	**143,885**	136,399
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,793,824**	2,241,706
NON-CURRENT LIABILITY		
Deferred tax liabilities	**19,108**	18,749
NET ASSETS	**1,774,716**	2,222,957
CAPITAL AND RESERVES		
Share capital	**2,435,345**	2,435,010
Reserves	**(660,629)**	(212,053)
TOTAL EQUITY	**1,774,716**	2,222,957

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 12 June 2017 and is signed on its behalf by:

Cheung Ka Sing, Cassian
DIRECTOR

Chow Tat Kuen, Royston
DIRECTOR

29. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(continued)

	Share-based payment reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2015	17,520	96,790	114,310
Loss and total comprehensive expense for the year	–	(282,616)	(282,616)
Issue of ordinary shares in relation to award of new shares	(263)	–	(263)
Recognition of equity-settled share-based payments	5,142	–	5,142
Lapse of share options	(4,137)	4,137	–
Payment of dividends (note 12)	–	(48,626)	(48,626)
At 31 March 2016	18,262	(230,315)	(212,053)
Loss and total comprehensive expense for the year	–	(450,509)	(450,509)
Issue of ordinary shares in relation to award of new shares	(335)	–	(335)
Recognition of equity-settled share-based payments	2,268	–	2,268
Lapse of share options	(2,898)	2,898	–
At 31 March 2017	17,297	(677,926)	(660,629)

30. DEFERRED TAX

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the current and prior years is as follows:

Deferred tax liabilities

	Accelerated tax depreciation		Intangible assets		Total	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At beginning of the year	**55,105**	59,614	**168,351**	223,386	**223,456**	283,000
Exchange difference	**(533)**	287	**–**	–	**(533)**	287
Credit to profit or loss	**(3,274)**	(4,796)	**(33,392)**	(55,035)	**(36,666)**	(59,831)
At end of the year	**51,298**	55,105	**134,959**	168,351	**186,257**	223,456

Deferred tax assets

	Retirement benefit obligations		Tax losses		Total	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At beginning of the year	**(9,395)**	(10,083)	**(554)**	–	**(9,949)**	(10,083)
Charge (credit) to profit or loss	**–**	–	**550**	(554)	**550**	(554)
Charge to other comprehensive income (note 25)	**1,563**	688	**–**	–	**1,563**	688
At end of the year	**(7,832)**	(9,395)	**(4)**	(554)	**(7,836)**	(9,949)

For the purpose of the statement of financial position presentation, deferred tax assets and liabilities have been offset.

The movement on the deferred tax liabilities (assets) account is as follows:

	2017	2016
	HK$'000	HK$'000
At beginning of the year	**213,507**	272,917
Exchange difference	**(533)**	287
Credit to profit or loss	**(36,116)**	(60,385)
Charge to other comprehensive income	**1,563**	688
At end of the year (shown as non-current liabilities)	**178,421**	213,507

30. DEFERRED TAX (continued)

Deferred tax assets (continued)

As at 31 March 2017, the Group has estimated unused tax losses of approximately HK$1,926,800,000 (2016: HK$1,627,157,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$22,000 (2016: HK$3,357,000) of such loss. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$1,926,778,000 (2016: HK$1,623,800,000) due to the unpredictability of future profits streams. In addition, tax losses of HK$97,332,000 (2016: HK$2,362,000) have not yet been approved by Taiwan tax authority and no deferred tax assets have been recognised. Unrecognised tax losses of approximately HK$105,957,000 will expire from 2018 to 2026 (2016: HK$8,625,000 will expire from 2017 to 2025) and HK$1,820,821,000 (2016: HK$1,615,175,000) may be carried forward indefinitely.

31. PROVISIONS

	Litigations	
	2017	2016
	HK$'000	HK$'000
At beginning of the year	**123,630**	105,844
Additional provision during the year	**7,884**	25,431
Payment during the year	**(32,538)**	(4,298)
Reversal during the year	**(1,692)**	(2,493)
Exchange difference	**1,142**	(854)
At end of the year	**98,426**	123,630

As at 31 March 2017 and 2016, the Group had provisions classified as current liabilities in respect of a number of legal proceedings in Hong Kong and Taiwan arising in the normal course of its publishing business.

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

Included in the Group's total provision is a litigation with BaWang International (Group) Holding Limited ("BaWang International") and BaWang (Guangzhou) Company Limited ("BaWang Guangzhou"). In July 2010, BaWang International (as 1st Plaintiff) and BaWang Guangzhou (as 2nd Plaintiff) (collectively referred to as the "Plaintiffs") issued a writ against Next Magazine Publishing Limited in respect of an article published in the weekly magazine – *Next Magazine* alleging, amongst other things, that certain parts of such article were defamatory and/or amounted to a malicious falsehood. Next Magazine Publishing Limited filed a Defense to such claim in January 2011.

31. PROVISIONS (continued)

Trial commenced on 2 March 2015 and concluded on 29 August 2015. The judgment (the "Judgment") made by the High Court has been handed down on 23 May 2016. The High Court has found in favour of the Plaintiffs on certain grounds but has dismissed the Plaintiffs' claim in malicious falsehood and in conclusion has ordered, amongst other matters, Next Magazine Publishing Limited to pay a total of approximately HK$3.0 million in damages and 80% of the Plaintiffs' legal costs. Next Magazine Publishing Limited has paid the damages to the Plaintiffs on 3 June 2016. Upon further negotiation between both parties, the Plaintiffs have accepted HK$18.0 million in full and final settlement of all their claim for costs, disbursements and interest in this case on 16 December 2016. The litigation between Next Magazine Publishing Limited and the Plantiffs have been wholly concluded as at the date hereof.

32. CONTINGENT LIABILITIES

(a) Pending litigations

The Group had a dispute with UDL Contracting Limited ("UDL") as the contractor for the construction of a printing facility of a subsidiary of the Company, Apple Daily Printing Limited ("ADPL"), over amounts payable in respect of the construction of the facility. Separate legal action concerning the claim was taken against ADPL and Mr. Lai, a controlling shareholder of the Company, in the High Court during 2007.

Pursuant to the orders issued by the High Court on 28 April 2016 and 3 May 2016 respectively, the arbitration proceedings between UDL as applicant and ADPL as respondent has been wholly dismissed with no order as to costs and the High Court action between UDL as plaintiff and ADPL as 1st defendant and Mr. Lai as 2nd defendant has been discontinued with no order as to costs. The litigation case and dispute between UDL and ADPL and Mr. Lai have been concluded as at 30 September 2016.

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

In connection with the acquisition of Database Gateway Limited and its subsidiaries (the "Acquired Group") on 26 October 2001, the Group may be subject to contingent liabilities including all payments, claims, suits, damages and settlement payments and any associated costs and expenses arising, made or incurred after 26 October 2001 arising out of or in connection with (1) any third party claims made against the Acquired Group on and before 26 October 2001, (2) defamation claims, claims for infringement of intellectual property rights and other proceedings and claims which may in the future arise from the content of the newspapers and magazines published by the Acquired Group on and at any time before 26 October 2001, and (3) the contractor dispute with UDL.

Mr. Lai, a controlling shareholder of the Company, has undertaken to provide unlimited personal indemnities to the Acquired Group against all contingent liabilities (the "Indemnity"). In relation to the Indemnity, Mr. Lai also procured a bank guarantee of HK$60,000,000 for a term of three years up to 25 October 2016 and the guarantee was renewed on 26 October 2016 for a further term of three years up to 25 October 2019, in favour of the Company and the Acquired Group in respect of his obligations under the Indemnity. At the end of both reporting periods, no amount has been recognised in the consolidated statement of financial position as liabilities.

33. COMMITMENTS

(a)

	2017 HK$'000	2016 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	5,468	7,313

(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:

	2017			2016		
	Properties HK$'000	Plant and equipment HK$'000	Total HK$'000	Properties HK$'000	Plant and equipment HK$'000	Total HK$'000
Within one year	741	12,940	13,681	2,473	13,425	15,898
In the second to fifth years inclusive	261	13,145	13,406	1,389	10,747	12,136
	1,002	26,085	27,087	3,862	24,172	28,034

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

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

33. COMMITMENTS (continued)

(b) Commitments under operating leases (continued)

The Group as lessor

Rental income earned during the year was HK$16,485,000 (2016: HK$19,759,000).

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

	2017 HK$'000	2016 HK$'000
Within one year	**15,776**	18,241
In the second to fifth years inclusive	**56,907**	57,394
	72,683	75,635

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

34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years. The capital structure of the Group consists of debt, which includes bank borrowings disclosed in note 24, and equity attributable to owners of the Company, comprising share capital and reserves.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 HK$'000	2016 HK$'000
Financial assets		
Loans and receivables		
(including cash and cash equivalents)	**870,442**	930,258
Financial liabilities		
Liabilities at amortised cost	**580,991**	417,609

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from related parties, restricted bank balances, bank balances and cash, trade and other payables and borrowings.

Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. The directors of the Company believe that the Group does not have significant foreign exchange exposures and will consider the use of foreign exchange forward contracts to reduce the currency exposures in case the foreign exchange exposures become significant.

The carrying amounts of the major monetary assets and monetary liabilities denominated in foreign currencies other than the functional currency of the group entities at the end of the reporting period are as follows:

	Liabilities		Assets	
	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000
USD	**14,620**	17,171	**56,952**	54,117
NT$ – inter-company balances	**1,712**	–	**639,873**	637,725

35. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

Currency risk (continued)

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% (2016: 5%) increase and decrease in the entity's respective functional currency against NT$. 5% (2016: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, including balances with foreign operations within the Group and adjusts their translation at the end of the reporting period for a 5% (2016: 5%) change in foreign currency rates. A positive number below indicates an increase in loss for the year where HK$ strengthen against the relevant currency. For a 5% (2016: 5%) weakening of HK$ against the relevant currency, there would be an equal and opposite impact on the post-tax loss for the year, and the balances shown as positive below would be negative.

	NT$ Impact	
	2017	2016
	HK$'000	HK$'000
Post-tax loss	**25,374**	25,357

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposits (see note 22 for details).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank deposit (see note 22) and variable-rate bank borrowings (see note 24 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of 3 months Taipei Interbank Offered Rate (2016: Postal Savings 2 Years Floating Rate in Taiwan).

The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

35. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk (continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for bank borrowings at the end of the reporting period. In relation to bank deposits, the Group considers the interest rate risk is insignificant. The analysis is prepared assuming the bank borrowing outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis points (2016: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If the market interest rates had been increased/decreased by 50 basis points (2016: 50 basis points) and all other variables were held constant, post-tax loss for the year ended 31 March 2017 would increase/decrease by approximately HK$1,925,000 (2016: post-tax loss would increase/decrease by HK$1,247,000).

Credit risk

As at 31 March 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the Group's consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on the Group's bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group has concentration of credit risk as 50% (2016: 48%) of the total trade receivables was due from the Group's largest customer who is the sole distributor for the newspapers and magazines publication. This customer operates in Hong Kong and Taiwan.

35. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 March 2017, the Group has total available unutilised bank loan facilities of approximately HK$136,865,000 (2016: HK$100,546,000). Details of the borrowings are set out in note 24.

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

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

Liquidity and interest risk tables

	Weighted average interest rate %	Less than 1 month HK$'000	1 – 3 months HK$'000	3 months to 1 year HK$'000	1 – 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2017 HK$'000
2017								
Non-derivative financial liabilities								
Trade payables	–	52,872	14,938	5,037	–	–	72,847	72,847
Other payables	–	47,078	–	–	–	–	47,078	47,078
Borrowings								
– variable rate	2.33	894	1,787	8,042	343,117	157,263	511,103	461,066
		100,844	16,725	13,079	343,117	157,263	631,028	580,991

35. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk tables (continued)

	Weighted average interest rate %	Less than 1 month HK$'000	1 – 3 months HK$'000	3 months to 1 year HK$'000	1 – 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2016 HK$'000
2016								
Non-derivative financial liabilities								
Trade payables	–	53,455	13,578	1,726	–	–	68,759	68,759
Other payables	–	49,988	–	–	–	–	49,988	49,988
Borrowings								
– variable rate	2.59	7,004	14,009	63,040	233,932	–	317,985	298,862
		110,447	27,587	64,766	233,932	–	436,732	417,609

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

(c) Fair value measurements of financial instruments

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

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the consolidated financial statements approximates to their corresponding fair value.

36. RELATED PARTY DISCLOSURE

Details of related party transactions are as follows:

(a) Compensation of key management personnel

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

	2017 HK$'000	2016 HK$'000
Short-term benefits	**23,019**	26,201
Share-based payments	**1,812**	3,218
	24,831	29,419

36. RELATED PARTY DISCLOSURE (continued)

(b) Related party transactions

Nature of transaction	Name of related party	Relationship with the Group	2017 HK$'000	2016 HK$'000
Office rental received by the Group *(Note i)*	Next Animation Studio Limited ("NASL") – Taiwan Branch	100% beneficially owned by Mr. Lai	**(655)**	(4,192)
Animation production service charge paid by the Group *(Note ii)*	NASL	100% beneficially owned by Mr. Lai	**59,438**	54,535
Revenue sharing paid by the Group *(Note ii)*	NASL	100% beneficially owned by Mr. Lai	**–**	75
Supporting services fee received by the Group *(Note ii)*	NASL	100% beneficially owned by Mr. Lai	**(680)**	(1,125)
Payment for non-compete agreement *(Note iii)*	Mr. Ting	Ex-director of the Company	**–**	2,513
Acquisition of additional interest in a subsidiary *(Note iv)*	Mr. Ip	NED	**8,841**	–
Service charge for build up Redpage Coupon System paid by the Group	Fog City Digital Ltd	95% and 1% beneficially owned by Mr. Lai and Mr. Cheung, Chief Executive Officer of the Company respectively	**200**	–
Purchase of property, plant and equipment by the Group	NASL	100% beneficially owned by Mr. Lai	**187**	–
Disposal of property, plant and equipment by the Group	NASL	100% beneficially owned by Mr. Lai	**(344)**	–

36. RELATED PARTY DISCLOSURE (continued)

(b) Related party transactions (continued)

Notes:

(i) *A lease agreement was entered into between Next Media Broadcasting Limited ("NMBL") as landlord and Taiwan Branch of NASL for a term of 32 months from 1 August 2013 to 31 March 2016. This agreement was terminated on 15 September 2015.*

On the same date, the Taiwan Branch of NASL entered into a new lease agreement with NMBL in respect of lease of office premises to the Taiwan Branch of NASL for a term from 16 September 2015 to 31 March 2018.

Rental of HK$655,000 for the year ended 31 March 2017 (2016: HK$4,192,000) is recognised in profit or loss. On 9 May 2016, NMBL and Taiwan Branch of NASL entered into a termination agreement to terminate the lease agreement with effect from 31 May 2016.

The extent of the continuing connected transactions did not exceed the limit as set out in the announcement of the Group on 15 September 2015.

(ii) *On 10 June 2011, the Group entered into a Business Framework Agreement with NASL, a company formerly 70% beneficially owned by Mr. Lai, a controlling shareholder of the Company, in respect of the animation services to be rendered by NASL and its subsidiaries (collectively as "NASL Group") to the Group and the advertising services and the supporting services to be rendered by the Group to the NASL Group for a term of 29 months from 31 October 2011 to 31 March 2014. On 31 December 2012, an announcement was made by the Group for revising the annual caps of the supporting services under the Business Framework Agreement. On 31 March 2014, the Company and NASL entered into 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.

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

(iv) *On 8 June 2016, Amazing Sino International Limited, a wholly owned subsidiary of the Company, purchased 216,688 shares of ADPDL for a consideration of approximately HK$8,841,000 from Mr. Ip, a NED of the Company. The shares represented 2.0% of the total issued shares of ADPDL.*

On 22 September 2015, Next Mobile Limited (now known as Next Mobile International Limited), a wholly owned subsidiary of the Company, has entered into a consultancy agreement with Mr. Lai, for a period of three years commencing from 1 October 2015 in respect of the engagement of Mr. Lai as a corporate strategic advisor to the Group to give advice on the overall strategic direction of the Group with a particular focus on digital business at a nominal fee of HK$1.00 for the entire consultancy period. Each party may terminate the consultancy agreement at any time during the consultancy period by giving three month's written notice to the other party.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

(a) Particulars of the principal subsidiaries of the Company as at 31 March 2017 and 2016 are as follows:

Name	Place of incorporation	Issued and paid up share capital	Proportion of nominal value of issued capital held by the Company 2017 %	2016 %	Proportion of voting power held by the Company 2017 %	2016 %	Principal activities
ADEC	Hong Kong	HK$100,000.99	**100**	100	**100**	100	Advertising *(Note b)*
Apple Daily I.P. Limited	British Virgin Islands	US$1.00	**100**	100	**100**	100	Holding of masthead and publishing rights of newspaper *(Note d)*
Apple Daily Limited	Hong Kong	HK$2,000,000.00	**100**	100	**100**	100	Publication and selling of newspaper and selling of newspaper advertising space *(Note b)*
ADPL	Hong Kong	HK$100,000,000.00	**100**	100	**100**	100	Printing of newspaper *(Note b)*
ADPDL	Hong Kong	HK$7,574,660.00	**98.90** *(Note a)*	96.30	**98.90**	96.30	Publication and selling of newspaper and selling of newspaper advertising space *(Note c)*
Database Gateway Limited	British Virgin Islands	HK$739,001,531.00	**100**	100 *(Note b)*	**100**	100	Investment holding *(Note b)*
Easy Finder I.P. Limited	British Virgin Islands	US$11,000.00	**100**	100	**100**	100	Holding of masthead and publishing rights of magazines *(Note b)*
FACE Magazine Limited	Hong Kong	HK$10,000.00	**100**	100	**100**	100	Publication and selling of magazines *(Note b)*
FACE Magazine Marketing Limited	Hong Kong	HK$60,000,000.00	**95.17**	95.17	**99.93**	99.93	Selling of magazines advertising spaces *(Note c)*
Eat and Travel Weekly Company Limited	Hong Kong	HK$2.00	**100**	100	**100**	100	Publication and selling of magazines and selling of magazines advertising space *(Note b)*
ME! Publishing Limited	Hong Kong	HK$1.00	**100**	100	**100**	100	Publication and selling of magazines and selling of magazines advertising space *(Note b)*

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

(a) Particulars of the principal subsidiaries of the Company as at 31 March 2017 and 2016 are as follows: (continued)

Name	Place of incorporation	Issued and paid up share capital	Proportion of nominal value of issued capital held by the Company		Proportion of voting power held by the Company		Principal activities
			2017 %	2016 %	2017 %	2016 %	
Next Magazine Advertising Limited	Hong Kong	HK$1,000.00	**100**	100	**100**	100	Selling of magazines advertising space *(Note b)*
Next Magazine Publishing Limited	Hong Kong	HK$1,000.00	**100**	100	**100**	100	Publication and selling of magazines *(Note b)*
Next Media I.P. Limited	British Virgin Islands	HK$1,000.00	**100**	100	**100**	100	Holding of masthead and publishing rights of magazines *(Note b)*
Next Media Management Services Limited	Hong Kong	HK$2.00	**100**	100	**100**	100	Provision of management services *(Note b)*
NMPL	Hong Kong	HK$1,997,207.00	**99.62** *(Note e)*	97.87	**99.62**	97.87	Publication and selling of magazines and selling of magazines advertising space *(Note c)*
NMIL	Hong Kong	HK$100,000.00	**100**	100	**100**	100	Mobile business and platform development, mobile commerce, mobile games and advertising *(Note c)*
nxTomo Games	Hong Kong	HK$1,075,600.00	**100**	100	**100**	100	Mobile games design and development *(Note c)*
nxTomo	British Virgin Islands	HK$100,000.00	**100**	100	**100**	100	Investment holding *(Note b)*
Paramount Printing Company Limited	Hong Kong	HK$1,500,000.00	**100**	100	**100**	100	Provision of printing services *(Note b)*
Sudden Weekly Limited	Hong Kong	HK$2.00	**100**	100	**100**	100	Publication and selling of magazines and selling of magazines advertising space *(Note b)*

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

(a) Particulars of the principal subsidiaries of the Company as at 31 March 2017 and 2016 are as follows: (continued)

The above table includes the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities during the year.

Notes:

(a) The Group acquired additional interest of 2.6% equity interest of the subsidiary during the year ended 31 March 2017.

(b) The subsidiary operates in Hong Kong.

(c) The subsidiary operates in both Hong Kong and Taiwan.

(d) The subsidiary is directly held by the Company. Other subsidiaries are indirectly held by the Company.

(e) The Group acquired additional interest of 1.75% equity interest of the subsidiary during the year ended 31 March 2017.

(b) Composition of other subsidiaries

At the end of the reporting period, the Group has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in Hong Kong. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of businesses	Number of subsidiaries 2017	2016
Digital Businesses	Hong Kong	**16**	16
	Hong Kong & Taiwan	**3**	3
	Taiwan	**5**	6
	Netherlands	**2**	2
	USA	**1**	1
		27	28
Newspapers Publication and Printing	Hong Kong	**5**	5
	Hong Kong & Taiwan	**2**	2
	Taiwan	**2**	2
		9	9
Books and Magazines Publication and Printing	Hong Kong	**11**	11
	Hong Kong & Taiwan	**6**	6
	Canada	**2**	2
		19	19
Supporting and Others	Hong Kong	**7**	7

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

(c) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		(Loss) profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2017	2016	**2017**	2016	**2017**	2016
		%	%	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ADPDL	Hong Kong	**1.1**	3.70	**(976)**	469	**5,152**	18,754
Individually immaterial subsidiaries with non-controlling interests						**11,201**	20,325
						16,353	39,079

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

(c) Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Summarised financial information in respect of each of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

ADPDL

	2017 HK$'000	2016 HK$'000
Current assets	**453,566**	489,760
Non-current assets	**246,981**	269,666
Current liabilities	**(185,282)**	(225,635)
Non-current liabilities	**(45,422)**	(56,122)
Equity attributable to owners of ADPDL	**464,691**	458,915
Revenue	**588,615**	748,350
Expenses	**(625,052)**	(739,608)
(Loss) profit for the year	**(36,437)**	8,742
Other comprehensive income (expense) for the year	**28,095**	(12,680)
Total comprehensive expense for the year	**(8,342)**	(3,938)
Net cash inflow from operating activities	**43,884**	69,053
Net cash outflow from investing activities	**(9,712)**	(10,497)
Net cash (outflow) inflow from financing activities	**(52,304)**	636
Net cash (outflow) inflow	**(18,132)**	59,192

FIVE-YEAR FINANCIAL SUMMARY

For the year ended 31 March 2017

	Year ended 31 March				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Continuing operations					
Revenue	**1,783,757**	2,327,730	2,956,934	3,268,892	3,474,096
(Loss) profit from continuing operations	**(393,998)**	(324,244)	168,638	339,098	163,256
Discontinued operations					
Loss for the year from discontinued operations	**–**	–	–	(90,622)	(1,107,858)
(Loss) profit for the year	**(393,998)**	(324,244)	168,638	248,476	(944,602)
(Loss) profit attributable to owners of the Company	**(392,777)**	(324,688)	164,300	240,146	(968,004)
Non-controlling interests	**(1,221)**	444	4,338	8,330	23,402
(Loss) profit for the year	**(393,998)**	(324,244)	168,638	248,476	(944,602)

	As at 31 March				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**3,016,502**	3,294,739	3,824,650	4,204,300	4,649,774
Total liabilities	**(1,243,082)**	(1,178,762)	(1,310,419)	(1,614,119)	(2,304,773)
	1,773,420	2,115,977	2,514,231	2,590,181	2,345,001
Equity attributable to owners of the Company	**1,757,067**	2,076,898	2,467,999	2,556,400	2,317,529
Non-controlling interests	**16,353**	39,079	46,232	33,781	27,472
	1,773,420	2,115,977	2,514,231	2,590,181	2,345,001

GLOSSARY

2007 ADPDL Share Option Scheme	The share option scheme of ADPDL approved by the Company on 30 July 2007
2007 Share Option Scheme	The share option scheme adopted by the Company on 30 July 2007
2014 Share Option Scheme	The share option scheme adopted by the Company on 31 July 2014
2016 AGM	The Company's Annual General Meeting held on 29 July 2016
2017 AGM	The Company's Annual General Meeting to be held on 28 July 2017
ADL	Apple Daily Limited, an indirect wholly owned subsidiary of the Company
ADPDL	Apple Daily Publication Development Limited, an indirect non-wholly owned subsidiary of the Company
ADPL	Apple Daily Printing Limited, an indirect wholly owned subsidiary of the Company
Annual General Meeting or AGM	The Company's annual general meeting
Articles of Association	The Company's Articles of Association as amended, supplemented or modified from time to time
Board	The Board of Directors of the Company
CEO	The Chief Executive Officer of the Group
CFO	The Chief Financial Officer of the Group
CG Code	The Corporate Governance Code as set out in Appendix 14 of the Listing Rules
Colored World	Colored World Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, is the intermediate holding company of NASL
Colored World Group	Colored World and its subsidiaries
Companies Ordinance or CO	The Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
Company or Next Digital	Next Digital Limited
Computershare	Computershare Hong Kong Investor Services Limited, the share registrar and transfer officer of the Company
Deloitte	Deloitte Touche Tohmatsu, the external auditor of the Group
Director(s)	Director(s) of the Company
EDs	Executive director(s) of the Company

Financial Statements	The audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 March 2017
Group	Next Digital together with its subsidiaries
HKAS(s)	Hong Kong Accounting Standard(s)
HKFRS(s)	Hong Kong Financial Reporting Standard(s)
HKICPA	Hong Kong Institute of Certified Public Accountants
HK$	Hong Kong dollars
INEDs	Independent Non-executive Director(s) of the Company
Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange
Model Code	The Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
Mr. Cassian Cheung	Mr. Cheung Ka Sing, Cassian, an ED of the Company and the CEO of the Group
Mr. Lai	Mr. Lai Chee Ying, Jimmy, the controlling shareholder of the Company
NASL	Next Animation Studio Limited, a company incorporated in Hong Kong with limited liability, is a wholly owned subsidiary of Colored World
NASL Group	NASL and its subsidiaries
NED	Non-executive Director of the Company
NMBL	壹傳媒傳訊播放股份有限公司 (Next Media Broadcasting Limited)*, a private company incorporated in Taiwan with limited liability and is an indirect wholly owned subsidiary of the Company
NT$	New Taiwanese dollars
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Share(s)	Ordinary share(s) of the Company
Shareholder(s)	Holder(s) of the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited
Subsidiary Share Option Schemes	The respective share option schemes adopted by Aim High Investments Limited, Anyplex Company Limited, Next Media Distribution Limited, ADPDL, Next E-Shopping Limited, Next Media Publishing Limited, Next Mobile International Limited (formerly known as Next Mobile Limited), nxTomo Ltd., nxTomo Games Limited, Sharp Daily Limited and Apple Daily E-Classified Limited
Taiwan	Republic of China

* *Company's English name is for identification only*

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2016/17
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