2017 / 18 ANNUAL REPORT

NEXT GO DIGITAL

NEXT DIGITAL

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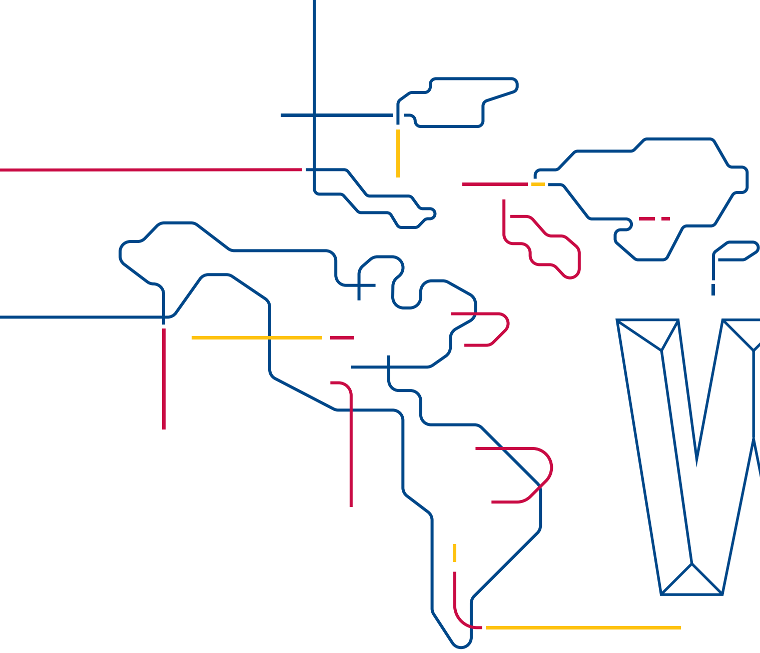

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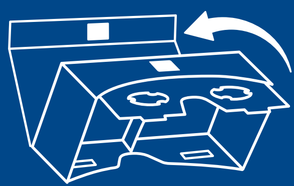

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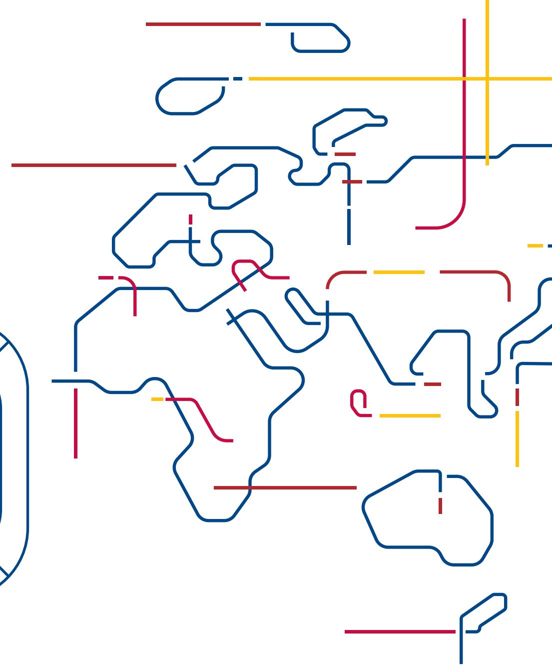

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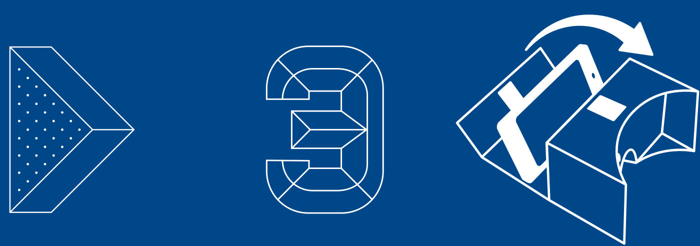

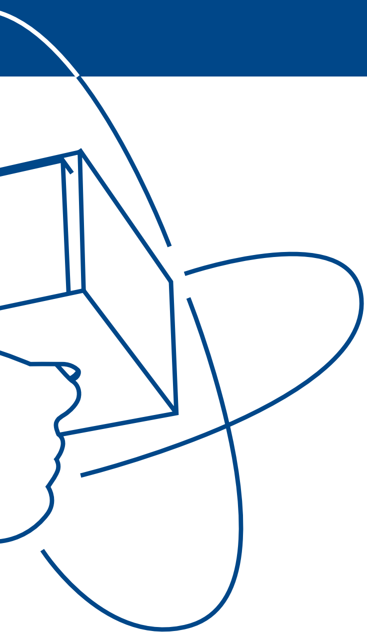

explore with the 360° panoramic view of the space capsule to enjoy digital journey of spanning time and space with **NEXT DIGITAL.**


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YOUR MIND

BUSINESS REVIEW

CONTENT

IS KING

FINANCIAL REPORT

GLOSSARY

FINANCIAL HIGHLIGHTS

REVENUE (HK$ MILLION)

2018
1,495.5

2017
1,783.8

2016
2,327.7

CURRENT RATIO (%)

2018
133.6

2017
192.5

2016
167.7

LOSS FOR THE YEAR (HK$ MILLION)

2018
(476.9)

2017
(394.0)

2016
(324.2)

GEARING RATIO
(%)

2018
18.7

2017
15.3

2016
9.1

BASIC LOSS PER SHARE
(HK CENTS)

2018
(19.6)

2017
(16.2)

2016
(13.4)

DEBT TO EQUITY RATIO
(%)

2018
36.8

2017
26.2

2016
14.4

ON THE DIGITAL

Having transformed itself into a leading multimedia company with a new branding image, Next Digital strives to not only preserve, but also upgrade its core competencies to meet the challenges of a new era.

CHAIRMAN'S STATEMENT

Next Digital is an industry leader in providing digitized Chinese language news content to audiences in Hong Kong, Taiwan, and the Chinese diaspora. And we will continue to cement our position as pioneers of digital news by intensifying investments in new technologies, online-only content, and maintaining a strong digital infrastructure. These ventures have enabled us to continually satisfy the growing needs and demands of our stakeholders from readers to advertisers to our employees.

Beyond instantaneous and relevant news updates, consumers still want meaningful and thought-provoking journalism. By integrating our already-established strong editorial capabilities into our digital platforms, we are able to continue to provide world-class reporting while captivating an even wider audience.

Investing in new technology and finding innovative ways to present our content have been pivotal in both retaining and expanding our readership, which has steadily grown and become more diverse throughout the years. Both new subscribers and readers who have transitioned from traditional print to digitized media have helped us to attract a variety of advertisers and new partnerships.

The approach to advertising has gone through significant changes over the years — from widespread broadcast campaigns that blanket the market to individualized and targeted user-based advertising. Despite these changes, we have also evolved to accommodate any method of marketing necessary to ensure the best results for our customers. The gains made from these campaigns help us to not only reinvest in better technologies, but to reinvest in our talented staff, who are the foundation to providing readers with quality content.

An audience shift toward digital-based coverage has undoubtedly changed our approach to news and how we operate. However, this does not diminish the value of traditional print content. Our print division is considered one of the most elite in the world, and we will continue to bolster this product so that readers will continue to have traditional print access to in-depth stories, and can enjoy a reading experience unique from our mobile and other online platforms.

Twenty-three years ago, Next Digital was a disruptor in an archaic, tired and already-saturated industry by using breakthrough practices that are considered commonplace today — publishing full-colour print newspapers, encouraging thought-provoking journalism and investigative reporting, and producing short animation news videos ("*Apple Actionnews*"). By thinking outside the box, we have not only changed how news is distributed and consumed, but inspired a golden age for media outlets and agencies.

The year 2017 was a tumultuous year for the organization, but the lessons learned have renewed and strengthened what was my initial aspiration when I founded this ever-evolving business. The Company made some difficult decisions this year, and I'm confident that we now have the expertise and skills necessary to meet any unforeseen challenges and disruptions, while continuing to thrive in the marketplace.

On behalf of the board, I would like to thank our shareholders, advertisers and business partners for their unfailing faith and support over the years. I would also like to extend my gratitude and token of appreciation to all employees — management and staff alike — for your dedication and commitment to Next Digital.

The spirit of innovation and disruption will remain the cornerstone of this Company, and together we will continue to push boundaries.

Lai Chee Ying
Non-executive Chairman

Hong Kong, 11 June 2018

DIGITAL PLATFORM

Nowadays, few could argue the increasing presence of information technology and digitalization. Noticing the coming of an inevitable trend in advance, Next Digital has re-aligned its content offering to better serve both readers and advertisers.

MANAGEMENT DISCUSSION & ANALYSIS

OVERVIEW OF MAJOR MARKETS

Hong Kong

In 2017, despite real GDP growth of 3.8% in Hong Kong, driven partly by growth in exports, retail sales and inbound tourism, brand advertisers still remained cautious and conservative and continued to tighten their advertising spending as the economy in Hong Kong continues to face challenges on multiple aspects. Such challenges include the long-term shortage of land supply, which drives up rent, a rapidly ageing population, which increases the burden on the general workforce and cost of production, and the inevitable rise in interest rates by the US Federal Reserve, which has increased consumer/investment sentiment. As a result, consumer prices only recorded a year-on-year increase of 1.5% in 2017.

Meanwhile, the increasing presence of technology and digitalization and shift of readers' preferences to digital media has caused significant downturn in the traditional print media industry. The operating environment for the media industry was still difficult with overall advertising expenditure in Hong Kong increasing by only 0.72% to HK$41.9 billion.

Taiwan

Although a real GDP growth of 2.86% in Taiwan in 2017 reflecting stronger domestic demand and a recovering global economy, its economy is heavily reliant on exports and thus, is highly vulnerable to external factors such as protectionist policies from the US, increasing competition from Chinese manufacturers, as well as political tensions with Beijing. Consumer prices for 2017 reached 0.62%, a drop from 1.4% recorded in 2016 whilst the 2017 average unemployment rate dropped slightly to 3.6%. The total advertising expenditure of Taiwan for 2017 rose 5.2% to NT$133.8 billion, as compared with NT$127.2 billion in 2016. However, traditional print media advertising expenditure continues to record a decline, in particular, newspaper and magazine advertising declined by 5.0% and 19.0% respectively.

FINANCIAL RESULTS

Revenue

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

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

Segment Results

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

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

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

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

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

As at 31 March 2018
Source: *Apple Daily* Internal Server Log

Daily Total Unique Visitors

2,311,274

OPERATIONAL REVIEW

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

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

Digital Business Division

The Division's external revenues, consisting primarily of online advertising revenue, together with content licensing payments, games and content sponsorship, and in-app purchase of virtual products, amounted to HK$594.5 million during the year under review. This represents a decrease of 8.5% on the previous year's figure of HK$649.7 million, of which, around 72.3% was generated in Hong Kong while the remaining was from Taiwan and other regions. The Division recorded a segment loss of HK$44.6 million during the year under review compared with a segment loss of HK$1.2 million in the previous 12 months. During the year, the Group was faced with strong competition not only from local digital media channels, but also global platforms and social media that are vying for the same advertisers' spending as *Apple Daily*.

TAIWAN
APPLE DAILY ONLINE TRAFFIC

Daily Total Views

21,689,861

This dampened our topline momentum for the time being. But we understand content resources are the fundamental basis of development of the media industry. We will continue to maintain the fearless spirit of Next Digital to discover and create more interesting and engaging content for readers and then source more business opportunities from advertisers and potential partners.

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

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

Apple Daily has a large user base of 4.8 million[1] monthly unique visitors in Hong Kong, 12.2 million[1] monthly unique visitors in Taiwan, 2.2 million[2] monthly unique visitors in the USA and 422 thousands[2] in Canada. The Group was able to generate advertising revenue through such an expansive user base. Moreover, the Group was able to diversify its client base and attract small to medium sized merchants to place their advertisements on the Group's platforms. The e-classified division in this segment recorded a revenue of HK$11.1 million for the year. The platform has enlisted about 1,800 participating merchant shops so far and shows a promising future.

As at 31 March 2018
Source: *Apple Daily* Internal Server Log

Daily Total Unique Visitors

3,376,577

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

In addition, the "Apple VR" app, the first virtual reality app launched in the Hong Kong media industry, has generated much novelty and excitement for both our users and advertisers. With the VR viewer, readers can be fully immersed in a virtual reality environment, equipped with a 360˚ panoramic view. It allows readers to be at the scene of a news event and experience these moments first-hand. The app attracted a significant number of readers and page views. The combined platforms for Hong Kong and Taiwan together have commanded an average monthly page view counts of 2.1 billion[2], making it one of the top news sites in the world.

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

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

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

Print Business Division

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

Apple Daily, known for its liberalist content, vivid editorial style, and its relentless quest for the truth, maintained its position as Hong Kong's most widely read paid-for daily newspaper and was also one of its best-selling newspapers during the year under review. Its sales averaged 110,510[3] copies per day between July and December 2017, compared with 130,230[4] copies per day in the same period last year. *Apple Daily's* revenue amounted to HK$270.6 million during the year under review, representing a decrease of 22.2% or HK$77.2 million against the figure of HK$347.8 million recorded in the same period last year. Advertising revenue accounted for HK$84.0 million of its revenue, while its circulation income was HK$186.6 million, representing a decrease of 40.5% or HK$57.1 million and 9.7% or HK$20.1 million as compared to the respective figures of HK$141.1 million and HK$206.7 million recorded in the same period last year. The advertising categories contributing the largest shares to revenue came from the sectors of loans, automobile, health products, travel agencies and property.

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

Taiwan Sharp Daily, the Group's free newspaper with a daily mix of news, entertainment and features, remains highly popular. Copies of the newspaper are distributed to the public outside the city's metro stations in Taipei every morning from Monday to Friday. Its print run was around 90,037 copies (2017: 103,975 copies) daily between January 2017 and December 2017. *Taiwan Sharp Daily* particularly appeals to local advertisers from restaurants, banking institutions, government agencies, department stores and communications.

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

Although the newspaper printing operation was adversely affected by the decline in print runs of *Apple Daily*, it continues to make contributions to the Group. Its revenue during the year under review amounted to HK$143.6 million, a decrease of 15.0% or HK$25.3 million over the figure of HK$168.9 million achieved in the corresponding period last year.

Printing operations derived HK$77.5 million in revenue (total revenue minus transactions related to printing the Group's own publications) from external customers, including printing jobs for local and overseas newspapers, during the year under review. This was 18.5% or HK$17.6 million less than the figure of HK$95.1 million it earned in the last corresponding months.

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

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

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

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

Despite facing formidable factors such as intense and rival competition in the industry, changes in reader behaviour and a decrease in overseas printing orders, the commercial printing operation recorded a revenue from external customers of HK$93.8 million in the year ended 31 March 2018, which was 32.9% or HK$23.2 million more than its revenue of HK$70.6 million in the same period last year.

PROSPECTS AND OUTLOOK

Digitalization has caused a tsunami-like wave in the media industry, causing all players to completely reinvent the steering wheel and contemplate next steps to survive. Although new technologies and intense competition have had a negative impact on advertising and circulation revenue, traditional print media is still considered mainstream. It is a core strength the Group has commandeered over the years and we will continue to preserve our leading position in the print media industry through maintaining stringent cost control, making improvements in work flow efficiencies, as well as restructuring and streamlining management and operational processes.

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

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

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

Sources:

1. *ComScore (April 2017 — February 2018)*
2. *Apple Daily Internal Server Log*
3. *Hong Kong Audit Bureau of Circulations Limited (July — December 2017)*
4. *Hong Kong Audit Bureau of Circulations Limited (July — December 2016)*

FINANCIAL REVIEW

Financial Position

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

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

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

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

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

Assets Pledged

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

Share Capital

As at 31 March 2018, the Company's total amount of issued and fully paid share capital was HK$2,435.6 million (31 March 2017: 2,435.3 million) and the total number of issued Shares with no par value was 2,432,026,881 Shares (31 March 2017: 2,431,726,881 Shares).

Exchange Exposure and Capital Expenditure

The Group's assets and liabilities are mainly denominated in HK$ or NT$. Its exchange exposure to NT$ is due to its existing magazines and newspapers publishing and digital business in Taiwan. We have reduced this exposure by arranging bank loans in NT$.

As at 31 March 2018, the Group's net currency exposure stood at NT$2,543.0 million (equivalent to HK$685.8 million), a decrease of 31.1% on the figure of NT$3,690.0 million (equivalent to HK$945.2 million) as at 31 March 2017.

The Group's capital expenditure for the year ended 31 March 2018 was in total of HK$34.6 million (2016/17: HK$35.5 million). As at 31 March 2018, the Group's outstanding capital commitments were HK$3.3 million (31 March 2017: HK$5.5 million).

Contingent Liabilities

(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.

The Group has accrued for HK$40.5 million (as at 31 March 2017: HK$98.4 million) as provisions. These provisions were recognised in respect of the outstanding legal proceedings based on advice obtained from the Company's legal counsel.

(b) Contingent Liabilities Arising from the Proposed Disposal of *Hong Kong Next Magazine* and *Taiwan Next Magazine*

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

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

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

In connection with the acquisition of Database Gateway Limited and its subsidiaries (the "Acquired Group") on 26 October 2001, the Group maybe subject to contingent liabilities including all payments, claims, suits, damages and settlement payments and any associated costs and expenses arising, made or incurred after 26 October 2001 arising out of or connected with (1) any third-party claims made against the Acquired Group on and before 26 October 2001; (2) defamation claims, claims for infringement of intellectual property rights and other proceedings and claims which may in the future arise from the content of the newspaper and magazines published by the Acquired Group on and at any time before 26 October 2001; and (3) the contractor dispute with UDL. 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.

(d) Guarantee

Next Digital and its subsidiaries also maintain contingent liabilities that are related to various corporate guarantees the Group has provided to financial institutions for facilities utilised by certain of its subsidiaries and fellow subsidiaries. As at 31 March 2018, these contingent liabilities amounted to HK$618.3 million (31 March 2017: HK$603.8 million), HK$489.0 million (31 March 2017: HK$466.9 million) of which has been utilised by certain of its subsidiaries.

EMPLOYEES AND REMUNERATION POLICY

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

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

DIVIDEND

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

BOOK CLOSURE PERIOD

The Register of Members of the Company will be closed from Tuesday, 24 July 2018 to Friday, 27 July 2018, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2018 AGM scheduled to be held on Friday, 27 July 2018 at 3:00 p.m., all transfers documents 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, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Monday, 23 July 2018.

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. These statements are subject to risks, uncertainties and other factors beyond the control of the Group.

URBAN THINGS SOCIAL MEDIA THINKS

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SCOPE AND REPORTING YEAR

This is the second Environmental, Social, and Governance (the "ESG") report for Next Digital 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.

This ESG report covers the Group's overall performance in two subject areas, namely, Environmental and Social of its business operations of 10 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 2017 to 31 March 2018, unless otherwise stated. Total floor area coverage for the Group was 112,239 m^2 (Hong Kong: 64,636 m^2; Taiwan: 47,603 m^2). 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 this annual report.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

As a leading multimedia company in Hong Kong and Taiwan, Next Digital values input and feedback of its stakeholders as they bring invaluable directions for continuous development to the Group. Internal and external stakeholders have been involved in regular engagement activities to share views regarding the Group's operation and performances. During the reporting year, the Group has specifically engaged the board members, senior management, and frontline staff to gain further insights on ESG material aspects and challenges in the reporting year. Through meetings and surveys, the Group and its stakeholders identified the following top material aspects:

1. Occupational health and safety;
2. Anti-corruption;
3. Employment and labour standards; and
4. Intellectual property and freedom of speech.

The above aspects were strictly managed through the Group's policies and guidelines. Management of the aspects have been described in separate sections below. The Group will continue to identify areas of improvement for the concerned aspects and keep close communication with its stakeholders to share and exchange ideas for advancing the Group's ESG management and to 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.

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

The Group did not note any cases of material non-compliance relating to air and greenhouse gas emissions, discharge into water and land, and the generation of hazardous and non-hazardous waste for the year ended 31 March 2018. Regular third-party sampling and testing are conducted at printing plants for:

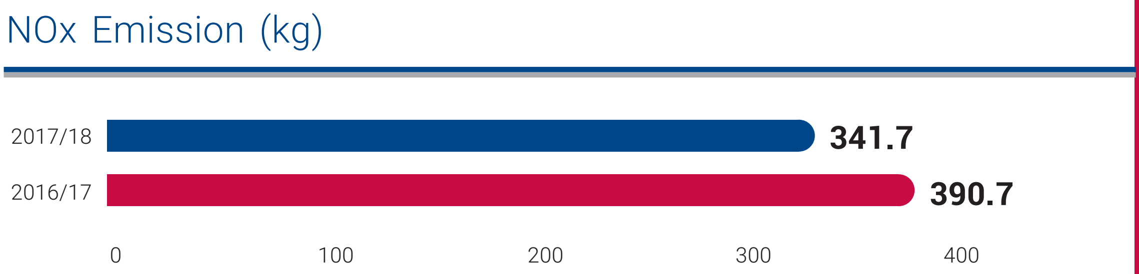
- Wastewater discharge (Hong Kong and Taiwan);
- Indoor air quality (Taiwan); and
- Workplace noise pollution (Taiwan)

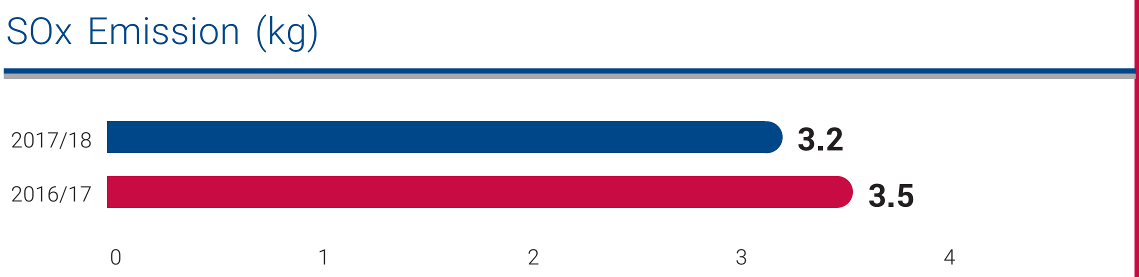
to ensure the operations comply with national standards. No exceedances were recorded during the reporting year.

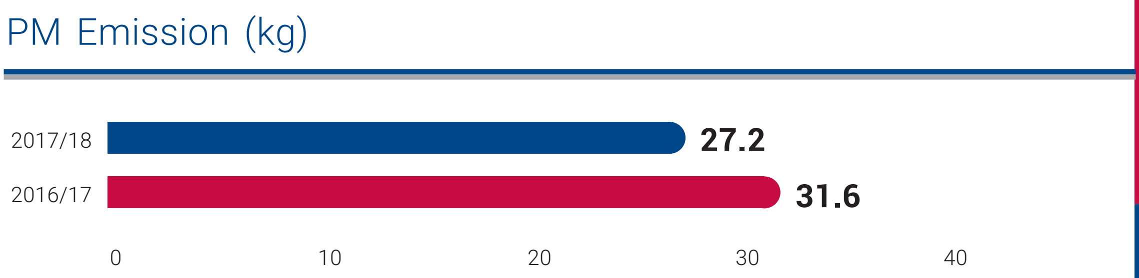
A1. Emissions

A1.1 Air 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 printing operations. The Group will continue take steps to further decrease the dependence on fossil fuels and reduce air emissions.







Vehicle Operation

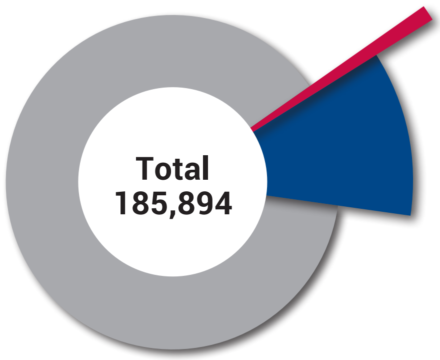
Vehicles were used for printing plant and business operations such as news assignment and circulations during the reporting year, contributing to 312.4 kg of NO_x emission and 3.0 kg of SO_x emission and 27.2 kg of PM emission.

Gaseous Fuel Consumption

During the reporting year, town gas was used for heat generation required at printing operations, contributing to 29.3 kg of NO_x emission and 0.2 kg of SO_x emission.

A1.2 Greenhouse Gas (GHG) Emissions

Total GHG Emissions in 2017/18 (tCO_2e)

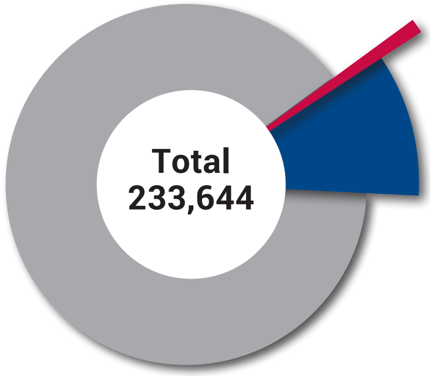


1,316 / 0.7%
Scope 1 Direct Emisson

20,486 / 11.0%
Scope 2 Energy Indirect Emisson

164,092 / 88.3%
Scope 3 Other Indirect Emisson

Total GHG Emissions in 2016/17 (tCO_2e)



2,216 / 0.9%
Scope 1 Direct Emisson

22,421 / 9.6%
Scope 2 Energy Indirect Emisson

209,007 / 89.5%
Scope 3 Other Indirect Emisson

There were 185,894 tonnes of carbon dioxide equivalent (carbon dioxide, methane, nitrous oxide and hydrofluorocarbons) emitted in the reporting year, a significant 20.4% drop from last reporting year. It is noteworthy that the GHG emissions were 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.

GHG Removals from Newly Planted Trees

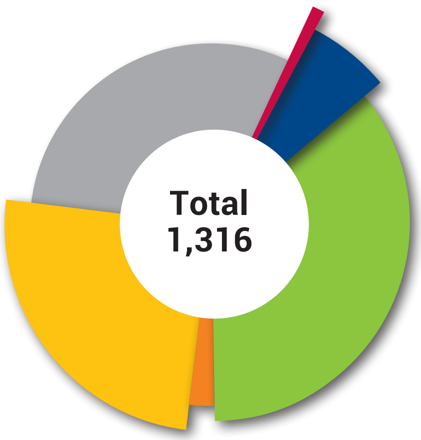
A total of 61 trees with height over 5 metres were planted at the printing plants in Taiwan, providing better air quality as well as reducing greenhouse effect. It contributed to a removal of 1 tonne of carbon dioxide equivalent greenhouse gases in scope 1.

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 179 tonnes of carbon dioxide equivalent emissions, a 33.7% reduction from last reporting year. 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.

a. Scope 1 — Direct Emissions

Scope 1 Direct Emission in 2017/18 (tCO_2e)



16 / 1.2% Diesel-Genset

30 / 2.3% LPG-Vehicle

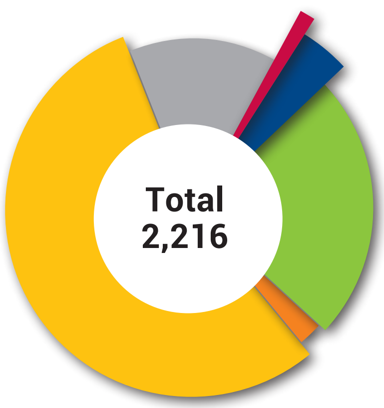
73 / 5.5% Diesel-Vehicle

332 / 25.2% Refrigerant

477 / 36.3% Petrol-Vehicle

388 / 29.5% Town Gas

Scope 1 Direct Emission in 2016/17 (tCO_2e)



19 / 0.8% Diesel-Genset

39 / 1.7% LPG-Vehicle

88 / 4.0% Diesel-Vehicle

1,216 / 54.9% Refrigerant

531 / 24.0% Petrol-Vehicle

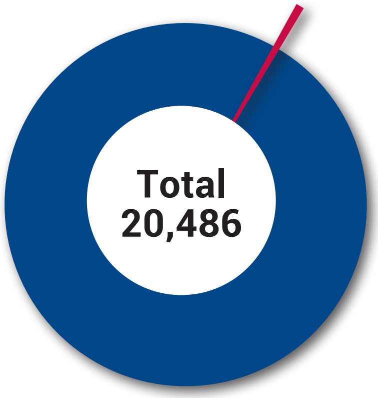
323 / 14.6% Town Gas

Refrigerant

188 kg of HCFC-22/R22, HFC-134a, R-404A and R-410A were used in air conditioning system in all premises during the reporting year, contributing to 332 tonnes of carbon dioxide equivalent emissions. Decreased consumption comparing to last reporting year was mainly due to less overhauling works of refrigeration pipelines.

b. Scope 2 — Energy Indirect Emissions

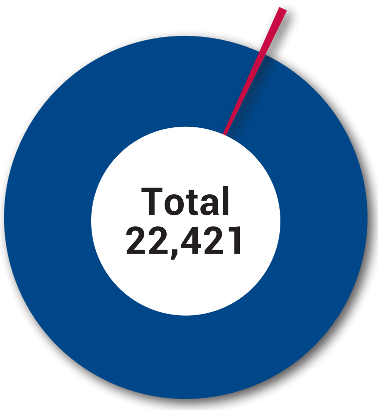
Scope 2 Indirect Emission in 2017/18 (tCO_2e)



90 / 0.4%
Town Gas

20,396 / 99.6%
Electricity

Scope 2 Indirect Emission in 2016/17 (tCO_2e)



76 / 0.3%
Town Gas

22,345 / 99.7%
Electricity

c. Scope 3 — Other Indirect Emissions

Scope 3 Other Indirect Emission in 2017/18 (tCO_2e)

163,869 / 99.9%
Paper Disposal

179 / 0.1%
Business Air Travel

29 / <0.1%
Fresh Water Processing

15 / <0.1%
Sewage Water Processing

Scope 3 Other Indirect Emission in 2016/17 (tCO_2e)

208,693 / 99.9%
Paper Disposal

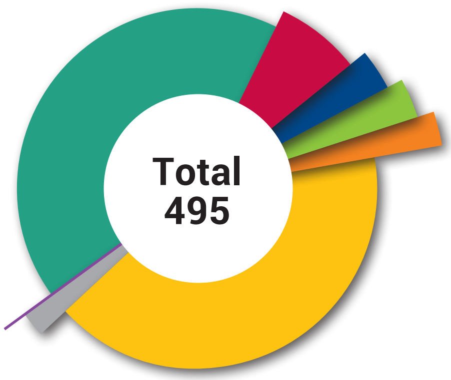
270 / 0.1%
Business Air Travel

30 / <0.1%
Fresh Water Processing

14 / <0.1%
Sewage Water Processing

A1.3 Hazardous Waste

Hazardous Waste in 2017/18 (t)



35 / 7.1%
Silver Compound

15 / 3.0%
Spent Film

16 / 3.3%
Spent Ink/Sludge

8 / 1.6%
Spent Solvent/Sludge

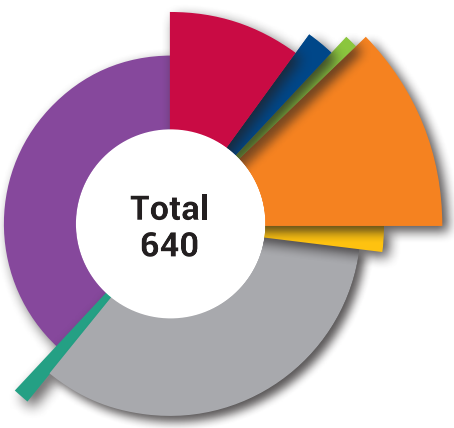
204 / 41.2%
Spent Developer

7 / 1.4%
Waste Ink Drum

210 / 42.4%
Scrap Zinc Plates

0.07 / <0.1%
Lubrication Oil

Hazardous Waste in 2016/17 (t)



61 / 9.5%
Silver Compound

12 / 1.9%
Spent Film

8 / 1.3%
Lubrication Oil

79 / 12.3%
Spend Ink/Sludge

16 / 2.5%
Spent Solvent/Sludge

217 / 33.9%
Spent Developer

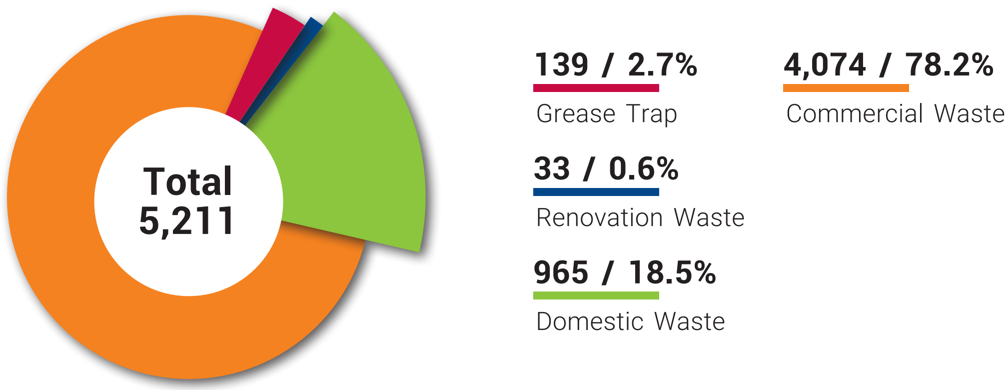
6 / 0.9%
Waste Link Drum

241 / 37.7%
Scrap Zinc Plates

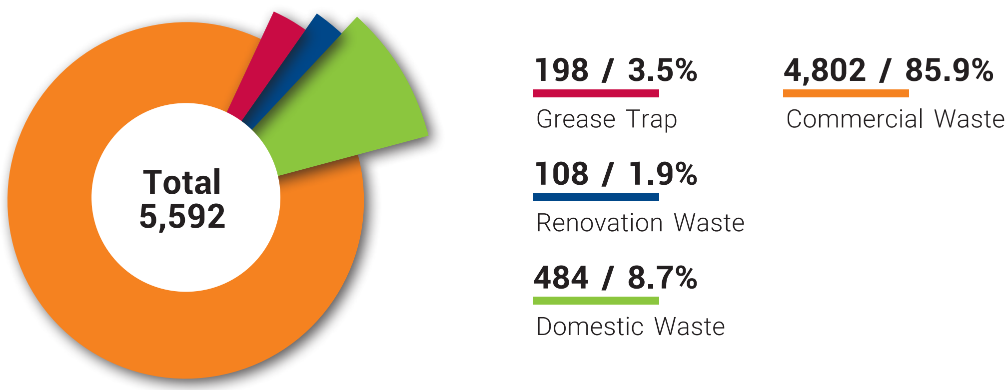
The Group generated hazardous waste in various processes during printing. A total amount of 495 tonnes of hazardous waste was generated during the reporting year (Hong Kong: 3.0 kg/m^2; Taiwan: 6.3 kg/m^2).

A1.4 Non-hazardous Waste

Non-Hazardous Waste in 2017/18 (t)



Non-Hazardous Waste in 2016/17 (t)



5,211 tonnes of non-hazardous waste was generated from the Group during the reporting year (Hong Kong: 63.2 kg/m^2; Taiwan: 23.7 kg/m^2).

A1.5 Measures to Mitigate Emissions

Comparing to last reporting year, there were 12.5%, 8.6% and 13.9% reduction in terms of nitrogen oxides, sulphur oxides and respiratory suspended particles emissions respectively. During the reporting year, the Group has downsized company fleet and selected vehicles with small engines. Nevertheless, the Group will continue take steps to further decrease the dependence on fossil fuels and reduce air emissions from its operations. When selecting company fleet, factors such as reliability, maintenance cost and frequency, cost-effectiveness, fuel efficiency and 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.

A1.6 Waste Handling and Reduction Initiatives

Hazardous Waste

Overall, there were 22.7% less hazardous waste generated comparing to last reporting period. Hazardous waste was handled by registered and licensed collectors regulated by the governments. Spent ink, solvent and developer were incinerated; Scrap zinc plates, waste ink drums, silver compound, spent film and lubrication oil (less than 0.1% of the total hazardous waste generated) were recycled.

Non-hazardous Waste

In Hong Kong, waste was collected by licensed company, in which domestic waste was disposed to landfill sites, while paper, grease trap and renovation waste were recycled. In Taiwan, waste was collected by registered collectors in which domestic waste was incinerated, paper and plastic bottles were recycled.

Overall, the Group's operations involved waste type such as domestic waste, grease trap waste, commercial waste and renovation waste. There was 6.8% less waste generated comparing to last reporting period. It was because of less renovation works and the Group practiced better use of commercial materials before disposal. 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 were 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.

Paper

	Total		
	2017/18	**2016/17**	**Unit**
Paper Consumption (Production)	38,116	48,155	t
Paper Consumption (Non-production)	29	33	t
Paper Collected for Recycle	(4,005)	(4,710)	t
Total Disposed at Landfills	**34,140**	**43,478**	**t**

A total of 38,116 tonnes of production paper (from production printing, including web print and flat sheet print) and 29 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 4,005 tonnes of waste paper (from both production and non-production) were carefully separately and stockpiled at designated areas for the collection by approved recyclers and were diverted from landfill, contributing to 11.7% reduction of GHG emissions related to paper disposal.

A total of 34,140 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]).

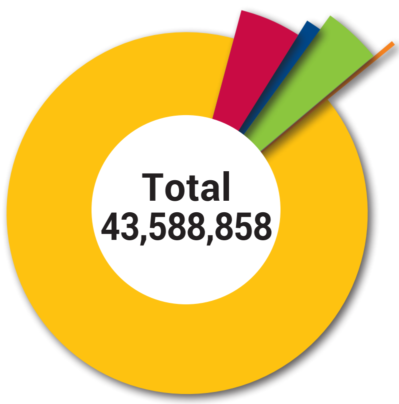
[1] EMSD/EPD Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong, 2008 and 2010 Editions

A2 Use of Resources

A2.1 Energy Consumption

The Group's business operations in Hong Kong and Taiwan resulted in the consumption of electricity, town gas, petrol, diesel and liquefied petroleum gas ("LPG"), with energy intensity of 405.8 kWh/m^2 for Hong Kong and 364.7 kWh/m^2 for Taiwan. Overall there was reduced consumption in electricity, diesel, petrol and LPG, with a slight increase of town gas consumption. Such changes were due to three key factors: change of production volume, type of paper use and printing process.

Energy Consumption in 2017/18 (kWh)



2,024,773 / 4.7%
Town Gas

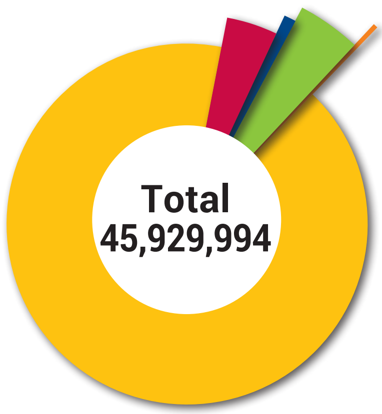
128,302 / 0.3%
LPG

364,924 / 0.8%
Diesel

39,404,879 / 90.4%
Electricity

1,665,980 / 3.8%
Petrol

Energy Consumption in 2016/17 (kWh)



1,689,480 / 3.7%
Town Gas

165,038 / 0.4%
LPG

434,623 / 0.9%
Diesel

41,787,032 / 91.0%
Electricity

1,853,821 / 4.0%
Petrol

a. *Electricity*

The electricity consumption by the Group was 39,404,879 kWh, contributing to 20,396 tonnes of carbon dioxide equivalent emissions in scope 2.

b. *Diesel, Petrol, LPG and Town Gas*

During the reporting year, 10,041 kg of LPG, 26,510 litres of diesel and 177,232 litres of petrol were used for operation of mobile equipment; 6,366 litres of diesel were used for genset operation; 151,858 unit of town gas was mainly used for printing operations.

A2.2 Water Consumption

Water consumption by the Group was 119,157 m^3 (Hong Kong: 0.8 m^3/m^2; Taiwan: 1.4 m^3/m^2) contributing to 29 tonnes of carbon dioxide equivalent emissions in scope 3. To safeguard water quality and steady supply for printing production and to ensure water sources were fit for purpose, water is supplied by Water Supplies Department in Hong Kong and for 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.

A total of 115,651 m^3 of wastewater was generated from the Group during the reporting year (Hong Kong: 0.8 m^3/m^2; Taiwan: 1.4 m^3/m^2), contributing to 15 tonnes of carbon dioxide equivalent emissions in scope 3. Wastewater generated from premises in Hong Kong was discharged to and treated by Drainage Services 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.

A2.3 Energy Use Efficiency Initiatives

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 Information & Communication Technology 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.

During the reporting year, the Group engaged external energy consultant to conduct preliminary energy site visits, with the focus on reducing electricity consumption, at existing printing and office facilities in Taiwan, in which energy saving recommendations have been given by consultants, and currently being reviewed by the management for further adaptation and implementation in the next reporting year.

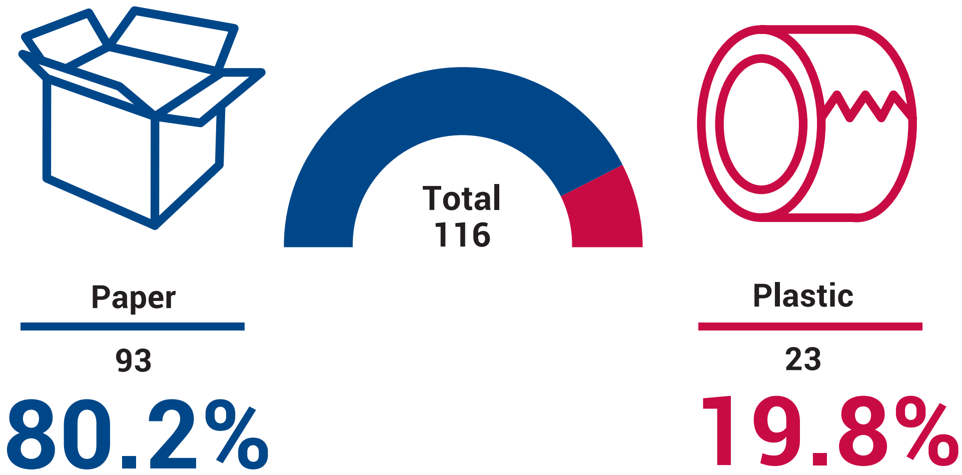
A2.4 Water Use Efficiency Initiatives

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 premises, 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.

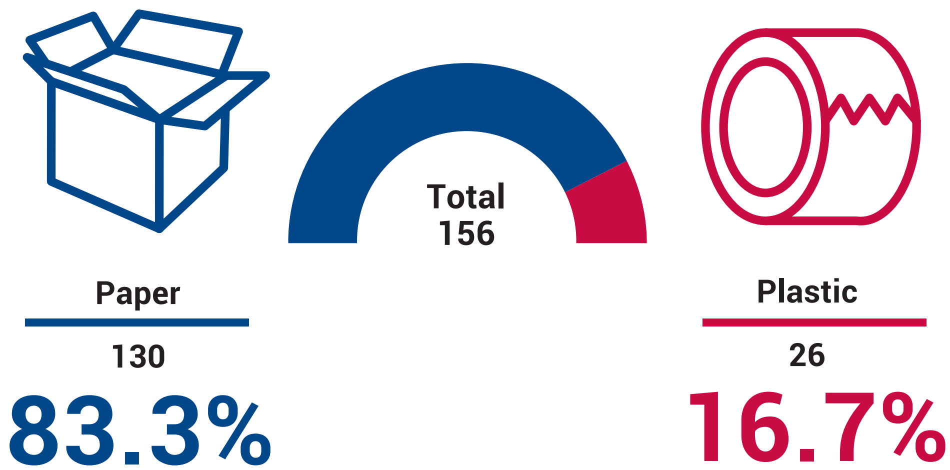
A2.5 Packaging Material

Packaging materials consumed by the Group were mainly involved paper and plastic for the protection of finished products during the reporting year, with some of the packaging paper made with recycled materials. A total amount of 116 tonnes of packaging materials were consumed (Hong Kong: 1.4 kg/m^2; Taiwan: 0.5 kg/m^2). In addition to the change of production volume, the Group shall look into maximize use of packaging material in terms of quantity and type while ensuring quality of product protection during distribution.

Packaging Material in 2017/18 (t)



Packaging Material in 2016/17 (t)



A3. The Environment and Natural Resources

With the business nature, the Group understands its impact to the environment and natural resources can be significant, particularly in terms of electricity and paper consumption. Going with the market trend, business will naturally shift towards a more digital operating model, hence the overall consumption of natural resources will be reduced as a result. Nevertheless, the Group has engaged external energy consultant to review and an aim to further maximize the efficiency of the way existing printing operations interacts with the environment and resources.

KEY STATISTIC TABLE

	2017/18	2016/17	Unit
Area	112,239	112,523	m^2
Air Pollutant Emissions			
Nitrogen Oxides (NO_x)	341.7	390.7	kg
Sulphur Oxides (SO_x)	3.2	3.5	kg
Respiratory Suspended Particles (PM)	27.2	31.6	kg
Greenhouse Gas Emissions			
Scope 1	1,316	2,216	tCO_2e
— intensity	11.7	19.7	$kgCO_2e/m^2$
Scope 2	20,486	22,421	tCO_2e
— intensity	182.5	199.3	$kgCO_2e/m^2$
Scope 3	164,092	209,007	tCO_2e
— intensity	1,462.0	1,857.5	$kgCO_2e/m^2$
Total GHG Emissions (before removal)	185,894	233,644	tCO_2e
Total GHG Emissions (after removal)	185,893	233,643	tCO_2e
— intensity	1,656.2	2,076.4	$kgCO_2e/m^2$
Waste			
Total Hazardous Waste Generated	495	640	t
— intensity	4.4	5.7	kg/m^2
Total Non-hazardous Waste Generated	5,211	5,592	t
— intensity	46.4	49.7	kg/m^2

	2017/18	2016/17	Unit
Energy Consumption			
Electricity	39,404,879	41,787,032	kWh
Town Gas	2,024,773	1,689,480	kWh
— unit consumed	151,858	126,711	unit
Diesel	364,924	434,623	kWh
— unit consumed	32,876	39,155	litre
Petrol	1,665,980	1,853,821	kWh
— unit consumed	177,232	197,216	litre
LPG	128,302	165,038	kWh
— unit consumed	10,041	12,916	kg
Total Energy Consumed	43,588,858	45,929,994	kWh
— intensity	388.4	408.2	kWh/m^2
Water Consumption			
Total Fresh Water Consumed	119,157	122,922	m^3
— intensity	1.1	1.1	m^3/m^2
Packaging Material			
Total Packaging Material Consumed	116	156	t
— intensity	1.0	1.4	kg/m^2
Paper			
Total Paper Consumed	38,145	48,188	t
— GHG emissions	183,096	231,300	tCO_2e
Total Paper Recycled	(4,005)	(4,710)	t
— GHG emissions	(19,224)	(22,607)	tCO_2e
Total Paper Disposed at Landfills	34,140	43,478	t
— GHG emissions	163,872	208,693	tCO_2e

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

Note 2: 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.

Note 3: 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.

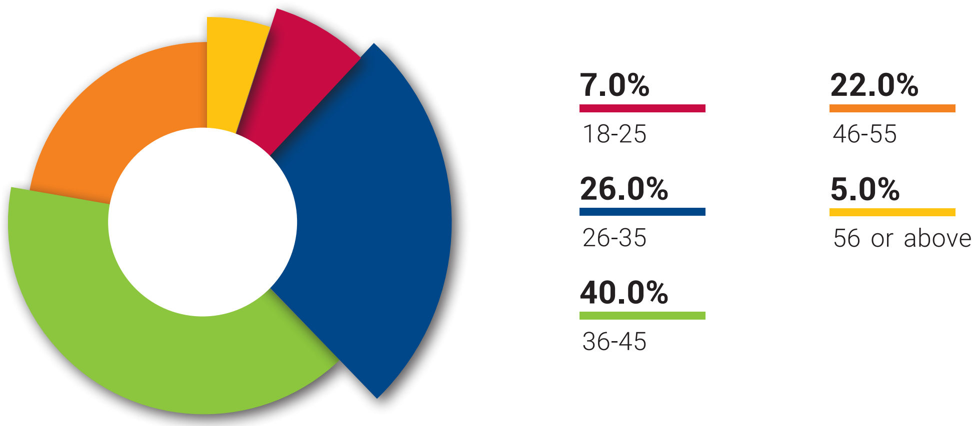
B. SOCIAL

1. Employment and Labour Practices

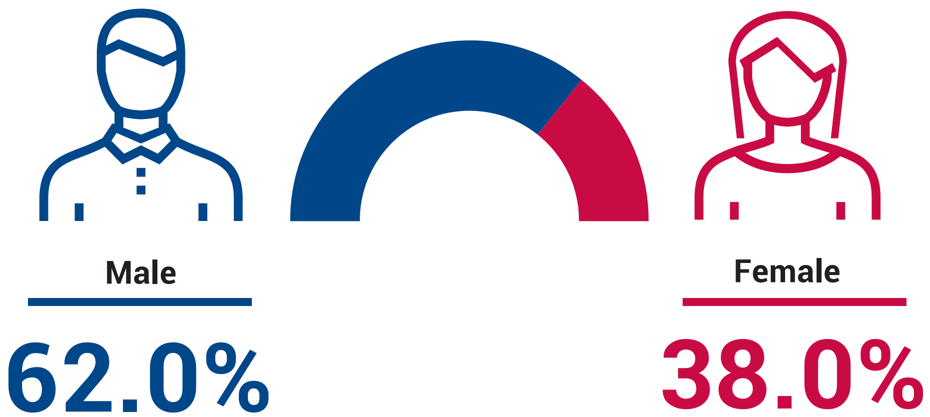
B1. Employment

The Group had a total number of 2,679 employees as of 31 March 2018.

Workforce by Age Group (%)



Workforce by Gender (%)



During the reporting year, there were no major changes in policies relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity and anti-discrimination for all key operations. The Group did not note any cases of material non-compliance in relation to employment during reporting year.

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, through designated hotline and/or email, 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 discretionary share option schemes that gives them options to subscribe for shares in the Company and its operating subsidiaries, so as to maintain the commitment of our employees to strive for excellence and professionalism.

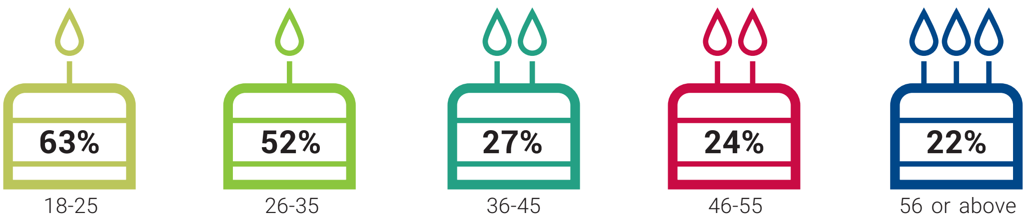
Workplace Welfare and Work-life Balance

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 35.3% with 946 employees left the Group in 2017/18. During the reporting year, one of the printing plants was closed to maximize the overall production capacity, utilization rate and to reduce production costs. Thus, some employees from this printing plant was being terminated, while the retained ones were being relocated to other printing plants. The annual turnover rate (categorized by age group and gender) in the reporting year are as follows:

Annual Turnover Rate by Age Group (%)



Annual Turnover Rate by Gender (%)

B2. Employee Health and Safety

During the reporting year, there were no major changes in policies related to providing safe working environment and protecting employees from occupational hazards. The Group did not note any cases of material non-compliance in relation to health and safety laws and regulations.

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.

The Group is governed by Occupational Safety & Health Ordinance, Chapter 509 and Employees' Compensation Ordinance, Chapter 282 in Hong Kong, and Occupational Safety and Health Act in Taiwan. There are in-house rules, guidelines and procedures on workplace health and safety. For example, the Group has adopted Journalist Health and Safety Guide since 2016 which applies to all news reporters working in high risk or hostile environments related to natural disasters, man-made disasters, social crisis and any other news events that may jeopardize personal safety. The guide emphasis on risk assessment, health precaution, training, communication set up and support in case of emergency or causalities.

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 responsibilities 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.

There was no work-related fatality in the reporting year. 822 working days were lost (accounts for 0.1% of the Group’s total workhours) due to self-reported work injury cases including injuries caused during production and commuting accident (see below graph):

Number of Work Injury Cases

0	9	15
Work Related Fatality	Work Injury Cases ≤ 3 days	Work Injury Cases > 3 days

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 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 2018, there were 12 qualified first aiders and 13 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. If the employees’ hearing problems were found deteriorating during re-examination, the Group shall transfer the concerned employees to other departments with less noisy working environment.

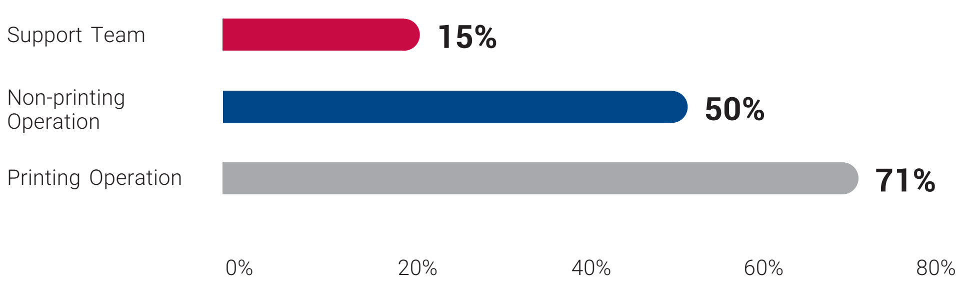
B3. Development and Training

During the reporting year, there were no major changes in policies on improving employee's knowledge and skills for discharging duties at work.

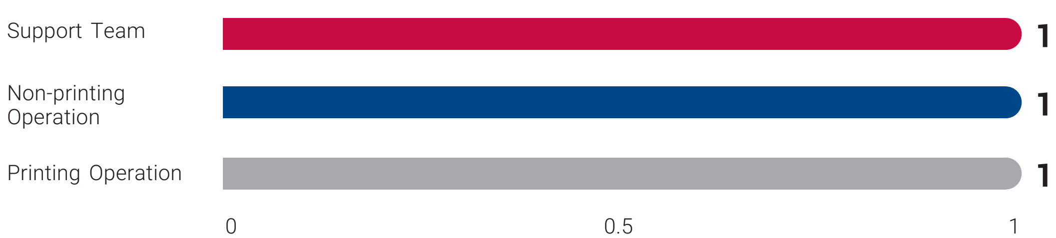
To enhance employee's knowledge and performance standard, and their sense of belonging, the Group offers education allowances for employees attending seminar, lecture, conference and external training, as stated in the Employee Handbook.

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 and external courses, and encompass a wide aspect of areas including language, information technology, health & safety, leadership programmes and etc.

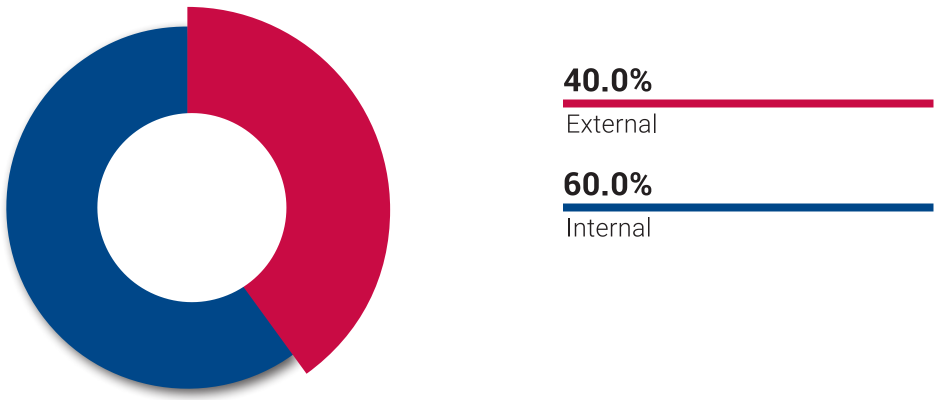
Percentage of Employees Trained by Employee Category (%)



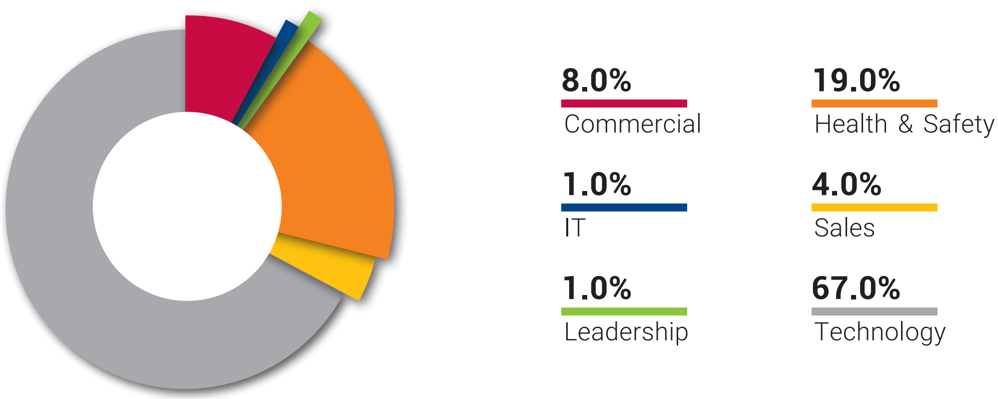
Average Training Hours Completed per Employee by Employee Category (Hour)



Types of Completed Training Course (%)



Training Category (%)



B4. Labour Standards

During the reporting year, there were no major changes in policies and the Group did not note any cases of material non-compliance relating to preventing child and forced labour. 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. In case of violation, immediate corrections and actions shall be taken, and management shall conduct review of the concerned employee's work procedure and training shall be provided if necessary.

2. Operating Practices

B5. 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. Raw materials such as paper were sourced internationally to ensure steady supply and safeguard paper quality. 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. The Group also regularly reviewed and updated the Material Safety Data Sheets ("MSDS") of the chemicals used in printing plants.

When engaging new suppliers, Procurement Department requires their voluntary disclosure on internal green policy and international accreditation. During the reporting year, the Group has taken actions to investigate the environmental impacts from our major engaged contractors, particularly on waste paper and chemical waste collections. Through meetings and visits to contractor's premises, the Group was able to gather insight information and communicate with them the Group's expectation and standard on waste management issues. Vendors and contractors are then re-prioritized on the basis of contract term, amount of transaction and impact to the environment.

B6. Product Responsibility

During the reporting year, there were no major changes in policies and the Group did not note any cases of material non-compliance regarding product responsibility as required by related laws and regulations.

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.

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. Legal department regularly arranges training, taught by external lawyers, for staff in editorial department to familiarize themselves with various topics related to intellectual property rights.

Consumer Data Protection

It is stated clearly in the Employee Handbook and Employment Contract, employees are not allowed to sell or use any Group's property without authorization. No confidential information, editorial property or customer information shall be disclosed to anyone outside the Group under any circumstances during employment. There is standard procedure to deal with access to confidential information once employees are being transferred to other department or resigned. During the reporting year, the Group has also upgraded various privacy protection control systems for domain and computer access. Regular training arranged by legal department is also provided for employees to be more alert regarding privacy protection issues.

Respond to Reader's Concerns

To achieve higher standard of excellence, the Group has a dedicated 24-hour customer service and complaint hotline and a mail box in which reader's comments or concerns on the media content can be addressed in timely manner. In case of false information being reported, the Group commits to review and correct immediately and publish public apology letter when necessary. A children and youth disciplinary committee has also been set up in Taiwan and regular meetings have been arranged to receive and review complaints or opinions from public and concerned authorities particularly on child-related issues contents.

B7. Anti-corruption

During reporting year, there were no major changes in policies relating to bribery, extortion, fraud and money laundering and there was no concluded legal cases regarding corrupt practices. 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, code of conducts and conflict of interest declaration standard procedure to regulate the discipline and professional conduct of employees. 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.

B8. 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$0.4 million for 7 emergency assistance cases, supporting such community financially and physically. Major beneficiaries include families of:

- A worker with sudden death during railway pipeline works;
- A driver who died in a traffic accident in Kwai Chung; and
- A passerby who got killed in a traffic accident near Tai Lam Tunnel.

To provide medical assistance to people suffering from serious illness that require immediate or special medical treatment, the Foundation donated a total of HK$3.3 million for 386 beneficiaries including:

- A 21-year-old woman suffering from a rare type of cancer, soft tissue sarcoma;
- A 78-year-old man who needed funding for restoring partial vision from an eye disease, in order to take care of his wife who has cancer; and
- A 54-year-old disabled man who needed funding to purchase electric wheelchair to help him getting back to society and make a living.

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$0.8 million to a total of 325 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 28 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

Since 2003, the Fund has received more than NT$3.2 million donations from over 460,000 readers, and has supported more than 11,000 families who were in difficulties, 1,074 students who needed financial aid for education, and partnered with over 500 charity organizations.

During the year, 46,897 readers participated in our charitable activities with 347,076 times of participation. The total donation amounted to NT$307 million, which helped supporting 1,058 families who were in difficulties and 139 social welfare groups who gave services to underprivileged groups such as children, youth, single parents and new immigrants, as well as providing scholarships to 300 students to complete their education.

Families with difficulties:

The Fund has allocated NT$250 million to help 1,058 poor families to relieve their difficulties, with 55% went to emergency assistance (including funeral assistance) and 32% went to medical assistance.

Cases of assistance included:

- A 37-year-old widow who needs to take care of her child who suffers from cerebral palsy with quadriplegia and requires long-term rehabilitation;
- A 31-year-old seriously injured farmer who lost ability to work and was unable to support family (wife and two children); and
- A 41-year-old single-parent father who has been severely affected by Amyotrophic Lateral Sclerosis and was unable to work and support family (mother and two children).

Social Welfare Groups

During the year, the Fund collaborated with 139 social welfare groups with NT$21.8 million in supporting:

- Elderly care in remote and rural areas;
- Underprivileged children who need financial aid in education;
- People with disabilities;
- Abused women;
- Training for aboriginal families;
- Vocational training for female immigrants;
- College students who were provided free medical service in different areas in Taiwan throughout the winter and summer vacation; and
- English teaching for underprivileged students.

Financial aid for education and children in remote areas and with disadvantage backgrounds

During the year, the Fund has allocated NT$5.6 million for helping 300 underprivileged students and more than 1,074 students to complete their education. On Christmas Eve, the Fund and our donors visited children in remote rural with their dreamed gifts and celebrated the festival with them. Moreover, the Fund spent NT$85,000 on purchasing thermal jackets, backpack, hats, and eye-protection table lamps for 80 students in Yong Kang Elementary School in Nantou County Chungliao Township and Shin Nan Elementary School in Yunlin County Kouhu Township. All of them came from economically disadvantaged families of low-income, single-parent, grandparenting and new immigrant backgrounds. At the same time, the Fund supported the employees at Fengyuan Branch and Nanyang Branch of Joy Education Group and Farmalite Trading Co., Ltd to buy Christmas gifts for children at school and celebrated the festive season with them.

Celebrate festival with underprivileged families

During the Lunar New Year, the Fund allocated a total of NT$2.2 million to serve 140 underprivileged families for enjoying the festival. During the Dragon Boat Festival and Mid-Autumn Festival, the Fund gave away rice dumplings for 706 elderly people who lived alone and bought 510 boxes of mooncakes from non-profit organization to help support single-parent families.

GOOD
CORPORATE
GOVERNANCE
STRONG
COMPETITIVE
POWER

CORPORATE GOVERNANCE REPORT

Next Digital is committed to maintaining high standards of corporate governance. The Board strongly believes that sound and effective corporate governance practices can ensure the Company's long-term success and ultimately enhance the Shareholder value.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the applicable provisions of the CG Code throughout the year ended 31 March 2018, except for a slight deviation of Code Provisions A.6.7 and E.1.2.

Under the Code Provision A.6.7 of the CG Code, the independent non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. As provided for in the Code Provision E.1.2 of CG Code, the chairmen of the audit, remuneration and nomination committees should be invited to attend the annual general meeting. Due to other business engagements, Mr. Wong Chi Hong, Frank, being the then INED and Chairman of the Remuneration Committee, was unable to attend the 2017 AGM. Mr. Ip Yut Kin, the then Non-executive Chairman of the Group, chaired the aforesaid meeting in accordance with the provisions of the Articles of Association.

BOARD OF DIRECTORS

As of 31 March 2018, the Board consisted of seven members, two of whom were EDs, two were NEDs and three were INEDs. Names and other biographical details of the existing members of the Board are set out under the heading of "Directors and Senior Management" on pages 74 to 76. The current structure and composition of the Board have provided it with an appropriate mix of skills, knowledge, experience and diversity. The Board reviews its structure and composition from time to time to ensure that appropriate expertise and independence are maintained.

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. All NEDs are appointed for a specific term of two years and are subject to retirement by rotation and re-election at the annual general meeting at least once every three years pursuant to the Articles of Association.

Role of the Board

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

- Formulating the Group's strategic objectives;
- Directing and monitoring 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 policies are delegated to the management of the Company and its subsidiaries. The Board fully supports the management by allowing it to run and develop the Group's business autonomously within the context of directions as to the management's powers and authorities. The management should report back and obtain approval from the Board before any significant decisions or commitments are to be made. The Board also periodically reviews the authorities delegated to the management to ensure that these remain appropriate.

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 ED, is responsible for the strategic planning of its various business units and day-to-day management of its operations.

Currently, the Board is led by Non-executive Chairman, Mr. Lai, who replaced Mr. Ip Yut Kin on 1 February 2018, and is responsible for macro oversight in the management in compliance with the mission and vision of the Group.

Following the retirement of Mr. Cheung Ka Sing, Cassian on 1 February 2018, Mr. Cheung Kim Hung acts as the CEO of the Group and is responsible for implementation of the strategies set by the Board, takes charge of the day-to-day management and operation of the Group and leads the management team to ensure the Group operates in accordance with its strategies.

Board Activities

The Board meets regularly and holds quarterly meetings to review and discuss the Company's operations, financial results and other relevant matters identified by the Directors. Additional meetings may also be arranged at the Directors' request. Through participating in the Board meetings and committees meetings, attending general meetings, and participating in continuous professional development, all Directors are able to make contribution required from them to the Board and to the development of the Company. 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.

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 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 interests of the Company. Directors are encouraged to discuss these 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 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 comments 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/general 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	Nomination Committee Meetings	Annual General Meeting (Note 2)
NEDs					
Lai Chee Ying (Non-executive Chairman) (Note 3)	1/1 (100%)	N/A	N/A	N/A	0/0 (0%)
Ip Yut Kin (Note 4)	7/7 (100%)	(2/3) (67%)	N/A	N/A	1/1 (100%)
EDs					
Cheung Kim Hung (CEO) (Note 5)	1/1 (100%)	N/A	N/A	0/0 (0%)	0/0 (0%)
Chow Tat Kuen, Royston (CFO)	7/7 (100%)	N/A	2/2 (100%)	N/A	1/1 (100%)
Cheung Ka Sing, Cassian (Note 6)	6/6 (100%)	N/A	N/A	3/3 (100%)	1/1 (100%)
INEDs					
Bradley Jay Hamm	6/7 (86%)	N/A	N/A	3/3 (100%)	1/1 (100%)
Louis Gordon Crovitz (Note 7)	0/0 (0%)	0/0 (0%)	0/0 (0%)	0/0 (0%)	0/0 (0%)
Wong Chi Hong, Frank (Note 7)	7/7 (100%)	3/3 (100%)	2/2 (100%)	3/3 (100%)	0/1 (0%)
Lee Ka Yam, Danny (Note 8)	6/7 (86%)	3/3 (100%)	2/2 (100%)	N/A	1/1 (100%)
Dates of Meetings	12.06.2017 13.07.2017 21.08.2017 18.09.2017 13.11.2017 12.12.2017 26.03.2018	09.06.2017 18.09.2017 10.11.2017	18.09.2017 13.11.2017	18.09.2017 13.11.2017 12.12.2017	28.07.2017

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. 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 Company's external auditor attended the 2017 AGM to answer questions from the Shareholders.

3. Mr. Lai was appointed as the Non-executive Chairman of the Group and a NED of the Company on 1 February 2018.

4. Mr. Ip resigned as the Non-executive Chairman of the Group but remained as a NED and a member of the Audit Committee of the Company on 1 February 2018.

5. Mr. Cheung Kim Hung was appointed as the CEO of the Group and an ED and a member of the Nomination Committee of the Company on 1 February 2018.

6. Mr. Cheung Ka Sing, Cassian retired as the CEO of the Group and an ED and a member of the Nomination Committee of the Company on 1 February 2018.

7. Mr. Crovitz was appointed as an INED, the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company on 26 March 2018 in place of Mr. Wong.

8. Dr. Lee resigned as an INED and the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company on 9 May 2018.

BOARD COMMITTEES

The Board has established an Audit Committee, Remuneration Committee, Nomination Committee and other committee 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).

As of 31 March 2018, the Audit Committee's membership consisted of two INEDs, Dr. Lee Ka Yam, Danny and Mr. Louis Gordon Crovitz and one NED, Mr. Ip Yut Kin. The committee was chaired by Dr. Lee Ka Yam, Danny, who possesses the professional qualifications and financial management expertise required under the Listing Rules. Following Dr. Lee's resignation on 9 May 2018, Mr. Lam Chung Yan, Elic takes up his role as chairman of the Audit Committee and a member of Remuneration Committee. None of the members are, or have been, a member of the Company's current or previous external auditor.

(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 www.nextdigital.com.hk/investor and the Stock Exchange's website.

(iii) Audit Committee's Activities

During the year under review, 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 2017;
- The continuing connected transactions of the Group for the year ended 31 March 2017;
- The internal control review report for the year ended 31 March 2017;
- Valuation of mastheads and publishing rights of the Group for the year ended 31 March 2017;
- The valuation report in respect of the share options granted under the 2014 share option scheme of the Company during the year ended 31 March 2017;

- The proposal of change of auditor;
- The Group's unaudited interim financial statements for the six months ended 30 September 2017; and
- The internal control review progress report (November 2017) prepared by professional firm.

Mr. Chow Tat Kuen, Royston (CFO) and the Group Financial Controller were invited to attend these meetings to give a full account of the financial statements and answered 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 internal auditor, the Audit Committee also reviewed the adequacy and effectiveness of Next Digital's internal control and risk management 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. As of 31 March 2018, the Remuneration Committee consisted of two INEDs, Mr. Louis Gordon Crovitz and Dr. Lee Ka Yam, Danny and one ED, Mr. Chow Tat Kuen, Royston. Following Dr. Lee's resignation on 9 May 2018, Mr. Lam Chung Yan, Elic was appointed as a member of the Remuneration Committee. It was chaired by Mr. Louis Gordon Crovitz.

(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 on Next Digital's website at www.nextdigital.com.hk/investor and the Stock Exchange's website.

The Remuneration Committee is also responsible for ensuring that no Director or any of his associates are involved in deciding their 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 under review, the Remuneration Committee was given the delegated responsibility and has considered and/or endorsed with reference to the Group's operating results, duties and level of responsibility of the EDs and the prevailing market conditions at the meetings held during the year and/or by way of written resolution the following matters before they were submitted to the Board, where appropriate, for its consideration:

- The remuneration of Mr. Cheung Kim Hung and Mr. Chow Tat Kuen, Royston;
- The payment to Mr. Cheung Ka Sing, Cassian after end of contract; and
- The Directors' fees for the years ending 31 March 2018 and 2019.

Nomination Committee

(i) Structure and Membership

The Nomination Committee was established on 30 March 2012. As of 31 March 2018, the Nomination Committee consisted of two INEDs, Dr. Bradley Jay Hamm and Mr. Louis Gordon Crovitz and one ED, Mr. Cheung Kim Hung. It was chaired by Dr. Bradley Jay Hamm.

(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 with reference to the skills and experience of the Board appropriate for the requirements of the Group's business as and when appropriate. Full details of the Nomination Committee and its terms of reference can be found on Next Digital's website at www.nextdigital.com.hk/investor and the Stock Exchange's website.

The Company has adopted a Board Diversity Policy setting 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.

(iii) Nomination Committee's Activities

During the year under review, the Nomination Committee has considered and approved the following matters at the meetings:

- The appointment of deputy CEO;
- The change of CEO;
- The change of non-executive chairman; and
- The change of INED and composition of Board committees.

The Nomination Committee also assessed the independence of INEDs in respect of the year ended 31 March 2018, and opined that all three INEDs of the Company complied with Rule 3.13 of the Listing Rules.

Other Committee

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

Corporate Governance Function

The Board does not have a Corporate Governance Committee. The functions that would be carried out by a Corporate Governance Committee are performed by the Board as a whole and are as follows:

1. to develop and review the Company's policies and practices on corporate governance;
2. to review and monitor the training and continuous professional development of directors and senior management;
3. to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The mandate of the Board is to oversee the management of business and affairs of the Group and ensure that good corporate governance practices and procedures are in place. To this end, the Board established a Corporate Governance Policy that sets out the Company's basic approach to corporate governance.

During the year under review, members of the Board have reviewed and discussed, among other things, the Company's policies and practices on corporate governance. They have also reviewed and monitored the training and continuous professional development of Directors, the Company's policies and practices on compliance with legal and regulatory requirements as well as its disclosure in the Corporate Governance Report. The Board has reviewed the code of conduct applicable to employees and directors setting out the standards of behaviour that the Company expects from them and the guidelines on how they should handle different situations in business dealings with the Group.

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

To ensure that every Director can 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, none of the Directors held any directorships or offices in any other public companies or organisations except Mr. Cheung Ka Sing, Cassian, an ex-Director, being an independent non-executive director, a nomination committee member, an audit committee member and chairman of the remuneration committee of Trinity Limited, the shares of which are listed on the Stock Exchange.

Securities Transactions

Next Digital has adopted the Model Code as its own code of conduct regarding securities transactions by Directors. Specific enquiries have been made on all Directors who have confirmed that they have complied with the required standards set out in the Model Code throughout the year.

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 conducts all voting at general meetings by poll pursuant to the Listing Rules and the Articles of Association. The Shareholders' rights and procedures for demanding a poll will be set out in the relevant circulars sent to the Shareholders within the stipulated timeframe and they will be explained to those present at the start of the general meetings.

To ensure that votes were counted correctly, Computershare, the Company's share registrar and transfer office, was appointed as the scrutinizer for the voting by poll at the 2017 AGM.

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 sessions are designed to relate to the roles, functions and duties of listed company directors 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 any 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 2018. These were as follows:

	Corporate Governance/Updates on Laws, Rules and Regulations/Management	
	Reading materials/ E-learning	Attending seminars
NEDs		
Lai Chee Ying (Non-executive Chairman)	✔	X
Ip Yut Kin	X	✔
EDs		
Cheung Kim Hung (CEO)	✔	✔
Chow Tat Kuen, Royston (CFO)	✔	✔
INEDs		
Louis Gordon Crovitz	X	✔
Bradley Jay Hamm	X	✔
Lee Ka Yam, Danny	X	✔
Wong Chi Hong, Frank	X	✔

Company Secretary

Mr. Chow Tat Kuen, Royston (ED) also acts as the Company Secretary of the Company. His primary company secretarial 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.

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

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 his team, 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 was 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.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The statement of the external auditors of the Company, Deloitte, about its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 95 to 99.

MONTHLY FINANCIAL UPDATES TO DIRECTORS

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

AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT

External Auditor

Deloitte has been the Company's external auditor since 2004. For the year ended 31 March 2018, the total fees paid and payable to the external auditor amounted to a total of HK$4,020,000, of which HK$2,691,000 was for audit services and HK$1,329,000 for non-audit services including procedures on the interim financial report, review and report on the financial information on circular to Shareholders and consultancy services. Baker Tilly Hong Kong has been appointed by the Company to provide taxation services. For the year ended 31 March 2018, the total fees paid and payable to Baker Tilly Hong Kong for taxation services amounted to HK$206,000.

Internal Control and Risk Management

Maintaining sound risk management and internal control systems are important so that the Group can act more confidently when making future business decisions. The Board takes overall responsibility for ensuring that appropriate and effective risk management and internal control systems are established and maintained to safeguard Shareholders' investment and the Group's assets. Through the Audit Committee, the Board continuously reviews the effectiveness of the Group's risk management and internal control systems, which include financial, operational, compliance and risk management controls. Since 1 April 2006, the Board has also engaged independent professional firm to conduct assessments to evaluate the Group's entity-level controls.

The establishment of risk management and internal control systems involves (1) identifying risks associated with each activity undertaken within key functions carried out by the Group; (2) evaluating and prioritising identified risks according to their likelihood, financial consequence and reputational impact on the Group; (3) appointing risk owners of top risks to monitor and deal with identified risks; (4) formulating risk mitigation plan for identified risks; and (5) monitoring and reporting identified risks to the Audit Committee and senior management by the engaged professional firm. The risk management and internal control systems of the Company are designed to manage and minimise, rather than eliminate, the risk of failure to achieve business objectives of the Group and can provide reasonable, but no absolute assurance, against material misstatement or loss.

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. It 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, a representative from the professional firm attends Audit Committee meetings twice a year to report its progress. The key risks identified, managed and monitored during the year included business environment, strategic planning, advertising sales and marketing, network maintenance and security as well as staff recruitment and retention. The Group has taken actions to address the areas of concern.

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.

For the year under review, the Board has conducted a semi-annual review of the effectiveness of the Group's risk management and internal control systems and considered that the Group has compiled with the provisions on risk management and internal control as stipulated in the CG Code. The Board is satisfied that no significant irregularities were found in the Group's risk management and internal control systems.

COMMUNICATIONS WITH SHAREHOLDERS

Annual General Meeting

Next Digital has always strived to maintain an amicable and open relationship with its Shareholders. The Company's annual general meeting provides a forum at which Board members and Shareholders can share opinions and ideas. Shareholders are invited to direct questions to the Board at the annual general meeting. 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.

Investor Relations

As a multimedia company, Next Digital remains determined to enhance its transparency by making full use of all appropriate communications channels when sharing information with third parties. The Board is also well aware of the importance of communication between investors, Shareholders and the Company. It adopted a Shareholder Communication Policy to ensure effective communication with Shareholders. To achieve equal access to information on the Company's latest major developments, measures have been taken to ensure all necessary information and appropriate updates are made available to Shareholders and investors in a timely manner through the Company's website at www.nextdigital.com.hk/investor under the column of "Investor Relations". In addition to financial reports, all announcements and circulars of the Company including results announcements, notices of general meetings and associated explanatory documents released by the Company to the Stock Exchange are posted on the Company's website.

Shareholders may direct their questions about their shareholdings to the Company's share registrar. For enquiry about the information of the Company, Shareholders may send any enquiries to the Board by mail, email or telephone to the Company Secretary. Other interested members of the public are also welcome to communicate directly with Next Digital by sending correspondence marked "For the attention of the Company Secretary", whose contact details are as follows:

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

Email: ir@nextdigital.com.hk

Fax: (852) 2623 9386

The Board has established a Corporate Disclosure Policy that applies to all employees and management of the Group and the Directors, setting out the framework for the release and control of inside information to ensure that the Company is able to meet the statutory and regulatory requirements. The Board has overall responsibility for ensuring that the Group complies with its disclosure obligations regarding inside information but delegates day-to-day responsibility for overseeing and implementing the policy to the CEO. Inside information should be disclosed by way of an announcement in accordance with the requirements of the SFO and the Listing Rules. Before relevant information is fully disclosed to the public, such information is kept strictly confidential.

The Board also set out the procedures in communication with analysts and the media. Certain EDs and senior management were selected carefully to act as the Group's representatives in meetings with analysts and the media.

The Company's constitutional documents are made available on the Company's website at www.nextdigital.com.hk/investor in the section of "Corporate Governance" under the column of "Investor Relations" and on the Stock Exchange's website. During the year, there was no significant change in them.

Shareholders' Rights

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

(i) Procedures for proposing a resolution at an annual general meeting;

(ii) Procedures for election of Directors; and

(iii) Procedures for convening an extraordinary general meeting 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.

OUR ACHIEVEMENTS

HONG KONG 香港

HONG KONG ASSOCIATION OF INTERACTIVE MARKETING

5TH MEDIA CONVERGENCE AWARDS

香港互動市務商會
第五屆傳媒轉型大獎

報紙類別
（流動程式）
金獎
Apple Daily
《蘋果日報》

報紙類別
（社交媒體）
金獎
Apple Daily
《蘋果日報》

10大傑出傳媒
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）
金獎
Apple Daily
《蘋果日報》

社交媒體
銀獎
Apple Daily
《蘋果日報》

十大最喜愛
粉絲專頁
Apple Daily
《蘋果日報》

網站
銅獎
Apple Daily
《蘋果日報》

整體大獎
銀獎
Apple Daily
《蘋果日報》

HONG KONG 香港

THE SOCIETY OF PUBLISHERS IN ASIA (SOPA)

2017 AWARDS FOR EDITORIAL EXCELLENCE

亞洲出版業協會
2017年度卓越新聞獎

Excellence in
Lifestyle Coverage Group C
生活時尚報導C組

Honorable Mention
優異

Apple Daily
《蘋果日報》

Project Name
Series On Escaping to Foreign Lands

主題
逃走他鄉的故事系列

Excellence in
Video Reporting Group C
視頻報道C組

Honorable Mention
優異

Apple Daily
《蘋果日報》

Project Name
70 million left behind children

主題
留守兒童有父母的孤兒
七千萬個不幸

Excellence in
Reporting Breaking News Group C
突發性新聞獎C組

Honorable Mention
優異

Apple Daily
《蘋果日報》

Project Name
Series of mini-storage fire:
two firemen are killed and revealed
no control in the storage centre

主題
時昌迷你倉四級火系列：
兩消防殉職　揭迷你倉
無王管成奪命陷阱

THE PACIFIC AREA NEWSPAPER PUBLISHERS' ASSOCIATION (PANPA)

2017 NEWSPAPER OF THE YEAR AWARDS

太平洋地區報紙出版者協會
2017年度新聞大獎

Technical Excellence in Print and Production (Single Width Press: National/Metropolitan Regional Finalists)
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 2017

世界報業及新聞出版協會
2017亞洲數碼媒體大獎

First Prize 冠軍

Next Mobile
《壹傳動》

Best Digital Advertising Campaign
最佳網上廣告策劃

Project Name
Mr. Peanut x CE2017

HONG KONG 香港

ASIAN MEDIA AWARDS 2017
2017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

Gold Award 金獎

Apple Daily《蘋果日報》

THE 17TH CONSUMER RIGHTS REPORTING AWARDS
第十七屆消費權益新聞報導獎

Text (News/Features/Commentary)
文字（新聞／特寫／評論）

Honorable Mention
優異

Apple Daily
《蘋果日報》

主題
果味電子煙荼毒兒童　6歲女變老煙槍
大部份含尼古丁及致癌物

Press Photo
新聞攝影

Gold Award
金獎

Apple Daily
《蘋果日報》

主題
住宅細過車位

Press Photo
新聞攝影

Theme Award
主題獎

Apple Daily
《蘋果日報》

主題
可持續消費獎（新聞攝影）

HONG KONG PRESS PHOTOGRAPHERS ASSOCIATION

FOCUS ON THE FRONTLINE 2017

香港攝影記者協會
《前線 • 焦點2017》

Sports
體育組
First Prize
冠軍
Apple Daily 《蘋果日報》

Feature 特寫組
First Prize
冠軍
Apple Daily 《蘋果日報》

Spot News
突發新聞組
Honorable Mention
優異
Apple Daily 《蘋果日報》

Nature & Environment
自然與環境組
Honorable Mention
優異
Apple Daily 《蘋果日報》

Photo Story 圖片故事組
First Prize 冠軍
Apple Daily 《蘋果日報》

Portrait 人物
Honorable Mention
優異
Next Magazine 《壹週刊》

Photo Story 圖片故事組
Honorable Mention
優異
Apple Daily 《蘋果日報》
Portrait 人物

TAIWAN 台灣

第六屆台海新聞攝影獎

台海生活民俗新聞類
金獎
《台灣蘋果日報》
主題
《追夢人》

台海環保科技新聞類
銀獎
《台灣蘋果日報》
主題
《德翔台北號》

台海生活民俗新聞類
銀獎
《台灣蘋果日報》
主題
《白沙屯媽祖進香》

THE PACIFIC AREA NEWSPAPER PUBLISHERS' ASSOCIATION (PANPA) 2017 NEWSPAPER OF THE YEAR AWARDS

太平洋地區報紙出版者協會
2017年度新聞大獎

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》

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》

ASIAN MEDIA AWARDS 2017

2017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

Taiwan Apple Daily
《台灣蘋果日報》

2017年度消費者權益報導獎

熱心報導獎

《台灣蘋果日報》

主題
《觀光工廠9成違規》

平日報導獎佳作

《台灣蘋果日報》

主題
《超跑名將主辦
3場路跑竟都取消》

平日報導獎特優

《台灣蘋果日報》

主題
《踢爆　垃圾菜煮火鍋賣》

TAIWAN 台灣

第16屆卓越
新聞獎

系列新聞攝影獎

《台灣蘋果日報》

主題
《捍衛居住正義!?高雄果菜市場拆遷爭議》

年度最佳照片
圖文特寫第一名
自然環境與科技類第二名
藝術與娛樂新聞類優選

《台灣蘋果日報》:
地方中心攝影記者

2018年台灣新聞
攝影大賽

圖文特寫類優選

《台灣蘋果日報》
地方中心攝影記者

新北市政府新聞局
2017新北市紀錄片獎

First Prize
第一名

Taiwan Next Magazine
《台灣壹週刊》
主題
《遙遠之路》

外交部第三屆「全民潮台灣」
短片徵件競賽

創意主題獎
First Prize
第一名
Taiwan Next Magazine
《台灣壹週刊》
主題
「縱谷裡的行動小郵車」

創意主題獎
Second Prize
第二名
Taiwan Next Magazine
《台灣壹週刊》
主題
「公館小鎮阿梅先生」

ANNUAL AND INTERIM REPORT AWARDS

THE 27TH ANNUAL ASTRID AWARDS

第27屆 Astrid Awards

Annual Report – Non Traditional Format (D06: Special Printing Techniques)
年報 – 非傳統模式（D06：特殊印刷技術）

Gold Award
金獎

Next Digital Limited
《壹傳媒有限公司》

Publication
Annual Report 2015/16

作品
年報2015/16

Annual Report – Online (F04: Other/Misc)
年報 – 網上（F04：其他／雜項）

Silver Award
銀獎

Next Digital Limited
《壹傳媒有限公司》

Publication
Annual Report 2015/16

作品
年報2015/16

28TH GALAXY AWARDS – 2017 ANNUAL INTERNATIONAL COMPETITION

2017年度第28屆 Galaxy Awards國際賽

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

Silver Award
銀獎

Next Digital Limited
《壹傳媒有限公司》

Publication
Annual Report 2015/16

作品
年報2015/16

Annual Report – Print: Media Company
年報 – 印刷：媒體公司

Bronze Award
銅獎

Next Digital Limited
《壹傳媒有限公司》

Publication
Annual Report 2015/16

作品
年報2015/16

2016 LACP Vision Awards

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

Annual Report – Interior Design – 098 Media Advertising Agency
年報 – 內頁設計 – 098 媒體廣告代理

Silver Gold
銀獎

Next Digital Limited
《壹傳媒有限公司》

Publication
Annual Report 2015/2016

作品
年報2015/2016

31ST ARC AWARDS – 2017 ANNUAL INTERNATIONAL COMPETITION

2017年度第31屆
ARC Awards國際賽

Annual Report – Cover Photo/Design – 099 Media Company/Conglomerate
年報 – 封面相片／設計 – 099 媒體公司／集團

Bronze Gold
銅獎

Next Digital Limited
《壹傳媒有限公司》

Publication
Annual Report 2015/2016

作品
年報2015/2016

Annual Report – Cover Photo/Design – 098 Media Advertising Agency
年報 – 封面相片／設計 – 098媒體廣告代理

Gold Award
金獎

Next Digital Limited
《壹傳媒有限公司》

Publication
Annual Report 2015/2016

作品
年報2015/2016

DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Mr. Lai Chee Ying, aged 70, was appointed a Non-executive Director of the Company and Non-executive Chairman of the Group in February 2018. He is the founder of the Company and was an Executive Director and the Chairman of the Company from 1999 to 2014. As Chairman, Mr. Lai is mainly responsible for leading the Board and providing strategic direction to the Group. Mr. Lai entered the print media industry by launching *Next Magazine* in 1990 and subsequently launched several other popular magazines and extended the boundaries of the Group's operations from Hong Kong to Taiwan. Prior to founding his publishing business, Mr. Lai had a distinguished 30-year career in the garment industry, establishing and running the hugely successful Giordano retail chain.

Mr. Ip Yut Kin, aged 66, was appointed a Non-executive Director of the Company in June 2016. He is a member of the Audit Committee and serves as a Director of several subsidiaries of the Company. He was Non-executive Chairman of the Group from June 2016 to January 2018. 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 in 1995, Mr. Ip worked with many leading Hong Kong newspapers during a long journalistic career that spanned more than 30 years. He graduated from the National Chengchi University of Taiwan with a Bachelor's degree in Social Sciences (Journalism).

EXECUTIVE DIRECTORS

Mr. Cheung Kim Hung, aged 56, was appointed the Deputy Chief Executive Officer of the Group in October 2017 and became an Executive Director of the Company and the Chief Executive Officer of the Group in February 2018. He is a member of the Nomination Committee and serves as a Director of several subsidiaries of the Company. As Chief Executive Officer, Mr. Cheung is mainly responsible for the strategic planning of the Group's various business units and day-to-day management of its operations. He is also the Publisher of *Apple Daily* and has been 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 and rejoined in 2010. He has over 25 years of journalist experience. Mr. Cheung graduated from The Chinese University of Hong Kong with a Bachelor's degree in Social Science (Journalism).

Mr. Chow Tat Kuen, Royston, aged 60, was appointed an Executive Director of the Company in January 2016. He is a member of the Remuneration Committee and serves as a Director of several subsidiaries of the Company. He is also the Company Secretary of the Company and Chief Financial Officer of the Group, as well as the Chief Operating Officer of Apple Daily Printing Limited and Paramount Printing Company Limited. Mr. Chow is mainly responsible for overseeing the Group's financial management, financial functions and governance, corporate compliance as well as daily operation of printing business. Prior to joining the Group in 1992, he held senior management accounting positions with several leading financial institutions in Hong Kong and Australia. Mr. Chow graduated from the University of New South Wales, Australia with a Bachelor's degree of Commerce in Accounting and a Master's degree of Commerce in Finance. He is also a fellow of the CPA Australia and The Hong Kong Institute of Certified Public Accountants.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Mark Lambert Clifford, aged 60, was appointed an Independent Non-executive Director of the Company in May 2018. He is the executive director of the Hong Kong-based Asia Business Council. Previously he was editor-in-chief of the *South China Morning Post*, prior to that he was publisher and editor-in-chief of *The Standard* and held senior positions at *Business Week* and the *Far Eastern Economic Review* (in Hong Kong and Seoul). Mr. Clifford is a prize-winning journalist and author, whose latest book is *The Greening of Asia*. He is also the chairman of the editorial board of the *Asian Review of Books*, and a member of the Council on Foreign Relations in New York. He has over 25 years of experience in journalism. Mr. Clifford graduated from the University of California, Berkeley with a Bachelor of Arts in History and was a Walter Bagehot Fellow in Economic and Business Journalism at Columbia University.

Mr. Louis Gordon Crovitz, aged 59, was appointed an Independent Non-executive Director of the Company in March 2018. He is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. Mr. Crovitz is also a director and a member of the Nominating & Governance Committee and Innovation & Technology Committee of Dun & Bradstreet (a global corporate information and financial analysis company) and a director of Marin Software (an online advertising company). He was the interim chief executive officer of Houghton Mifflin Harcourt (a global learning company) from 2016 to 2017 and is currently its director. The shares of these companies are listed on the New York Stock Exchange and NASDAQ respectively. Mr. Crovitz is also a co-founder and co-chief executive officer of NewsGuard Technologies, a provider of information about the news brands consumers access online. He, being the former Publisher of *The Wall Street Journal* and Executive Vice President of Dow Jones & Company, Inc. and President of its Consumer Media Group, has been active in digital media since the early 1990s. Mr. Crovitz is a holder of a Juris Doctor from Yale Law School, a Bachelor of Arts in Jurisprudence from the University of Oxford and an artium baccalaureus in Politics, Economics, Rhetoric and Law from the University of Chicago.

Dr. Bradley Jay Hamm, aged 53, was appointed an Independent Non-executive Director of the Company in March 2015. He is the Chairman of the Nomination Committee of the Company and 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. 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. Dr. Hamm 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.

Mr. Lam Chung Yan, Elic, aged 38, was appointed an Independent Non-executive Director of the Company in May 2018. He is the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Mr. Lam is also the co-founder of the Forlam Group which provides risk management solutions and consulting services to companies in the financial sector. He has been holding senior management positions in professional firms for 11 years. Mr. Lam graduated from The University of Sydney, Australia with a Master of Project Management and graduated from Tamkang University, Taiwan with a Bachelor of Business in Accounting. He is a fellow of the CPA Australia and a chartered accountant of the Malaysian Institute of Accountants. Mr. Lam is also a member of Australian Institute of Company Directors.

SENIOR MANAGEMENT

Ms. Chan Pui Man, aged 48, is the Associate Publisher 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. Law Wai Kwong, Ryan, aged 45, is the Editor-in-Chief of *Apple Daily*. He joined the Group in 2000 as a reporter of *Apple Daily*. He graduated from the University of Hong Kong and holds a Bachelor's degree in Arts.

Mr. Cheung Chi Wai, Nick, aged 50, is the Platform Director of *Apple Actionnews*. He joined the Group in 1995 and served entertainment section of *Apple Daily*. Since 2013, Mr. Cheung has been in charge of online division of *Apple Daily*. He graduated from Lingnan College (currently known as Lingnan University).

Mr. Mak King Hing, Mark, aged 44, is the Associate Publisher and Editor-in-Chief of *Next Magazine* and Executive Content Director of *Wonder Media*. He joined the Group in 1997 as a reporter of *Next Magazine*. Mr. Mak was Deputy Editor-in-Chief of *Next Magazine* and *Sharp Daily* and Executive Editor of *East Week Magazine*. He studied at Department of Journalism and Communication at Hong Kong Shue Yan College (currently known as Hong Kong Shue Yan University) in Journalism and Communication.

Mr. Chen Yu Hsin, Eric, aged 57, is the Publisher of *Taiwan Apple Daily*. He joined the Group in 2001 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 was Editor-in-Chief of *The Journalist, Tomorrow Times* 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 53, is the Editor-in-Chief and Publisher of *Taiwan Next Magazine*. Prior to joining the Group in 2001, he was Deputy Executive Editor-in-Chief of *The Journalist* from 1991 to 1999 and Deputy Editor-in-Chief of *Tomorrow Times* respectively. Mr. Chiu graduated from the Fu Jen Catholic University, Taiwan with a Bachelor's degree in Mass Communication.

Mr. Liang Man Kin, Dominie, aged 47, is the Chief Information Officer of the Group. Prior to joining the Group in February 2018, Mr. Liang has worked with many leading media in Hong Kong like Metro-Radio, i-Cable, Singtao Group and New Media Group as Chief Digital Officer for more than 8 years. He also have various IT, mobile and digital marketing working experience in various listed & international companies like Star Internet, Tom.com, Nokia, Midland Realty etc. Mr. Liang is now one of the executive committee members of Hong Kong Association of Interactive Marketing and elected as the Digital Marketer of the Year (2014).

CORPORATE INFORMATION

DIRECTORS

Non-executive Directors

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

Executive Directors

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

Independent Non-executive Directors

Mark Lambert Clifford
Louis Gordon Crovitz
Bradley Jay Hamm
Lam Chung Yan, Elic

AUTHORISED REPRESENTATIVES

Cheung Kim Hung
Chow Tat Kuen, Royston

COMPANY SECRETARY

Chow Tat Kuen, Royston

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

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

LEGAL ADVISORS

Reed Smith Richards Butler
Deacons

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 REPORT APP

Financial apps icon

QR code

WEBSITE

http://www.nextdigital.com.hk

SHARE INFORMATION

As at 31 March 2018

SHAREHOLDERS

Mr. Lai Chee Ying	73.46%
Others Directors	0.56%
Others	25.98%

ISSUED SHARES

2,432,026,881 Shares

MARKET CAPITALISATION

at HK$0.270 per Share (closing price on 29 March 2018)	HK$0.66 billion

STOCK CODE

The Stock Exchange of Hong Kong Limited	00282
	Main Board

BOARD LOT

2,000 Shares

OUTSTANDING SHARE OPTIONS GRANTED UNDER THE 2014 SHARE OPTION SCHEME

Exercise price per Share	Number of Shares
HK$0.420	1,500,000
HK$0.760	510,000
Total	**2,010,000**

DIRECTORS' REPORT

The Directors present their report and Financial Statements for the year ended 31 March 2018.

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 38 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 17 describes the material factors underlying the Group's performance and its financial position.

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 "Chairman'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 policies and performance as well as an account of the Group's key relationships with its employees, customers and suppliers and others that have a significant impact on the Group and on which the Group's success depends are 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 sections headed "Environmental, Social and Governance Report" and "Corporate Governance Report" of this annual report. All of the above sections form part of this Directors' Report.

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 100.

No interim dividend was paid to the Shareholders during the year (2017: nil).

The Directors have resolved not to recommend the payment of a final dividend for the year ended 31 March 2018 (2017: nil).

DISTRIBUTABLE RESERVES

There was no distributable reserves of the Company at 31 March 2018, calculated under Part 6 of the CO (2017: nil).

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

DONATIONS

Donations for charitable and other purposes made by the Group during the year amounted to HK$2,338,000 (2017: HK$3,297,000).

MAJOR CUSTOMERS AND SUPPLIERS

The Group's five largest customers accounted for 31.8% of its revenue, and its five largest suppliers accounted for 15.1% of its total purchases during the year. The Group's largest customer accounted for 22.5% of its revenue, and its largest supplier accounted for 5.9% of its total purchases during the year.

None of the Directors, their close 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.

PROPERTY, PLANT AND EQUIPMENT

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

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 and 200,000 Shares were issued and allotted to the INEDs on 13 April 2017 and 30 June 2017 respectively.

Details of movements in respect of shares issued during the year are set out in note 27 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 188.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DIRECTORS

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

Non-executive Directors:

Mr. Lai Chee Ying (Non-executive Chairman) (appointed on 1 February 2018)
Mr. Ip Yut Kin

Executive Directors:

Mr. Cheung Kim Hung (CEO) (appointed on 1 February 2018)
Mr. Chow Tat Kuen, Royston (CFO)
Mr. Cheung Ka Sing, Cassian (ex-CEO) (retired on 1 February 2018)

Independent Non-executive Directors:

Mr. Mark Lambert Clifford (appointed on 9 May 2018)
Mr. Louis Gordon Crovitz (appointed on 26 March 2018)
Dr. Bradley Jay Hamm
Mr. Lam Chung Yan, Elic (appointed on 9 May 2018)
Mr. Wong Chi Hong, Frank (resigned on 26 March 2018)
Dr. Lee Ka Yam, Danny (resigned on 9 May 2018)

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

Name	Term of Appointment
Mr. Lai Chee Ying	01.02.2018 to 31.01.2020
Mr. Ip Yut Kin	08.06.2018 to 07.06.2020
Mr. Mark Lambert Clifford	09.05.2018 to 08.05.2020
Mr. Louis Gordon Crovitz	26.03.2018 to 25.03.2020
Dr. Bradley Jay Hamm	01.03.2017 to 28.02.2019
Mr. Lam Chung Yan, Elic	09.05.2018 to 08.05.2020

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.

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 annual general meeting. Accordingly, Dr. Bradley Jay Hamm will retire at the 2018 AGM and, being eligible, offer himself for re-election.

Pursuant to Article 79 of the Articles of Association, Director appointed by the Board to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election but shall not be taking into account in determining the Directors or the number of Directors who are to retire by rotation at such meeting. Accordingly, Mr. Lai Chee Ying, Mr. Cheung Kim Hung, Mr. Mark Lambert Clifford, Mr. Louis Gordon Crovitz and Mr. Lam Chung Yan, Elic will retire at the 2018 AGM and, being eligible, offer themselves for re-election.

DIRECTORS (continued)

Biographical details of the Directors are set out on pages 74 to 75. Details of the Director's emoluments are provided under note 10 to the Financial Statements.

The Company has received from each of the INEDs an annual written confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Board has reviewed their independence based on such confirmation and considers all of them remaining independent.

During the year and up to the date of this report, Mr. Cheung Kim Hung, Mr. Chow Tat Kuen, Royston and Mr. Ip Yut Kin are also directors of the subsidiaries of the Company. Mr. Cheung Ka Sing, Cassian was also a director of the subsidiaries of the Company from 1 April 2017 to 31 January 2018.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, subject to the statutes, the Company will indemnify every Director out of its funds against all liabilities incurred by him as such Director in defending any civil or criminal proceedings. Such provision was in force during the year. In addition, the Company has maintained appropriate directors' and officers' liability insurance in respect of relevant legal actions against the Directors and officers.

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).

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS

Saved as disclosed in this report and "Related Party Transactions" in note 36 to the Financial Statements, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or his connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

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

RETIREMENT BENEFITS PLANS

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

DIRECTORS' RIGHT TO PURCHASE SHARES OR DEBENTURES

Other than the options and share award disclosed below, 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.

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 which expired on 30 July 2017. 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, NEDs 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.

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. This period is 10 years from the date of the grant and ended on 30 July 2017.

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 participants	Date of grant	Exercise price per Share	Vesting date (%)	Exercise period	Number of Shares options				
					At 01.04.2017	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	At 31.03.2018
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)	–
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)	–
Cheung Ka Sing, Cassian (retired on 1 February 2018)	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)	–
Wong Chi Hong, Frank (resigned on 26 March 2018)	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 (resigned on 9 May 2018)	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)	–
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	1,500,000	–	–	(1,500,000)	–
	08.07.2011	HK$1.000	08.07.2012 (30%) 08.07.2013 (60%) 08.07.2014 (100%)	09.07.2011 – 29.07.2017	200,000	–	–	(200,000)	–
	26.09.2012	HK$1.000	26.09.2013 (30%) 26.09.2014 (60%) 26.09.2015 (100%)	27.09.2012 – 29.07.2017	3,000,000	–	–	(3,000,000)	–
	24.01.2014	HK$1.000	25.01.2015 (30%) 25.01.2016 (60%) 25.01.2017 (100%)	25.01.2014 – 29.07.2017	13,200,000	–	–	(13,200,000)	–
Total					43,076,000	–	–	(43,076,000)	–

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

SHARE INCENTIVE SCHEMES (continued)

(a) Next Digital Share Option Schemes (continued)

2014 Share Option Scheme

The 2007 Share Option Scheme expired on 30 July 2017. In order to provide the Company with the flexibility of granting share options to selected persons including but not limited to Directors and employees as incentives or reward for their contribution or potential contribution to the Group. On 31 July 2014, the Company adopted the 2014 Share Option Scheme. 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:

					Number of Shares options				
Name or category of participants	Date of grant	Exercise price per Share	Vesting date (%)	Exercise period	At 01.04.2017	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	At 31.03.2018
Directors									
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
Cheung Ka Sing, Cassian (retired on 1 February 2018)	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)	–
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					19,010,000	–	–	(17,000,000)	2,010,000

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 Subsidiaries	Adoption Date	Share Option Scheme Title
Apple Daily Publication Development Limited (ADPDL)	30 July 2007	2007 ADPDL Share Option Scheme
Next Media Publishing Limited (NMPL)	30 July 2007	2007 NMPL Share Option Scheme
Next Media Distribution Limited (NMDL)	20 February 2008	2008 NMDL Share Option Scheme
nxTomo Games Limited (nxTomo Games)	20 February 2008	2008 nxTomo Games Share Option Scheme
Aim High Investments Limited (AHIL)	12 June 2009	2009 AHIL Share Option Scheme
Anyplex Company Limited (Anyplex)	20 March 2012	2012 Anyplex Share Option Scheme
Next E-Shopping Limited (Next E-Shopping)	20 March 2012	2012 Next E-Shopping Share Option Scheme
Next Mobile International Limited (NMIL)	20 March 2012	2012 NMIL Share Option Scheme
Sharp Daily Limited (Sharp Daily)	20 March 2012	2012 Sharp Daily Share Option Scheme
nxTomo Ltd. (nxTomo)	14 June 2013	2013 nxTomo Share Option Scheme
Apple Daily E-Classified Limited (ADEC)	28 August 2015	2015 ADEC Share Option Scheme

The 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.

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

2007 ADPDL Share Option Scheme

					Number of shares options				
Name or category of participants	Date of grant	Exercise price per share	Vesting date (%)	Exercise period	At 01.04.2017	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	At 31.03.2018
Employees	16.04.2014	HK$0.01	16.04.2015 (30%) 16.04.2016 (60%) 16.04.2017 (100%)	17.04.2015 – 30.07.2017	45,000	–	–	(45,000)	–
Total					45,000	–	–	(45,000)	–

SHARE INCENTIVE SCHEMES (continued)

(b) Subsidiary Share Option Schemes (continued)

2008 nxTomo Games Share Option Scheme

					Number of shares options				
Name or category of participants	Date of grant	Exercise price per share	Vesting date (%)	Exercise period	At 01.04.2017	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	At 31.03.2018
Director	23.09.2013	HK$0.01	23.09.2014 (100%)	24.09.2014 – 20.02.2018	50,000	–	–	(50,000)	–
Employees	23.09.2013	HK$0.01	23.09.2014 (100%)	24.09.2014 – 20.02.2018	320,000	–	–	(320,000)	–
	03.10.2014	HK$0.01	03.10.2015 (100%)	04.10.2015 – 20.02.2018	100,000	–	–	(100,000)	–
	15.12.2014	HK$0.01	15.12.2015 (100%)	16.12.2015 – 20.02.2018	10,000	–	–	(10,000)	–
Total					480,000	–	–	(480,000)	–

2013 nxTomo Share Option Scheme

					Number of shares options				
Name or category of participants	Date of grant	Exercise price per share	Vesting date (%)	Exercise period	At 01.04.2017	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	At 31.03.2018
Director	23.09.2013	HK$0.01	23.09.2014 (100%)	24.09.2014 – 14.06.2023	50,000	–	–	(50,000)	–
Employees	23.09.2013	HK$0.01	23.09.2014 (100%)	24.09.2014 – 14.06.2023	215,000	–	–	(165,000)	50,000
	03.10.2014	HK$0.01	03.10.2015 (100%)	04.10.2015 – 14.06.2023	48,000	–	–	(28,000)	20,000
	27.01.2015	HK$0.01	27.01.2016 (100%)	28.01.2016 – 14.06.2023	50,000	–	–	(50,000)	–
Total					363,000	–	–	(293,000)	70,000

2015 ADEC Share Option Scheme

					Number of shares options				
Name or category of participants	Date of grant	Exercise price per share	Vesting date (%)	Exercise period	At 01.04.2017	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	At 31.03.2018
Employee	07.10.2015	HK$0.01	07.10.2016 (100%)	08.10.2016 – 28.08.2025	120,000	–	–	(20,000)	100,000
Total					120,000	–	–	(20,000)	100,000

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 2018.

SHARE INCENTIVE SCHEMES (continued)

(c) Share Award to Directors

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

Name of INEDs	Award Dates	No. of award shares	Vesting date/ No. of award shares
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
Wong Chi Hong, Frank ("Mr. Wong") (resigned on 26 March 2018)	30 June 2014	300,000	30 June 2015/100,000 30 June 2016/100,000 30 June 2017/100,000
Lee Ka Yam, Danny ("Dr. Lee") (resigned on 9 May 2018)	30 June 2014	300,000	30 June 2015/100,000 30 June 2016/100,000 30 June 2017/100,000

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

Pursuant to the terms and vesting conditions, the second and last tranches of the award shares each of 100,000 Shares were issued and allotted to Dr. Hamm on 13 April 2017 and 13 April 2018 respectively.

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

The Company has used the Binomial Model to assess the fair value of the award shares granted to the INEDs during the year under review. For the year ended 31 March 2018, the Group recognised a total expense of HK$44,000 (2017: HK$178,000) in relation to such award shares.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 31 March 2018, the interests and short positions of the Directors and Chief Executive of the Company and their associates in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of SFO) as recorded in the register required to be kept 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:

Interests in the Company (Long positions)

	Number of Shares held						
Name of Directors	Personal interests	Family interests	Corporate interests	Other interests	Number of underlying Share held under equity derivatives	Total Shares	Percentage of issued Shares
Lai Chee Ying	1,720,594,935	–	1,000,000	64,938,230	–	1,786,533,165	73.46
Ip Yut Kin	10,200,377	2,630,000	–	–	–	12,830,377	0.53
Chow Tat Kuen, Royston	300,000	–	–	–	1,500,000 (Note 1)	1,800,000	0.07
Bradley Jay Hamm	300,000 (Note 2)	–	–	–	510,000 (Note 1)	810,000	0.03
Lee Ka Yam, Danny (resigned on 9 May 2018)	300,000	–	–	–	–	300,000	0.01

Notes:

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

(2) It included Dr. Hamm's interests in 100,000 award shares which were granted on 13 April 2018 subject to vesting conditions.

Save as disclosed above and under 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 by the Company 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 2018.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 31 March 2018, the interests and short positions of every person (other than Directors or Chief Executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

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

Notes:

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

Save as disclosed above, the Company had not been notified of any other person (other than 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 as at 31 March 2018.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group had entered into the following transactions which constituted continuing connected transactions (the "CCTs") for the Company under Chapter 14A of the Listing Rules:

1. On 31 March 2017, the Company and NASL renewed their business framework agreement (the "2017 Business Framework Agreement") which governed the terms upon which the animation services to be rendered by NASL Group to the Group, the advertising services and supporting services to be rendered by the Group to the NASL Group for a further term of three years from 1 April 2017 to 31 March 2020 subject to the following annual caps:

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

On 31 March 2017, the Company and NASL also renewed an intellectual properties revenue sharing agreement (the "2017 IPRS Agreement") which governed the terms upon which 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 for a further term of three years from 1 April 2017 to 31 March 2020 subject to the following annual caps:

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

As NASL is 100% beneficially owned by the Company's controlling Shareholder, Mr. Lai, NASL is an associate of Mr. Lai and therefore a connected person of the Company. Accordingly, the entering into of the 2017 Business Framework Agreement and the 2017 IPRS Agreement constitute continuing connected transactions of the Company under the Listing Rules.

Details of the 2017 Business Framework Agreement and the 2017 IPRS Agreement were disclosed in the Company's announcement dated 31 March 2017.

During the year, the Group had paid HK$36,637,000 as animation service charge and received HK$383,000 as supporting service fee but did not receive any advertising service income under the 2017 Business Framework Agreement. It did not make any payment under the 2017 IPRS Agreement.

CONTINUING CONNECTED TRANSACTIONS (continued)

2. On 22 September 2015, Next Mobile International Limited (formerly known as Next Mobile Limited), a wholly owned subsidiary of the Company, entered into a consultancy agreement with Mr. Lai, the controlling Shareholder, 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, who had resigned as an ED on 12 December 2014 and reappointed as a Non-executive Director on 1 February 2018, is regarded as a connected person of the Company under the Listing Rules. 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 CCTs 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 CCTs entered into by the Group during the year ended 31 March 2018.

ANNUAL REVIEW OF CCTs

All the INEDs have reviewed the above disclosed CCTs for the year ended 31 March 2018 and confirmed that the CCTs have been entered into:

a. in the ordinary and usual course of business of the Group;

b. on normal commercial terms; and

c. according to the relevant agreement(s) governing them on terms that are fair and reasonable and in interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the CCTs in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "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 its findings and conclusions in respect of the CCTs 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

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

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

On 10 April 2018, the Company and the Sellers received an amended writ of summons from the Buyer ("Amended Writ"). Under the Amended Writ, the Buyer alleges, among other matters, that safe-harbour completion did not take place as a result of the wilful default of the Sellers and the Company (which for the avoidance of doubt, is strongly denied) and claims against the Sellers and the Company (i) return of deposits paid of HK$88,000,000; (ii) an additional amount of HK$88,000,000 as liquidated damages; (iii) consequential losses of NT$900,000,000 (equivalent to approximately HK$240,000,000); and (iv) unspecified damages for loss caused by other torts. As the SPA specifically provides that any dispute arising out of or in connection with the SPA shall be dealt with by way of arbitration instead of court proceedings, the Sellers and the Company have therefore commenced an arbitration proceedings against the Buyer at the Hong Kong International Arbitration Centre on 9 April 2018 and also applied for a stay of the litigation proceeding wrongfully initiated by the Buyer in the Court of First Instance of the High Court of Hong Kong. A hearing for such application has been adjourned to 7 August 2018 for argument. The Sellers and the Company consider the Buyer's allegations and claims to be utterly wrong and ill-founded and will continue to defend their position vigorously.

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

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% throughout the year and up to the date of this report as required under the Listing Rules.

AUDITOR

The Financial Statements have been audited by Messrs. Deloitte Touche Tohmatsu who will retire and a resolution for its re-appointed as the Company's auditor will be proposed at the 2018 AGM.

On behalf of the Board

Lai Chee Ying
Non-executive Chairman

Hong Kong, 11 June 2018

Deloitte. 德勤

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 100 to 187, which comprise the consolidated statement of financial position as at 31 March 2018, 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 2018, 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 into 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 2018, the carrying value of intangible assets was HK$658.0 million and impairment loss of HK$159.9 million has been recognised during the year ended 31 March 2018. 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 2018, the provisions in respect of a number of legal proceedings in Hong Kong and Taiwan was HK$40.5 million and net reversal of provision for litigation expense of HK$49.3 million has been recognised during the year ended 31 March 2018. 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
11 June 2018

For the year ended 31 March 2018

	Notes	**2018 HK$'000**	2017 HK$'000
Revenue	5	**1,495,521**	1,783,757
Production costs			
Cost of raw materials consumed		**(230,948)**	(271,749)
Other overheads		**(329,783)**	(332,728)
Staff costs	13	**(577,773)**	(631,240)
		(1,138,504)	(1,235,717)
Personnel costs excluding direct production staff costs	13	**(464,279)**	(493,869)
Other income	5	**28,114**	34,384
Net exchange gain		**9,525**	1,002
Depreciation of property, plant and equipment		**(85,117)**	(108,167)
Release of prepaid lease payments		**(1,797)**	(1,797)
Other expenses		**(142,007)**	(197,044)
Impairment loss recognised in respect of intangible assets	16	**(159,886)**	(202,374)
(Allowance for) reversal of bad and doubtful debts, net		**(15,294)**	13,797
Finance costs	7	**(10,998)**	(9,972)
Loss before tax		**(484,722)**	(416,000)
Income tax credit	8	**7,803**	22,002
Loss for the year	9	**(476,919)**	(393,998)
Other comprehensive (expense) income			
Item that will not be reclassified to profit or loss:			
Actuarial (loss) gain from remeasurement of defined benefit obligations, net of tax	25(b)	**(451)**	7,631
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**27,506**	53,498
Total comprehensive expense for the year		**(449,864)**	(332,869)

	Note	2018 HK$'000	2017 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(475,991)**	(392,777)
Non-controlling interests		**(928)**	(1,221)
		(476,919)	(393,998)
Total comprehensive expense attributable to:			
Owners of the Company		**(449,098)**	(331,937)
Non-controlling interests		**(766)**	(932)
		(449,864)	(332,869)
Loss per share	14		
— Basic		**HK(19.6 cents)**	HK(16.2 cents)
— Diluted		**HK(19.6 cents)**	HK(16.2 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Intangible assets	15	**658,039**	817,925
Property, plant and equipment	17	**1,076,915**	1,082,670
Prepaid lease payments	18	**50,773**	52,570
Deposit for acquisition of property, plant and equipment		**16,237**	8,690
		1,801,964	1,961,855
CURRENT ASSETS			
Inventories	20	**82,307**	69,730
Trade and other receivables	21	**385,724**	445,685
Prepaid lease payments	18	**1,797**	1,797
Tax recoverable		**15,761**	28,163
Restricted bank balances	22	**1,500**	1,500
Amounts due from related parties	19	**7,705**	7,226
Bank balances and cash	22	**303,506**	500,546
		798,300	1,054,647
CURRENT LIABILITIES			
Trade and other payables	23	**541,564**	444,360
Deferred revenue	26	**1,902**	4,930
Provisions	31	**40,480**	98,426
Tax liabilities		**13,620**	123
		597,566	547,839
NET CURRENT ASSETS		**200,734**	506,808
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,002,698**	2,468,663
NON-CURRENT LIABILITIES			
Borrowings	24	**485,437**	461,066
Retirement benefits plans	25	**41,837**	55,756
Deferred tax liabilities	30	**151,623**	178,421
		678,897	695,243
NET ASSETS		**1,323,801**	1,773,420

	Note	**2018** **HK$'000**	2017 HK$'000
CAPITAL AND RESERVES			
Share capital	27	**2,435,582**	2,435,345
Reserves		**(1,115,756)**	(678,278)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**1,319,826**	1,757,067
NON-CONTROLLING INTERESTS		**3,975**	16,353
TOTAL EQUITY		**1,323,801**	1,773,420

The consolidated financial statements on pages 100 to 187 were approved and authorised for issue by the Board of Directors on 11 June 2018 and are signed on its behalf by:

Cheung Kim Hung
DIRECTOR

Chow Tat Kuen, Royston
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Attributable to owners of the Company					Attributable to non-controlling interests			
	Share capital HK$'000	Translation reserve HK$'000	Share-based payment reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Share-based payment reserve of subsidiaries HK$'000	Share of net assets of subsidiaries HK$'000	Sub-total HK$'000	Total HK$'000
At 1 April 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 from remeasurement of 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 payment expense	–	–	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 a)*	–	–	–	–	–	(2,141)	2,141	–	–
Lapse/cancel of share options	–	–	(2,898)	5,401	2,503	(2,503)	–	(2,503)	–
Acquisition of additional interests in subsidiaries *(Note a)*	–	–	–	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
Exchange differences on translating foreign operations	–	27,351	–	–	27,351	–	155	155	27,506
Loss for the year	–	–	–	(475,991)	(475,991)	–	(928)	(928)	(476,919)
Reclassification adjustment for disposal of Taiwan subsidiaries	–	(1,509)	–	1,509	–	–	–	–	–
Actuarial (loss) gain from remeasurement of defined benefit obligations, net of tax	–	–	–	(458)	(458)	–	7	7	(451)
Total comprehensive income (expense) for the year	–	25,842	–	(474,940)	(449,098)	–	(766)	(766)	(449,864)
Dividends paid to non-controlling interests	–	–	–	–	–	–	(585)	(585)	(585)
Recognition of equity-settled share-based payment expense	–	–	812	–	812	19	–	19	831
Issue of ordinary shares in relation to award of new shares	237	–	(237)	–	–	–	–	–	–
Lapse of share options	–	–	(17,386)	27,390	10,004	(9,662)	(342)	(10,004)	–
Acquisition of additional interests in subsidiaries *(Note b)*	–	(296)	–	1,337	1,041	–	(1,042)	(1,042)	(1)
At 31 March 2018	2,435,582	(42,354)	486	(1,073,888)	1,319,826	651	3,324	3,975	1,323,801

Note a: *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 Limited ("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 Investments Limited 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 Apple Daily Publication Development Limited ("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.

Note b: *During the year ended 31 March 2018, Amazing Sino International Limited, a wholly owned subsidiary of the Company, purchased a total of 21,669 shares of ADPDL from a non-controlling shareholder. As a result, the Group holds 99.1% equity interest of ADPDL.*

During the year ended 31 March 2018, Ideal Vegas Limited, a wholly owned subsidiary of the Company, purchased a total of 38,561 shares of NMPL from a non-controlling shareholder. As a result, the Group holds 100% equity interest of NMPL.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	2018 HK$'000	2017 HK$'000
OPERATING ACTIVITIES		
Loss for the year	**(476,919)**	(393,998)
Adjustments for:		
Income tax credit	**(7,803)**	(22,002)
Finance costs	**10,998**	9,972
Allowance for (reversal of) bad and doubtful debts, net	**15,294**	(13,797)
(Reversal of) provision for litigation expense, net	**(49,261)**	6,192
Depreciation of property, plant and equipment	**85,117**	108,167
Release of prepaid lease payments	**1,797**	1,797
Loss on disposal of property, plant and equipment	**270**	1,057
Share-based payment expense	**831**	2,783
Impairment loss recognised in respect of intangible assets	**159,886**	202,374
Interest income	**(772)**	(1,291)
Operating cash flows before movements in working capital	**(260,562)**	(98,746)
(Increase) decrease in inventories	**(10,788)**	26,691
Decrease in trade and other receivables	**52,759**	119,609
Increase in amounts due from related parties	**(479)**	(3,661)
Increase (decrease) in trade and other payables	**91,005**	(8,635)
Decrease in deferred revenue	**(3,028)**	(716)
Decrease in provisions	**(9,222)**	(32,538)
Decrease in retirement benefits plans	**(14,275)**	(16,695)
Net cash used in operations	**(154,590)**	(14,691)
Income tax refunded (paid)	**4,474**	(37,350)
NET CASH USED IN OPERATING ACTIVITIES	**(150,116)**	(52,041)
INVESTING ACTIVITIES		
Interest received	**772**	1,291
Proceeds from disposal of property, plant and equipment	**756**	479
Purchase of property, plant and equipment	**(18,391)**	(26,770)
Deposit for acquisition of property, plant and equipment	**(16,099)**	(8,578)
NET CASH USED IN INVESTING ACTIVITIES	**(32,962)**	(33,578)

	2018 HK$'000	2017 HK$'000
FINANCING ACTIVITIES		
Repayment of bank borrowings	–	(317,694)
New loan raised	–	445,104
Interest paid	(10,998)	(9,972)
Acquisition of additional interests in subsidiaries	(1)	(12,471)
Dividends paid to non-controlling interests	(585)	–
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(11,584)	104,967
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(194,662)	19,348
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	500,546	457,333
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(2,378)	23,865
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	303,506	500,546

1. GENERAL

Next Digital Limited (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, 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 38.

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

Amendments to HKFRSs that are mandatorily effective for the current year

The Company and its subsidiaries (together with the Company collectively the "Group") have 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 HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

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

Amendments to HKAS 7 *Disclosure Initiative*

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

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

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

A reconciliation between the opening and closing balances of these items is provided in note 37. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 37, the application of these amendments has had no impact on the Group's consolidated financial statements.

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

New and revised HKFRSs in issue but not yet effective

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

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

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

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

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

[4] *Effective for annual periods beginning on or after 1 January 2021*

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 requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income. All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- 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* ("HKAS 39"). 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 2018, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement:

- All financial assets and financial liabilities continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost and other items that are subject to the impairment provisions upon application of HKFRS 9 by the Group.

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

HKFRS 9 *Financial Instruments* (continued)

Impairment (continued)

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 April 2018 would be increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade receivables. Such further impairment recognised under expected credit loss model would increase the opening accumulated losses at 1 April 2018.

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.

Based on the existing business model as at 31 March 2018, 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* ("HKAS 17") 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. Upon application of 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 by the Group.

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 2018, the Group as lessee has non-cancellable operating lease commitments of HK$14,847,000 (2017: HK$27,087,000) as disclosed in note 33(b). A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, 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.

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

HKFRS 16 *Leases* (continued)

In addition, the Group currently considers refundable rental deposits paid of HK$530,000 and refundable rental deposits received of HK$3,012,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

Except as described above, the directors of the Company anticipate that the application of all other new and revised HKFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

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 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 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* ("HKAS 36").

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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 and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Revenue recognition

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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 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.

(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 apportionment 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(x) (continued)

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").

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(x) (continued)

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.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(iii) Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold 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 property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold 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 initial recognition.

To the extent the allocation of the relevant 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 leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

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 that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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).

Borrowing costs

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(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 consolidated 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

(iii) Retirement benefit costs and termination benefits (continued)

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.

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan.

When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services (for example contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability (asset).
- If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the entity reduces service cost by attributing the contributions to periods of service using the attribution method required by HKAS 19 paragraph 70 for the gross benefits. For the amount of contribution that is independent of the number of years of service, the entity reduces service cost in the period in which the related service is rendered.

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

(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 payment expense 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 (losses). 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 based on assessment of all relevant non-market vesting conditions. 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 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.

Impairment loss 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment loss of loans and receivables (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

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.

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 have expired. 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 relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

When it is not possible to estimate the recoverable amount of an asset individual, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 (or a CGU) 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.

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.

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.

Critical judgements in applying accounting policies

The followings 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment on intangible assets

Determining whether intangible asset is impaired requires an estimation of the recoverable amounts of the intangible assets. The impairment on intangible assets is determined by comparing the carrying amounts with the recoverable amounts which are estimated with reference to the value in use calculation based on the cash flow projections prepared by management. The impairment model is sensitive to changes in the key assumptions including growth rates, discount rates and the forecast performance based on management's view of future business prospects. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2018, the carrying amount of intangible assets is HK$658,039,000 (2017: HK$817,925,000). For the year ended 31 March 2018, impairment loss of HK$159,886,000 (2017: HK$202,374,000) has been recognised. 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 based on the management's best estimate of the consideration required to settle the obligation, after consultation with the legal counsel on the possible outcome and liability of the Group would then be recognised. As at 31 March 2018, an amount of approximately HK$40,480,000 (2017: HK$98,426,000) has been provided for a number of legal proceedings in Hong Kong and Taiwan. For the year ended 31 March 2018, net reversal of provision for litigation expense of HK$49,261,000 (2017: provision of litigation expense, net of reversal, of HK$6,192,000) has been recognised. Details are set out in note 31.

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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Assessment of the indefinite useful lives of masthead and publishing rights (continued)

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

Impairment loss of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows to determine the amount of impairment loss. The amount of the impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2018, the carrying amount of trade receivables was HK$318,777,000 (2017: HK$341,828,000), net of allowance for doubtful debts of HK$57,498,000 (2017: HK$44,756,000). Details are set out in note 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 2018, actuarial loss from remeasurement of defined benefit obligations net of tax effect amounting to HK$451,000 (2017: actuarial gain from remeasurement of defined benefit obligations net of tax effects of HK$7,631,000) are recognised directly in equity in the period in which they occurred. 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:

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

6. SEGMENT INFORMATION

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

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

6. SEGMENT INFORMATION (continued)

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

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

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

Segment revenue and results

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

For the year ended 31 March 2018

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

6. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the year ended 31 March 2017 (restated)

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

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

Segment assets and liabilities

As at 31 March 2018

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

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

As at 31 March 2017 (restated)

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

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

- all assets are allocated to operating segments other than tax recoverable, certain bank balances and cash and corporate assets that are not attributable to segments; and
- all liabilities are allocated to operating segments other than certain other payables, tax liabilities, 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 2018

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

	Digital business HK$'000	Print business HK$'000	Corporate HK$'000	Consolidated HK$'000
Addition to non-current assets	**18,758**	**15,870**	**–**	**34,628**
Depreciation of property, plant and equipment	**22,018**	**60,365**	**2,734**	**85,117**
Impairment loss recognised in respect of intangible assets *(notes 15 and 16)*	**–**	**159,886**	**–**	**159,886**
Release of prepaid lease payments	**336**	**991**	**470**	**1,797**
Allowance for bad and doubtful debts, net	**3,131**	**12,163**	**–**	**15,294**
Share-based payment expense	**–**	**19**	**812**	**831**
Loss on disposal of property, plant and equipment	**224**	**46**	**–**	**270**
Net reversal of provision for litigation expense *(note 31)*	**–**	**(49,261)**	**–**	**(49,261)**
Legal and professional fee	**9,729**	**11,562**	**–**	**21,291**

For the year ended 31 March 2017 (restated)

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

	Digital business HK$'000	Print business HK$'000	Corporate HK$'000	Consolidated HK$'000
Addition to non-current assets	16,580	18,880	–	35,460
Depreciation of property, plant and equipment	18,464	85,142	4,561	108,167
Impairment loss recognised in respect of intangible assets *(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	(16,432)	–	(13,797)
Share-based payment expense	–	515	2,268	2,783
Loss on disposal of property, plant and equipment	1,057	–	–	1,057
Provision for litigation expense, net of reversal *(note 31)*	1,315	4,877	–	6,192
Legal and professional fee	7,283	6,152	–	13,435

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

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

Information about major customers

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

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

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

7. FINANCE COSTS

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

8. INCOME TAX CREDIT

	2018 HK$'000	2017 HK$'000
Current tax:		
Hong Kong	**21,509**	13,720
Under (over) provision in prior years:		
Taiwan	**–**	(134)
Other jurisdictions	**198**	528
	21,707	14,114
Deferred tax *(note 30)*:		
Current year	**(29,510)**	(36,116)
	(7,803)	(22,002)

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

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

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

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

	2018 HK$'000	2017 HK$'000
Loss before tax	**(484,722)**	(416,000)
Tax at Hong Kong Profits Tax rate of 16.5%	**(79,979)**	(68,640)
Tax effect of expenses not deductible for tax purpose	**1,985**	5,200
Tax effect of income not taxable for tax purpose	**(5,571)**	(6,120)
Underprovision in prior years	**198**	394
Tax effect of estimated tax losses not recognised for Hong Kong subsidiaries	**50,871**	35,435
Tax effect of estimated tax losses not recognised for Taiwan subsidiaries	**24,217**	16,060
Utilisation of tax losses previously not recognised	**(13,428)**	(1,503)
Effect of different tax rates of subsidiaries operating in Taiwan and other jurisdictions	**(719)**	(376)
Tax charge arising from disposal of land and buildings to group company	**14,235**	–
Others	**388**	(2,452)
Income tax credit for the year	**(7,803)**	(22,002)

9. LOSS FOR THE YEAR

	2018 HK$'000	2017 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**2,691**	3,317
Minimum operating lease expenses on:		
Properties	**1,050**	2,436
Plant and equipment	**13,410**	15,842
(Reversal of) provision for litigations expenses, net (included in other expenses) *(note 31)*	**(49,261)**	6,192
Loss on disposal of property, plant and equipment	**270**	1,057
Legal and professional fee (included in other expenses)	**21,291**	13,435

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

(a) Directors' emoluments

The emoluments paid or payable to each of the 9 (2017: 7) directors were as follows:

For the year ended 31 March 2018

	Mr. Lai Chee Ying HK$'000 *(Note 1)*	Mr. Ip Yut Kin HK$'000 *(Note 2)*	Total HK$'000
NON-EXECUTIVE DIRECTORS ("NEDs")			
Fees	**33**	**270**	**303**
Other emoluments:			
Salaries and other benefits	**–**	**311**	**311**
Total emoluments	**33**	**581**	**614**

The NEDs' emoluments shown above were for their services as directors of the Company or its subsidiaries.

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

(a) Directors' emoluments (continued)

For the year ended 31 March 2018 (continued)

	Mr. Cheung Kim Hung HK$'000 *(Note 3)*	Mr. Chow Tat Kuen, Royston HK$'000	Mr. Cheung Ka Sing, Cassian HK$'000 *(Note 4)*	Total HK$'000
EXECUTIVE DIRECTORS ("EDs")				
Fees	38	230	192	460
Other emoluments:				
Salaries and other benefits	628	2,726	7,022	10,376
Discretionary bonus payments	–	449	394	843
Share-based payment expense	–	74	625	699
Pension costs — defined contribution plans	25	116	161	302
Total emoluments	691	3,595	8,394	12,680

The EDs' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

	Mr. Louis Gordon Crovitz HK$'000 *(Note 5)*	Dr. Bradley Jay Hamm HK$'000	Mr. Wong Chi Hong, Frank HK$'000 *(Note 6)*	Dr. Lee Ka Yam, Danny HK$'000 *(Note 7)*	Total HK$'000
INDEPENDENT NON-EXECUTIVE DIRECTORS ("INEDs")					
Fees	5	230	330	300	865
Other emoluments:					
Share-based payment expense	–	45	7	7	59
Total emoluments	5	275	337	307	924

The INEDs' emoluments shown above were for their services as directors of the Company.

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

(a) Directors' emoluments (continued)

For the year ended 31 March 2017

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

The NED's emoluments shown above were for his services as director of the Company or its subsidiaries.

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

The EDs' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

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

(a) Directors' emoluments (continued)

For the year ended 31 March 2017 (continued)

	Dr. Bradley Jay Hamm HK$'000	Mr. Wong Chi Hong, Frank HK$'000 *(Note 6)*	Dr. Lee Ka Yam, Danny HK$'000 *(Note 7)*	Mr. Fok Kwong Hang, Terry HK$'000 *(Note 8)*	Total HK$'000
INEDs					
Fees	230	300	300	330	1,160
Other emoluments:					
Share-based payment expense	106	79	79	87	351
Total emoluments	336	379	379	417	1,511

The INEDs' emoluments shown above were for their services as directors of the Company.

Notes:

(1) Mr. Lai Chee Ying was appointed as a non-executive director and non-executive chairman on 1 February 2018.

(2) Mr. Ip Yut Kin resigned as a non-executive chairman on 1 February 2018.

(3) Mr. Cheung Kim Hung was appointed as an executive director and chief executive officer on 1 February 2018.

(4) Mr. Cheung Ka Sing, Cassian retired as an executive director and chief executive officer on 1 February 2018.

(5) Mr. Louis Gordon Crovitz was appointed as an independent non-executive director on 26 March 2018.

(6) Mr. Wong Chi Hong, Frank resigned as an independent non-executive director on 26 March 2018.

(7) Dr. Lee Ka Yam, Danny resigned as an independent non-executive director on 9 May 2018.

(8) Mr. Fok Kwong Hang, Terry resigned as an independent non-executive director on 1 April 2017.

Mr. Cheung Kim Hung 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$185,000 (2017: HK$125,000) paid by the Group under two operating leases (2017: one) in respect of residential accommodation provided to two directors (2017: one).

During the years ended 31 March 2018 and 2017, no director of the Company waived or agreed to waive any emoluments.

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

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

(b) Senior Management's Emoluments

The emoluments paid or payable to each of senior management other than the directors, is within the following bands:

	Number of individuals	
Emoluments Bands	**2018**	2017
HK$4,000,001 to HK$4,500,000	**–**	1
HK$3,500,001 to HK$4,000,000	**1**	1
HK$2,500,001 to HK$3,000,000	**–**	1
HK$1,500,001 to HK$2,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**4**	3

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2017: two) 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:

	2018 **HK$'000**	2017 HK$'000
Salaries and other benefits	**7,898**	10,624
Performance related incentive payments	**409**	182
Share-based payment expense	**35**	255
Pension costs — defined contribution plans	**287**	467
	8,629	11,528

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	**2018**	2017
HK$4,000,001 to HK$4,500,000	**–**	1
HK$3,500,001 to HK$4,000,000	**1**	1
HK$2,500,001 to HK$3,000,000	**1**	1
HK$1,500,001 to HK$2,000,000	**1**	–

12. DIVIDENDS

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

13. STAFF COSTS

	2018 **HK$'000**	2017 HK$'000
Wages, salaries and other benefits	**1,009,410**	1,089,438
Pension costs — defined contribution plans, net of forfeited contributions	**42,217**	45,841
Pension costs — defined benefits plans *(note 25(b))*	**(10,406)**	(12,953)
Share-based payment expense	**831**	2,783
	1,042,052	1,125,109

The staff costs for the year ended 31 March 2018 included directors' emoluments of HK$14,218,000 (2017: HK$13,303,000) as set out in note 10(a).

14. LOSS PER SHARE

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

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

14. LOSS PER SHARE (continued)

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

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

15. INTANGIBLE ASSETS

	Masthead and publishing rights HK$'000
COST	
At 1 April 2016, 31 March 2017 and 31 March 2018	1,482,799
ACCUMULATED IMPAIRMENT	
At 1 April 2016	462,500
Impairment loss recognised for the year *(note 16)*	202,374
At 31 March 2017 and 1 April 2017	664,874
Impairment loss recognised for the year *(note 16)*	159,886
At 31 March 2018	824,760
CARRYING VALUES	
At 31 March 2018	658,039
At 31 March 2017	817,925

The management of the Group have performed studies on the market trends which supports that masthead and publishing rights have no foreseeable limit to the period over which masthead and publishing rights are expected to generate net cash flows for the Group. As a result, the masthead and publishing rights are considered by the management of the Group as having an indefinite useful life because they are expected to contribute net cash inflows to the Group indefinitely. They have been tested for impairment annually and whenever there is an indication that they may be impaired. 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 (1) newspaper publication and printing and (2) magazine publication and printing, of which magazine publication and printing has been fully impaired. The masthead and publishing rights are allocated to unit:

	Masthead and publishing rights	
	2018	2017
	HK$'000	HK$'000
Newspaper publication and printing	**658,039**	817,925

During the year ended 31 March 2018, the directors of the Company further reviewed the carrying amounts of the Group's masthead and publishing rights and identified that the recoverable amount of the CGU, are less than their carrying amount of assets of the CGU. Accordingly, the carrying amounts of these intangible assets are reduced to their recoverable amounts and an impairment loss of approximately HK$159,886,000 (2017: HK$202,374,000) has been recognised in the profit and loss for the year ended 31 March 2018.

The recoverable amount of masthead and publishing rights has been determined on the basis of the value in use of respective CGU 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 CGU are cash flow projections based on financial budgets approved by management covering a 5-year period with an average annual growth rate of 5.4% (2017: 7.2%) and a pre-tax discount rate of 13.8% (2017: 12.6%) per annum. Cash flow projections beyond the 5-year period are extrapolated using a steady growth rate of 3% (2017: 3%) per annum. If the discount rate had been decreased/increased by 1% and all other variables were held constant, the recoverable amount of the CGU would increase by approximately HK$81.0 million or decrease by approximately HK$64.7 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 2016	261,459	827,170	80,591	1,205,288	347,778	15,983	5,954	2,744,223
Exchange difference	29,415	32,542	744	31,317	9,507	–	61	103,586
Additions	–	–	787	101	22,219	12,520	–	35,627
Disposals	–	–	(775)	(94)	(13,745)	(5,712)	(52)	(20,378)
At 31 March 2017	290,874	859,712	81,347	1,236,612	365,759	22,791	5,963	2,863,058
Exchange difference	26,231	29,094	676	27,927	8,940	–	51	92,919
Additions	–	–	311	231	17,072	9,467	–	27,081
Disposals	–	–	(394)	–	(16,686)	(699)	(1,334)	(19,113)
At 31 March 2018	317,105	888,806	81,940	1,264,770	375,085	31,559	4,680	2,963,945
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
At 1 April 2016	–	206,050	46,226	1,086,328	297,803	8,618	4,551	1,649,576
Exchange difference	–	4,742	218	27,583	8,887	–	57	41,487
Charge for the year	–	21,513	3,737	50,453	25,339	6,832	293	108,167
Eliminated on disposals	–	–	(674)	(94)	(13,270)	(4,752)	(52)	(18,842)
At 31 March 2017	–	232,305	49,507	1,164,270	318,759	10,698	4,849	1,780,388
Exchange difference	–	4,832	220	26,229	8,284	–	47	39,612
Charge for the year	–	14,286	2,604	37,284	22,199	8,478	266	85,117
Eliminated on disposals	–	–	(355)	–	(16,395)	(541)	(796)	(18,087)
At 31 March 2018	–	251,423	51,976	1,227,783	332,847	18,635	4,366	1,887,030
CARRYING VALUES								
At 31 March 2018	317,105	637,383	29,964	36,987	42,238	12,924	314	1,076,915
At 31 March 2017	290,874	627,407	31,840	72,342	47,000	12,093	1,114	1,082,670

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

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

17. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

Note: *As at 31 March 2018, the Group's certain freehold land and buildings with carrying values of HK$309,440,000 (2017: HK$290,827,000) and HK$354,786,000 (2017: HK$338,932,000), respectively, were pledged as security for the Group's banking facilities (note 24).*

18. PREPAID LEASE PAYMENTS

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

19. AMOUNTS DUE FROM RELATED PARTIES

The amounts due from the Colored World Holding 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 Chee Ying 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

	2018 HK$'000	2017 HK$'000
Raw materials	**76,999**	65,241
Work in progress	**2,329**	1,476
Finished goods	**2,979**	3,013
	82,307	69,730

21. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

21. TRADE AND OTHER RECEIVABLES (continued)

Included in the Group's trade receivable balances are debtors with an aggregate carrying amount of HK$48,954,000 (2017: HK$40,103,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as the directors of the Company assessed that the balances will be recovered based on their settlement records. The Group does not hold any collateral over these balances.

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

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

Movement in the allowance for doubtful debts

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

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

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

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

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

22. RESTRICTED BANK BALANCES/BANK BALANCES AND CASH

As at 31 March 2018, bank balances amounting to HK$1,500,000 (2017: HK$1,500,000) were restricted for the use of settling certain potential debts and claims as stipulated as part of a share capital reduction exercise carried out during the year ended 31 March 2015. The restricted bank balances carry fixed interest rate at 0.60% (2017: 0.50%) per annum for the year.

Included in bank balances and cash is an amount of approximately HK$87,346,000 (2017: HK$168,837,000) placed in time deposits for periods from 2 weeks to 3 months. Such deposits bear fixed interest between 0.30% to 1.35% (2017: 0.30% to 1.08%) per annum.

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

23. TRADE AND OTHER PAYABLES

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

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

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

Note b: *The balance represents deposits received for the disposal of Next Magazine Advertising Limited and Next Media Publishing Limited (including the Taiwan Branch) (the "Target Companies") and all such intellectual property rights in connection with, or with the benefits of, the business of the Target Companies. Please refer to note 32(a) for the details of the proposed but terminated disposal of certain magazine business of the Company and related litigation.*

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

23. TRADE AND OTHER PAYABLES (continued)

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

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

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

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

24. BORROWINGS

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

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

The bank loans carry interests at 3 months Taipei Interbank Offered Rate plus 1.55% per annum.

The weighted average effective interest rates (which are equal to contractual interest rates) of borrowings is 2.32% (2017: 2.33%) per annum.

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

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

The bank borrowings are secured by certain property, plant and equipment of which the details are set out in note 17.

25. RETIREMENT BENEFITS PLANS

	2018 HK$'000	2017 HK$'000
Obligations on:		
Pensions — defined contribution plans, include in other payables under current liabilities *(Note (a))*	**3,110**	2,092
Defined benefit plans obligations *(Note (b))*	**41,837**	55,756
	44,947	57,848

Notes:

(a) *Defined contribution plans*

Hong Kong

The Group participates in two (2017: 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 2018, forfeited contributions totalling HK$1,928,000 were utilised (2017: HK$1,435,000). At 31 March 2018 and 2017, the Group has no balance available to reduce future contributions in respect of the HK Scheme.

As at 31 March 2018, the Group had contributions payable under the HK Scheme and the MPF Scheme totalling Nil (2017: HK$248,000), 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 2018 and 2017.

As at 31 March 2018, the Group had contributions payable under the Taiwan defined contribution scheme totalling HK$3,110,000 (2017: HK$1,844,000) 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 (2017: 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 2018, 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 expose 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:

	2018 **%**	2017 %
Discount rate	**1.25**	1.50
Expected rate of future salary increases	**2.50**	3.00

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$17,931,000 (2017: HK$13,333,000) and that the actuarial value of these assets represented 30.0% (2017: 19.3%) of the benefits that had accrued to members. The shortfall of HK$41,837,000 (2017: HK$55,756,000) is to be cleared over the estimated remaining service period of the expected working lives of the employees of 17.0 years (2017: 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:

	2018 HK$'000	2017 HK$'000
Service cost:		
Current service cost	**741**	1,121
Past service cost	**(11,992)**	(15,063)
Net interest expense	**845**	989
Components of defined benefit cost recognised in profit or loss *(note 13)*	**(10,406)**	(12,953)
Actuarial gain from remeasurement of defined benefit obligations	**(2,591)**	(9,194)
Income tax related to actuarial gain from remeasurement of defined benefit obligations *(note 30)*	**3,042**	1,563
Components of defined benefit cost recognised in other comprehensive income	**451**	(7,631)
Total	**(9,955)**	(20,584)

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:

	2018 HK$'000	2017 HK$'000
Present value of funded defined benefit obligations	**59,768**	69,089
Fair value of plan assets	**(17,931)**	(13,333)
Net liability arising from defined benefit obligations	**41,837**	55,756

Movements in the present value of the defined benefit obligations in the current year were as follows:

	2018 HK$'000	2017 HK$'000
At 1 April	**69,089**	88,429
Current service cost	**741**	1,121
Interest cost	**1,078**	1,163
Actuarial gain	**(2,591)**	(9,194)
Past service cost	**(11,992)**	(15,063)
Exchange differences on foreign plans	**3,443**	5,307
Benefits paid	**–**	(2,674)
At 31 March	**59,768**	69,089

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:

	2018 HK$'000	2017 HK$'000
At 1 April	**13,333**	11,624
Interest income	**233**	174
Loss on plan assets (excluding amounts included in net interest expense)	**(92)**	(88)
Contributions from the employer	**3,754**	3,566
Exchange differences on foreign plans	**703**	731
Benefits paid	**–**	(2,674)
At 31 March	**17,931**	13,333

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	
	2018 %	2017 %	2018 HK$'000	2017 HK$'000
Equity instruments	**(1.47)**	(2.18)	**4,210**	3,030
Debt instruments	**1.50**	1.50	**10,529**	7,855
Bank deposits	**1.40**	1.40	**3,192**	2,448
			17,931	13,333

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 2018, the actual return on plan assets was HK$141,000 (2017: HK$86,000).

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$2,051,000 (increase by HK$2,148,000) (2017: decrease by HK$2,551,000 (increase by HK$2,675,000)).*
- *If the expected salary growth increases (decreases) by 0.25%, the defined benefit obligations would increase by HK$2,116,000 (decrease by HK$2,032,000) (2017: increase by HK$2,629,000 (decrease by HK$2,520,000).*

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:

	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
Present value of defined benefit obligations	**(59,768)**	(69,089)	(88,429)	(96,833)	(83,923)
Fair value of plan assets	**17,931**	13,333	11,624	11,404	17,061
Deficit	**(41,837)**	(55,756)	(76,805)	(85,429)	(66,862)

The Group expects to make a contribution of HK$3,754,000 (2017: HK$3,566,000) 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 2018 and 2017.

27. SHARE CAPITAL

	Number of shares		Share capital	
	31 March 2018	31 March 2017	**31 March 2018 HK$'000**	31 March 2017 HK$'000
Issued and fully paid:				
At beginning of year	**2,431,726,881**	2,431,316,881	**2,435,345**	2,435,010
Issue of ordinary shares in relation to award of new shares *(note 28(e))*	**300,000**	410,000	**237**	335
At end of the year	**2,432,026,881**	2,431,726,881	**2,435,582**	2,435,345

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 2018, the total 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 2,010,000 (2017: totalling 62,596,000), representing 0.08% (2017: 2.6%) 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 before its expiry on 30 July 2017.

Options granted must be taken up within 14 days from the date of grant, upon payment of HK$10. Subject to the respective terms of issue, options may be exercised at any time from the vesting date to the expiry date. The exercise price is determined by the directors 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:

2018

Category of grantee	Date of grant	Exercise price per share	Expiry date	Number of options: Balance as at 01.04.2017	Granted during the year	Exercised during the year	Lapsed during the year	Balance as at 31.03.2018
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	**1,500,000**	**–**	**–**	**(1,500,000)**	**–**
	08.07.2011	HK$1.000	29.07.2017	**200,000**	**–**	**–**	**(200,000)**	**–**
	26.09.2012	HK$1.000	29.07.2017	**3,000,000**	**–**	**–**	**(3,000,000)**	**–**
	24.01.2014	HK$1.000	29.07.2017	**13,200,000**	**–**	**–**	**(13,200,000)**	**–**
				43,586,000	**–**	**–**	**(43,586,000)**	**–**
Exercisable at the end of the year								**–**
Weighted average exercise price				**HK$1.054**				**N/A**

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)

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

Except for the above, no options were granted, exercised or cancelled under the 2007 Share Option Scheme during the years ended 31 March 2018 and 2017.

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.

(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. Remaining life of the 2014 Share Option Scheme is 10 years commencing on 31 July 2014.

28. SHARE INCENTIVE SCHEMES (continued)

(b) 2014 Share Option Scheme adopted by the Company (continued)

Details of the terms and movements of the options granted pursuant to the 2014 Share Option Scheme are as follows:

2018

Category of grantee	Date of grant	Exercise price per share	Expiry date	Number of options: Balance as at 01.04.2017	Granted during the year	Exercised during the year	Lapsed during the year	Balance as at 31.03.2018
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	–	–	(5,000,000)	1,500,000
	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)	–
				19,010,000	–	–	(17,000,000)	2,010,000
Exercisable at the end of the year								1,410,000
Weighted average exercise price				HK$0.535				HK$0.506

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	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)

(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 was vested on 1 February 2017.

(v) The 5,000,000 options granted to a director of the Company on 1 February 2017 are vested on 1 February 2018.

Except for the above, no options were granted, exercised, lapsed or cancelled under the 2014 Share Option Scheme during the years ended 31 March 2018 and 2017.

During the year ended 31 March 2017, share options were granted on 1 February 2017 with estimated fair value of HK$745,000.

The fair value was calculated by using the binomial model based on each tranche of the 2014 Share Option Scheme with reference to the vesting period. 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 were as follows:

Grant date	1 February 2017
Valuation date	1 February 2017
Share price	HK$0.370
Exercise price	HK$0.373
Expected volatility	46.10%
Risk-free rate	1.77%
Expected dividend yield	2.01%
Exercisable period	7.50 years
Vesting period	1 year
Fair value per option	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 2018 and 2017.

No expense in relation to the Share Subscription Plan was recognised for the years ended 31 March 2018 and 2017.

(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"), 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.

28. SHARE INCENTIVE SCHEMES (continued)

(d) Share option schemes adopted by certain subsidiaries (continued)

(i) 2007 Subsidiary Share Option Schemes

During the years ended 31 March 2018 and 2017, no options were granted 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 2018 and 2017 are as follows:

2018

Category of grantee	Date of grant	Exercise price per share	Expiry date	Number of options				
				Balance as at 01.04.2017	Granted during the year	Exercised during the year	Lapsed during the year	Balance as at 31.03.2018
ADPDL Employees	16.04.2014	HK$0.01	30.07.2017	45,000	–	–	(45,000)	–
Exercisable at the end of the year								–
Weighted average exercise price				HK$0.01				N/A

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
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

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

28. SHARE INCENTIVE SCHEMES (continued)

(d) Share option schemes adopted by certain subsidiaries (continued)

(ii) 2008 Subsidiary Share Option Schemes

During the years ended 31 March 2018 and 2017, no options were granted 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 2018 and 2017 are as follows:

2018

				Number of options				
Category of grantee	**Date of grant**	**Exercise price per share**	**Expiry date**	**Balance as at 01.04.2017**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Balance as at 31.03.2018**
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	**320,000**	**–**	**–**	**(320,000)**	**–**
	03.10.2014	HK$0.01	20.02.2018	**100,000**	**–**	**–**	**(100,000)**	**–**
	15.12.2014	HK$0.01	20.02.2018	**10,000**	**–**	**–**	**(10,000)**	**–**
				480,000	**–**	**–**	**(480,000)**	**–**
Exercisable at the end of the year								**–**
Weighted average exercise price				**HK$0.01**				**N/A**

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)

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 2018 and 2017, 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 2018 and 2017, no options were granted, exercised, lapsed or cancelled under the 2012 Subsidiary Share Option Schemes of Sharp Daily, Anyplex, NMIL and Next E-Shopping.

(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:

2018

				Number of options				
Category of grantee	Date of grant	Exercise price per share	Expiry date	Balance as at 01.04.2017	Granted during the year	Exercised during the year	Lapsed during the year	Balance as at 31.03.2018
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	215,000	–	–	(165,000)	50,000
	03.10.2014	HK$0.01	14.06.2023	48,000	–	–	(28,000)	20,000
	27.01.2015	HK$0.01	14.06.2023	50,000	–	–	(50,000)	–
				363,000	–	–	(293,000)	70,000
Exercisable at the end of the year								70,000
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)

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

The 50,000 options granted to a director and the 510,000 options granted to employees of 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 2018 and 2017 are as follows:

2018

				Number of options				
Category of grantee	**Date of grant**	**Exercise price per share**	**Expiry date**	**Balance as at 01.04.2017**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Balance as at 31.03.2018**
ADEC Employees	07.10.2015	HK$0.01	28.08.2025	**120,000**	**–**	**–**	**(20,000)**	**100,000**
Exercisable at the end of the year								**100,000**
Weighted average exercise price				**HK$0.01**				**HK$0.01**

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

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 Schemes of ADPDL, the 2008 Subsidiary Share Option Schemes of nxTomo Games and the 2013 nxTomo Share Option Scheme.

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 the followings award shares to the INEDs subject to the vesting conditions as set out below:

Name of INED	Award Dates	No. of award shares	Vesting date/ No. of award shares
Dr. Bradley Jay Hamm	13 April 2015	300,000	13 April 2016/100,000 13 April 2017/100,000 13 April 2018/100,000
Mr. Wong Chi Hong, Frank (Resigned on 26 March 2018)	30 June 2014	300,000	30 June 2015/100,000 30 June 2016/100,000 30 June 2017/100,000
Dr. Lee Ka Yam, Danny (Resigned on 9 May 2018)	30 June 2014	300,000	30 June 2015/100,000 30 June 2016/100,000 30 June 2017/100,000

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

Pursuant to the terms and vesting conditions, the first, second and last tranches of the award shares each of 100,000 shares were issued and allotted to Dr. Bradley Jay Hamm, an INED, on 13 April 2016, 13 April 2017 and 13 April 2018 respectively.

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

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 Kwong Hang, Terry as to 110,000 shares, Mr. Wong Chi Hong, Frank as to 100,000 shares and Dr. Lee Ka Yam, Danny as to 100,000 shares pursuant to the terms of the award shares.

The Group recognised the total expense of HK$831,000 for the year ended 31 March 2018 (2017: HK$2,783,000) 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

	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**165**	119,641
Prepaid lease payments	**–**	23,563
Interests in subsidiaries	**1,316,735**	1,506,735
Deferred tax assets	**24**	–
	1,316,924	1,649,939
CURRENT ASSETS		
Other receivables	**3,291**	3,661
Prepaid lease payments	**–**	806
Amounts due from subsidiaries	**90,970**	154,706
Restricted bank balances	**1,500**	1,500
Bank balances and cash	**21,726**	3,509
	117,487	164,182
CURRENT LIABILITIES		
Other payables	**6,342**	19,761
Amounts due to subsidiaries	**91,397**	413
Tax liabilities	**13,620**	123
	111,359	20,297
NET CURRENT ASSETS	**6,128**	143,885
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,323,052**	1,793,824
NON-CURRENT LIABILITY		
Deferred tax liabilities	**–**	19,108
NET ASSETS	**1,323,052**	1,774,716
CAPITAL AND RESERVES		
Share capital	**2,435,582**	2,435,345
Reserves	**(1,112,530)**	(660,629)
TOTAL EQUITY	**1,323,052**	1,774,716

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 11 June 2018 and is signed on its behalf by:

Cheung Kim Hung
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 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)
Loss and total comprehensive expense for the year	–	(452,476)	(452,476)
Issue of ordinary shares in relation to award of new shares	(237)	–	(237)
Recognition of equity-settled share-based payments	812	–	812
Lapse of share options	(17,386)	17,386	–
At 31 March 2018	486	(1,113,016)	(1,112,530)

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	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
At beginning of the year	**51,298**	55,105	**134,959**	168,351	**186,257**	223,456
Exchange difference	**(330)**	(533)	**–**	–	**(330)**	(533)
Credit to profit or loss	**(3,128)**	(3,274)	**(26,381)**	(33,392)	**(29,509)**	(36,666)
At end of the year	**47,840**	51,298	**108,578**	134,959	**156,418**	186,257

30. DEFERRED TAX (continued)

Deferred tax assets

	Retirement benefit obligations		Tax losses		Total	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At beginning of the year	**(7,832)**	(9,395)	**(4)**	(554)	**(7,836)**	(9,949)
(Credit) charge to profit or loss	**–**	–	**(1)**	550	**(1)**	550
Charge to other comprehensive income *(note 25)*	**3,042**	1,563	**–**	–	**3,042**	1,563
At end of the year	**(4,790)**	(7,832)	**(5)**	(4)	**(4,795)**	(7,836)

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:

	2018	2017
	HK$'000	HK$'000
At beginning of the year	**178,421**	213,507
Exchange difference	**(330)**	(533)
Credit to profit or loss	**(29,510)**	(36,116)
Charge to other comprehensive income	**3,042**	1,563
At end of the year (shown as non-current liabilities)	**151,623**	178,421

As at 31 March 2018, the Group has estimated unused tax losses of approximately HK$2,300,505,000 (2017: HK$1,926,800,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$30,000 (2017: HK$22,000) of such loss. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$2,300,475,000 (2017: HK$1,926,778,000) due to the unpredictability of future profits streams. Included in this remaining tax losses, there are tax losses of HK$162,520,000 (2017: HK$97,332,000) that have not yet been approved by Taiwan tax authority and no deferred tax assets have been recognised. Unrecognised tax losses of approximately HK$249,223,000 will expire from 2019 to 2027 (2017: HK$105,957,000 will expire from 2018 to 2026) and HK$2,051,252,000 (2017: HK$1,820,821,000) may be carried forward indefinitely.

31. PROVISIONS

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

As at 31 March 2018 and 2017, the Group had provisions classified as current liabilities in respect of a number of legal proceedings in Hong Kong and Taiwan arising in the normal course of its publishing business.

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

Included in the Group's reversal of provision is a litigation with BaWang International (Group) Holdings Limited ("BaWang International") and BaWang (Guangzhou) Company Limited ("BaWang Guangzhou"). In July 2010, BaWang International (as 1st Plaintiff) and BaWang Guangzhou (as 2nd Plaintiff) (collectively referred to as the "Plaintiffs") issued a writ against Next Magazine Publishing Limited in respect of an article published in the weekly magazine — *Next Magazine* alleging, amongst other things, that certain parts of such article were defamatory and/or amounted to a malicious falsehood. Next Magazine Publishing Limited filed a Defense to such claim in January 2011.

Trial commenced on 2 March 2015 and concluded on 29 August 2015. The judgment (the "Judgment") made by the High Court has been handed down on 23 May 2016. The High Court has found in favour of the Plaintiffs on certain grounds but has dismissed the Plaintiffs' claim in malicious falsehood and in conclusion has ordered, amongst other matters, Next Magazine Publishing Limited to pay a total of approximately HK$3.0 million in damages and 80% of the Plaintiffs' legal costs. Next Magazine Publishing Limited has paid the damages to the Plaintiffs on 3 June 2016. Upon further negotiation between both parties, the Plaintiffs have accepted HK$18.0 million in full and final settlement of all their claim for costs, disbursements and interest in this case on 16 December 2016. The litigation between Next Magazine Publishing Limited and the Plaintiffs have been wholly concluded thereafter. The final settlement has been paid and finalised during the year ended 31 March 2018 and reversal of provision amounted to HK$48.2 million has been made during the year ended 31 March 2018.

32. CONTINGENT LIABILITIES

(a) Pending litigations

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

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

On 10 April 2018, the Company and the Sellers received an amended writ of summons from the Buyer ("Amended Writ"). Under the Amended Writ, the Buyer alleges, among other matters, that safe-harbour completion did not take place as a result of the wilful default of the Sellers and the Company (which for the avoidance of doubt, is strongly denied) and claims against the Sellers and the Company (i) return of deposits paid of HK$88,000,000; (ii) an additional amount of HK$88,000,000 as liquidated damages; (iii) consequential losses of NT$900,000,000 (equivalent to approximately HK$240,000,000); and (iv) unspecified damages for loss caused by other torts. As the SPA specifically provides that any dispute arising out of or in connection with the SPA shall be dealt with by way of arbitration instead of court proceedings, the Sellers and the Company have therefore commenced an arbitration proceedings against the Buyer at the Hong Kong International Arbitration Centre on 9 April 2018 and also applied for a stay of the litigation proceeding wrongfully initiated by the Buyer in the Court of First Instance of the High Court of Hong Kong. A hearing for such application has been adjourned to 7 August 2018 for argument. The Sellers and the Company consider the Buyer's allegations and claims to be utterly wrong and ill-founded and will continue to defend their position vigorously.

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

32. CONTINGENT LIABILITIES (continued)

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

In connection with the acquisition of Database Gateway Limited and its subsidiaries (the "Acquired Group") on 26 October 2001, the Group may subject to contingent liabilities including all payments, claims, suits, damages and settlement payments and any associated costs and expenses arising, made or incurred after 26 October 2001 arising out of or in connection with (1) any third party claims made against the Acquired Group on and before 26 October 2001; (2) defamation claims, claims for infringement of intellectual property rights and other proceedings and claims which may in the future arise from the content of the newspapers and magazines published by the Acquired Group on and at any time before 26 October 2001; and (3) the contractor dispute with UDL Contracting Limited.

Mr. Lai Chee Ying, 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 Chee Ying 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)

	2018 HK$'000	2017 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	3,278	5,468

(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:

	2018			2017		
	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	555	9,459	10,014	741	12,940	13,681
In the second to fifth year inclusive	271	4,562	4,833	261	13,145	13,406
	826	14,021	14,847	1,002	26,085	27,087

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.

The Group as lessor

Rental income earned during the year was HK$17,199,000 (2017: HK$16,485,000).

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:

	2018 HK$'000	2017 HK$'000
Within one year	15,818	15,776
In the second to fifth year inclusive	58,008	56,907
	73,826	72,683

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

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

	2018 **HK$'000**	2017 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**649,578**	870,442
Financial liabilities		
Liabilities at amortised cost	**607,830**	580,991

(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.

35. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

Currency risk (continued)

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	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**21,161**	14,620	**38,604**	56,952
NT$ — inter-company balances	**4,227**	1,712	**551,037**	639,873

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% (2017: 5%) increase and decrease in the entity's respective functional currency against NT$. 5% (2017: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, including balances with foreign operations within the Group and adjusts their translation at the end of the reporting period for a 5% (2017: 5%) change in foreign currency rates. A positive number below indicates an increase in loss for the year where HK$ strengthen against the relevant currency. For a 5% (2017: 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	
	2018	2017
	HK$'000	HK$'000
Post-tax loss	**22,693**	26,484

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.

35. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

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 (2017: 3 months Taipei Interbank Offered Rate).

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.

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 (2017: 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 (2017: 50 basis points) and all other variables were held constant, post-tax loss for the year ended 31 March 2018 would increase/decrease by approximately HK$2,014,000 (2017: post-tax loss would increase/decrease by HK$1,913,000).

35. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk

As at 31 March 2018, 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 51% (2017: 50%) 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.

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 2018, the Group has total available unutilised bank loan facilities of approximately HK$129,345,000 (2017: HK$136,865,000). Details of which one 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.

35. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk tables

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.

	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 2018 HK$'000
2018								
Non-derivative financial liabilities								
Trade payables	–	54,362	19,483	1,519	–	–	75,364	75,364
Other payables	–	47,029	–	–	–	–	47,029	47,029
Borrowings								
– variable rate	2.32	940	1,880	8,462	461,586	55,191	528,059	485,437
		102,331	21,363	9,981	461,586	55,191	650,452	607,830

	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

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:

	2018 HK$'000	2017 HK$'000
Short-term benefits	**21,752**	22,690
Share-based payment expense	**793**	1,812
Pension costs — defined contribution plans	**302**	329
	22,847	24,831

(b) Related party transactions

Nature of transaction	Name of related company/person	Relationship with the Group	2018 HK$'000	2017 HK$'000
Office rental received by the Group *(Note i)*	Next Animation Studio Limited ("NASL") — Taiwan Branch	100% beneficially owned by Mr. Lai Chee Ying	**–**	(655)
Animation production service charge paid by the Group *(Note ii)*	NASL	100% beneficially owned by Mr. Lai Chee Ying	**36,637**	59,438
Supporting services fee received by the Group *(Note ii)*	NASL	100% beneficially owned by Mr. Lai Chee Ying	**(383)**	(680)
Payment for non-compete agreement *(Note iii)*	Mr. Cheung Ka Sing, Cassian	Ex-director of the Company	**2,702**	–
Acquisition of additional interest in a subsidiary *(Note iv)*	Mr. Ip Yut Kin	NED	**–**	8,841
Service charge for build up Redpage Coupon System paid by the Group	Fog City Digital Limited	95% and 1% beneficially owned by Mr. Lai Chee Ying and Mr. Cheung Ka Sing, Cassian, Ex-Chief Executive Officer of the Company respectively	**–**	200
Purchase of property, plant and equipment by the Group	NASL	100% beneficially owned by Mr. Lai Chee Ying	**–**	187
Disposal of property, plant and equipment by the Group	NASL	100% beneficially owned by Mr. Lai Chee Ying	**–**	(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 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 and no rental is recognised afterward.

The extent of the continuing connected transactions did not exceed the limit as set out in the announcement of the Group on 15 September 2015.

(ii) *On 10 June 2011, the Group entered into a Business Framework Agreement with NASL, a company formerly 70% beneficially owned by Mr. Lai Chee Ying, 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. Cheung Ka Sing, Cassian, retired as an Executive Director of the Company, Chief Executive Officer of the Group and a member of the Nomination Committee of the Company with effect from 1 February 2018.*

(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 Yut Kin, a NED of the Company. The shares represented 2.0% of the total issued shares of ADPDL.*

On 22 September 2015, Next Mobile Limited (currently known as Next Mobile International Limited), a wholly owned subsidiary of the Company, has entered into a consultancy agreement with Mr. Lai Chee Ying, for a period of three years commencing from 1 October 2015 in respect of the engagement of Mr. Lai Chee Ying 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. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	As at 1 April 2017 HK$'000	Financing cash flows HK$'000	Non-cash changes Dividend declared HK$'000	Other changes *(Note i)* HK$'000	**As at 31 March 2018 HK$'000**
Borrowings *(note 24)*	461,066	–	–	24,371	**485,437**
Accrued interests	–	(10,998)	–	10,998	**–**
Dividend payable to shareholders	–	(585)	585	–	**–**
	461,066	(11,583)	585	35,369	**485,437**

Note:

(i) *Other changes represent the effect of foreign exchange rate changes and accrued finance costs during the year.*

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES

(a) Particulars of the principal subsidiaries of the Company as at 31 March 2018 and 2017 are as follows:

Name	Place of incorporation	Issued and paid up share capital	Proportion of nominal value of issued capital held by the Company 2018 %	2017 %	Proportion of voting power held by the Company 2018 %	2017 %	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)*
Apple Daily Printing Limited	Hong Kong	HK$100,000,000.00	**100**	100	**100**	100	Printing of newspaper *(Note b)*
ADPDL	Hong Kong	HK$7,574,660.00	**99.10** ***(Note a)***	98.90	**99.10**	98.90	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	**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)*

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

(a) Particulars of the principal subsidiaries of the Company as at 31 March 2018 and 2017 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 2018 %	2017 %	Proportion of voting power held by the Company 2018 %	2017 %	Principal activities
FACE Magazine Marketing Limited	Hong Kong	HK$60,000,000.00	**95.17**	95.17	**99.63**	99.93	Selling of magazines advertising spaces *(Note b)*
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)*
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	**100** ***(Note e)***	99.62	**100**	99.62	Publication and selling of magazines and selling of magazines advertising space *(Note c)*
Next Mobile International Limited	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)*

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.

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

(a) Particulars of the principal subsidiaries of the Company as at 31 March 2018 and 2017 are as follows: (continued)

Notes:

(a) The Group acquired additional interest of 0.2% equity interest of the subsidiary during the year ended 31 March 2018.

(b) The subsidiary operates in Hong Kong.

(c) The subsidiary operates in both Hong Kong and Taiwan.

(d) The subsidiary is indirectly held by the Company.

(e) The Group acquired additional interest of 0.38% equity interest of the subsidiary during the year ended 31 March 2018.

(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:

		Number of subsidiaries	
Principal activities	**Principal place of business**	**2018**	2017
Digital Business	Hong Kong	**18**	16
	Hong Kong & Taiwan	**2**	3
	Taiwan	**5**	5
	Netherlands	**2**	2
	USA	**1**	1
		28	27
Print Business	Hong Kong	**17**	16
	Hong Kong & Taiwan	**8**	8
	Taiwan	**2**	2
	Canada	**2**	2
		29	28
Supporting and Others	Hong Kong	**7**	7

38. 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 allocated to non-controlling interests		Accumulated non-controlling interests	
		2018	2017	**2018**	2017	**2018**	2017
		%	%	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ADPDL	Hong Kong	**0.9**	1.1	**(932)**	(976)	**4,402**	5,152
Individually immaterial subsidiaries with non-controlling interests				**4**	(245)	**(427)**	11,201
				(928)	(1,221)	**3,975**	16,353

38. 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

	2018 HK$'000	2017 HK$'000
Current assets	**353,629**	453,566
Non-current assets	**216,450**	246,981
Current liabilities	**(130,042)**	(185,282)
Non-current liabilities	**(41,354)**	(45,422)
Equity attributable to owners of ADPDL	**394,281**	464,691
Equity attributable to owners of non-controlling interests	**4,402**	5,152
Revenue	**523,321**	588,615
Expenses	**(611,726)**	(625,052)
Loss for the year attributable to owners of ADPDL	**(87,473)**	(35,461)
Loss for the year attributable to non-controlling interests	**(932)**	(976)
Loss for the year	**(88,405)**	(36,437)
Other comprehensive income attributable to owners of ADPDL	**17,063**	27,786
Other comprehensive income attributable to non-controlling interests	**182**	309
Other comprehensive income for the year	**17,245**	28,095
Total comprehensive expense attributable to owners of ADPDL	**(70,410)**	(8,251)
Total comprehensive expense attributable to non-controlling interests	**(750)**	(91)
Total comprehensive expense for the year	**(71,160)**	(8,342)
Net cash (outflow) inflow from operating activities	**(31,210)**	43,884
Net cash outflow from investing activities	**(6,827)**	(9,712)
Net cash outflow from financing activities	**(60,298)**	(52,304)
Net cash outflow	**(98,335)**	(18,132)

FIVE-YEAR FINANCIAL SUMMARY

For the year ended 31 March 2018

	Year ended 31 March				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Continuing operations					
Revenue	**1,495,521**	1,783,757	2,327,730	2,956,934	3,268,892
(Loss) profit from continuing operations	**(476,919)**	(393,998)	(324,244)	168,638	339,098
Discontinued operations					
Loss for the year from discontinued operations	**–**	–	–	–	(90,622)
(Loss) profit for the year	**(476,919)**	(393,998)	(324,244)	168,638	248,476
(Loss) profit attributable to owners of the Company	**(475,991)**	(392,777)	(324,688)	164,300	240,146
Non-controlling interests	**(928)**	(1,221)	444	4,338	8,330
(Loss) profit for the year	**(476,919)**	(393,998)	(324,244)	168,638	248,476

	As at 31 March				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**2,600,264**	3,016,502	3,294,739	3,824,650	4,204,300
Total liabilities	**(1,276,463)**	(1,243,082)	(1,178,762)	(1,310,419)	(1,614,119)
	1,323,801	1,773,420	2,115,977	2,514,231	2,590,181
Equity attributable to owners of the Company	**1,319,826**	1,757,067	2,076,898	2,467,999	2,556,400
Non-controlling interests	**3,975**	16,353	39,079	46,232	33,781
	1,323,801	1,773,420	2,115,977	2,514,231	2,590,181

GLOSSARY

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
2017 AGM	The Company's Annual General Meeting held on 28 July 2017
2018 AGM	The Company's Annual General Meeting to be held on 27 July 2018
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 to the Listing Rules
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
ED(s)	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 2018
Group	Next Digital together with its subsidiaries
HKAS(s)	Hong Kong Accounting Standard(s)
HKFRS(s)	Hong Kong Financial Reporting Standard(s)
HKICPA	Hong Kong Institute of Certified Public Accountants
HK$	Hong Kong dollars, the lawful currency of Hong Kong

INED(s)	Independent Non-executive Director(s) of the Company
Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
Mr. Lai	Mr. Lai Chee Ying, 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 Holdings Limited (a private company incorporated in British Virgin Islands with limited liability)
NASL Group	NASL and its subsidiaries
NED(s)	Non-executive Director(s) 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 Taiwan dollars, the lawful currency of Taiwan
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Share(s)	Ordinary share(s) of the Company
Shareholder(s)	Holder(s) of the Share(s)
Stock Exchange	The Stock Exchange of Hong Kong Limited
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, nxTomo Ltd., nxTomo Games Limited, Sharp Daily Limited and Apple Daily E-Classified Limited
Taiwan	Republic of China
UDL	UDL Contracting Limited, the contractor for the construction of a printing facility of the Company's subsidiary, ADPL
%	per cent

* *for identification purpose only*

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