NEXT DIGITAL

Stock Code : 00282

Join Us

Next Digital, leveraging its unmatched insights into the unquestionable rising power of information technology and digitalization, has recreated its content offerings to satisfy both of its readers and advertisers.


COME
TOGETHER


SIGN
UP

壹
NEXT
蘋果日報
APPLE DAILY
Ker
Ketchuper
爽爆
壹
週刊
NEXT MAGAZINE
蘋果LIVE
FASHION


動新聞
OVER
ME
動腦Q
蘋果日報
壹週刊
NEXT MAGAZINE
動新聞

CON T

BUSINESS REVIEW

FINANCIAL REPORT

GLOSSARY

收益 REVENUE

(HK$ MILLION)
（百萬港元）

2018/19	2017/18	2016/17
1,304.3	1,495.5	1,783.8

LOSS FOR THE YEAR 本年度虧損

(HK$ MILLION)
（百萬港元）

2018/19	2017/18	2016/17
(340.2)	(476.9)	(394.0)

資產與負債比率 GEARING RATIO

(%)

2018/19	2017/18	2016/17
16.0	18.7	15.3

香港 HONG

港
吉

流動比率 CURRENT RATIO (%)

2018/19 82.2

2017/18 133.6

2016/17 192.5

每股基本虧損 BASIC LOSS PER SHARE (HK CENTS) (港仙)

2018/19 (13.1)

2017/18 (19.6)

2016/17 (16.2)

債務與權益比率 DEBT TO EQUITY RATIO (%)

2018/19 34.0

2017/18 36.8

2016/17 26.2

CHAIRMAN'S STATEMENT

For almost a quarter of a century, Next Digital has been a disruptive pioneer in the Chinese-language media industry. Thanks to our ability to adapt and innovate, we have carved out a leadership position in print and digital news in Hong Kong and Taiwan.

Today, we stand on the brink of an exciting new era for our company. The building blocks are now in place to launch a paid digital subscription service for our flagship titles, *Apple Daily* and *Taiwan Apple Daily*, in the coming year. This represents a radical reinvention of our business model that we fully expect to yield transformational results.

Next Digital has continually invested in innovative technology in order to find new ways to tell the stories that matter to fast-changing contemporary audiences. Our company came of age during the digital revolution, putting us at the forefront of an exciting and unsettling sea change for the media industry. By proactively reshaping how the Chinese-language media industry creates, distributes and consumes news content, we have helped to create more choice than ever before for readers seeking to access both breaking news stories and in-depth investigative journalism.

In the past year, we have also continued to make strategic investments that will enhance our ability to track and analyse online reader behaviour and deliver highly targeted and tailored advertisements. This will give our advertisers unparalleled opportunities to speak directly to customers as individuals, according to their personal tastes, preferences, and needs.

ETHER

Despite the transformational impact of digitalisation, many readers still highly value traditional print content. We are proud that our internationally respected print publications remain part of the local fabric of Hong Kong and Taiwan. The advent of 24-hour news has irrevocably changed the role of print, but we will continue to invest in high-quality print content, including in-depth journalism, high-profile interviews and exclusive-to-print features.

Even as we adapt and innovate, meaningful content remains our core, unwavering purpose. Building a loyal audience will always depend on providing readers with journalism that informs, excites, entertains and inspires, regardless of the platform. And great content requires great talent. In recognition of the vital contributions of our employees, we have successfully introduced an employee share award scheme to offer staff a deeper stake in our future.

There is no doubt that 2018 was another challenging year for our organisation. As old revenue models become obsolete, media companies must compete like never before. We have taken decisive steps to ensure that we have the right resources and structure to sharpen our competitive advantages and capitalise on our strengths as we implement our new subscription-based revenue model.

On behalf of the Board, I would like to take this opportunity to thank our shareholders, advertisers, business partners and readers for their longstanding support and commitment. I would also like to express my gratitude to all employees of Next Digital for the dedication and hard work they have contributed at every step of our shared journey.

The journey has been tempestuous, but we remain focused on the bright horizon. Drawing on our heritage of boldness, agility and innovation, we will step forward into the future with determination and confidence.

Lai Chee Ying
Non-executive Chairman

Hong Kong, 24 June 2019

SIGN UP OVER

OVERVIEW OF MAJOR MARKETS

Hong Kong

Hong Kong recorded slower-than-expected real GDP growth of 3% in 2018, owing in part to continuing trade tensions between China and the United States. This led advertisers to adopt a cautious stance, with overall advertising expenditure increasing modestly by 2.2% to HK$105.0 billion. There were positive signs in the form of export growth, increased private consumption and strengthening wages, which helped to increase the consumer price index by 2.4%. However, Hong Kong's persistent land supply shortage, coupled with the expansion of credit, continued to drive up property prices and rent levels. At the same time, the United States Federal Reserve raised interest rates four times in 2018, causing knock-on hikes to Hong Kong borrowing rates and mortgage repayments.

Reader habits continued to shift away from print and towards digital in 2018, putting further strain on traditional print media companies. Notably, advertisers balanced their investments in print and digital roughly equally for the first time.

Taiwan

In 2018, Taiwan's real GDP growth slowed to 2.6%, despite its economy enjoying increased investment, stronger exports and stable unemployment levels. Consumer

prices rose 1.35%, compared to an increase of 0.62% in 2017. Taiwan's economic performance remained highly sensitive both to US-China trade friction and to political tensions with Beijing, with Taiwan's government placing restrictions on Chinese mainland visitors, fund movements and northbound exports. Property and retail markets continued to underperform amid weak sentiment, which in turn suppressed advertising demand from the property sector, historically an important commercial pillar of the print media business.

Overall, total advertising expenditure in Taiwan rose 5.2% in 2018 to NT$140.8 billion, compared to NT$133.8 billion in 2017. Spending on print newspaper and magazine advertising, however, fell by 5.0% and 18.1% respectively, as advertisers increasingly turned to digital.

FINANCIAL RESULTS

Revenue

For the year ended 31 March 2019, the Group's overall revenue decreased by 12.8% to HK$1,304.3 million (2017/18: HK$1,495.5 million). Of this, HK$576.8 million was attributable to the Digital Business Division (2017/18: HK$594.5 million) and HK$727.5 million to the Print Business Division (2017/18: HK$901.0 million).

The majority of the Group's revenue derived from its Hong Kong operations, which accounted for HK$827.2 million (2017/18: HK$884.5 million) or 63.4% (2017/18: 59.1%) of total revenue. Revenue from Taiwan stood at HK$440.7 million (2017/18: HK$569.3 million), which accounted for 33.8% (2017/18: 38.1%) of total revenue.

Segment Results

The Group recorded a segment loss of HK$342.3 million during the year under review, compared with a segment loss of HK$479.7 million in the previous year, representing a decrease in loss amount of 28.6% or HK$137.4 million.

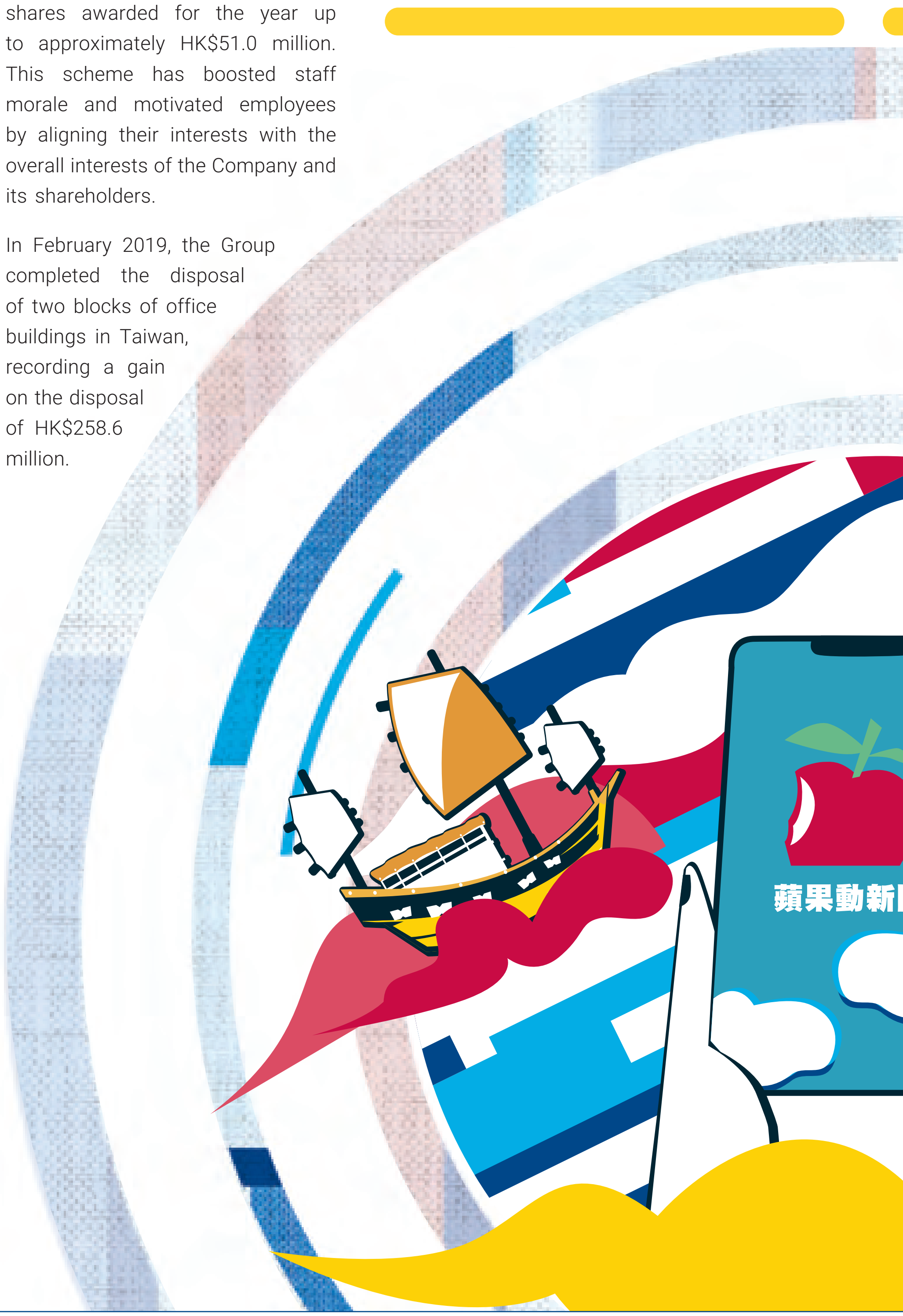
The Digital Business Division made a segment loss of HK$211.8 million, compared to the previous year's loss of HK$44.6 million.

The segment loss of the Print Business Division amounted to HK$130.5 million, compared to a loss of HK$435.0 million in the previous year.

This was primarily attributable to a sharp drop in print advertising revenues, driven in turn by a combination of sluggish economic growth in key markets and fierce competition from online programmatic advertising. The Group's declining circulation income also contributed to the loss, as readers continued to migrate to free online publications, free newspapers and social media content. In addition, the Group undertook further restructuring and consolidation of its operations, resulting in employee layoffs that incurred payments in lieu of notice of HK$29.7 million (2017/18: HK$21.9 million).

In June 2018, the Group launched a new scheme, unprecedented in the local media sector, to award shares in the Company to all permanent staff in Hong Kong and Taiwan, excluding connected persons. The total amount of shares awarded in June was approximately HK$50.5 million. In the second half of the reporting period, the Group awarded further shares to those Company directors who are also permanent staff, taking the total amount of shares awarded for the year up to approximately HK$51.0 million. This scheme has boosted staff morale and motivated employees by aligning their interests with the overall interests of the Company and its shareholders.

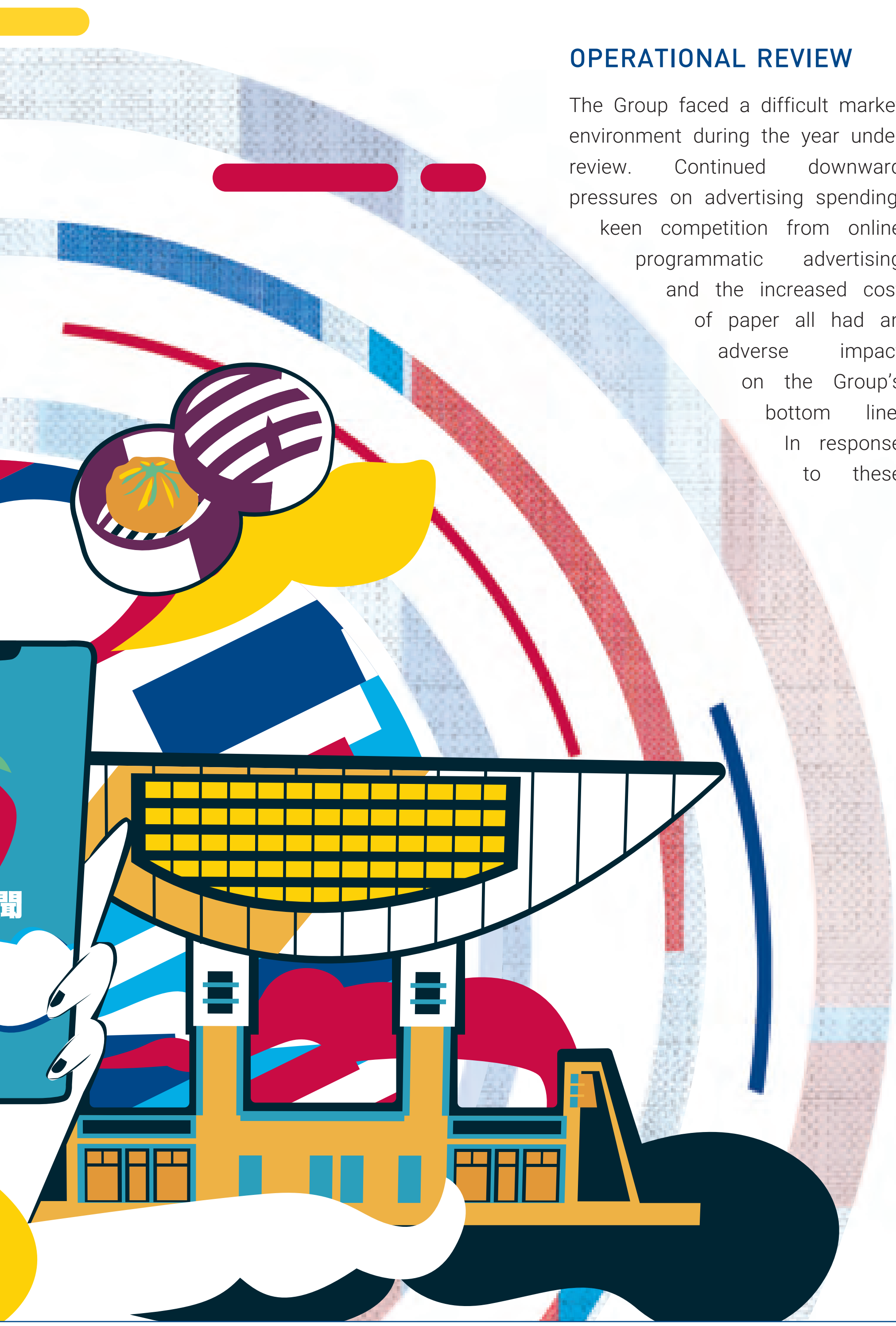
In February 2019, the Group completed the disposal of two blocks of office buildings in Taiwan, recording a gain on the disposal of HK$258.6 million.



As a result of the above, the Company recorded a basic loss per share of HK13.1 cents for the year, compared to a basic loss per share of HK19.6 cents in the previous year.

OPERATIONAL REVIEW

The Group faced a difficult market environment during the year under review. Continued downward pressures on advertising spending, keen competition from online programmatic advertising and the increased cost of paper all had an adverse impact on the Group's bottom line. In response to these disruptive developments, the Group accelerated its strategic transition from print to digital through a series of landmark investments.



In August 2018, the Group created a Business Development Department with the aim of developing a competitive and dynamic online programmatic advertising offer. This was followed by the acquisition of a Data Management Platform ("DMP") system in the first quarter of 2019. The DMP uses machine learning to harvest analytical data on the browsing habits of readers and viewers based on IP addresses, which will allow the Group to create more precisely targeted distribution opportunities for advertisers.

The Group also invested in replacing its legacy content management system ("CMS") with a state-of-the-art digital publishing system. This powerful new CMS will provide strong back-end support for high-quality online content publishing.

Finally, the Group began to lay the foundations for its forthcoming paid subscription model, which is expected to generate new and steady flows of revenue and reduce exposure to fluctuations in advertising income.

Although many of its flagship print publications retain a core mainstream readership, the Group's print business continued to face severe headwinds owing to the relentless shift of customer preferences towards digital. This prompted further consolidation of the Group's print operations. In April 2018, the

Group transferred its last remaining print magazine title, *Taiwan Next Magazine*, to a digital-only platform.

During the year under review, the Group reallocated its resources in order to realise cash from idle and underused assets, strengthen cash flow and serve its future development needs. It implemented the disposal of office buildings in Taiwan and Canada, as well as a printing press in Gangshan District, Kaohsiung City, Taiwan. It now prints all of its Taiwan newspapers at its printing factory in Xinwu District, Taoyuan City, which has resulted in significant cost savings.

In addition, the Group took direct control of its Hong Kong newspaper distribution operations in August 2018 and its Taiwan operations in January 2019. This has allowed it to reduce associated costs and become more efficient, flexible and targeted in how it distributes print publications to newsstands and other outlets.

Digital Business Division

The Digital Business Division's external revenues, which mainly consist of online advertising revenue, content licensing payments, games and content sponsorship, and in-app purchases of virtual products, amounted to HK$576.8 million during the year under review. This represents a decrease of 3.0% from the HK$594.5 million achieved in the previous year. Around 70.5% of the Division's external revenues were generated in Hong Kong, while the remainder was from Taiwan and other regions. The Division recorded a segment loss of HK$211.8 million during the year under review, compared with a loss of HK$44.6 million in the previous year. Its revenue performance continued to be adversely affected by competition from programmatic advertising, particularly from global search engines and social media platforms, as well as intensified local competition from rival titles and channels.

New technological innovations and the increased adoption of digital devices continue to fuel the unstoppable digital transformation of the media landscape. The Group has boldly

reimagined and reinvented its business model in order to seize these once-in-a-generation opportunities, with a focus on putting excellent and engaging content at the heart of its digital strategy and creating new content collaboration opportunities for advertisers and partners. These efforts drove solid improvements in unique users and page views across the Group's digital platforms during the reporting period.

Apple Daily has a large user base of 5.0 million[1] monthly unique visitors in Hong Kong, 12.3 million[1] monthly unique visitors in Taiwan, 1.7 million[2] in the USA and 399,000[2] in Canada. The scale and reach of this user base provides a firm foundation for generating advertising revenue opportunities.

Apple Daily's signature online video and animated platforms, now known as *Apple Daily Digital* in Hong Kong and *Apple Online* in Taiwan, remained the most popular news source for mobile devices in both markets. The *Apple Daily* news site also boasts a dedicated daily following of avid readers.

As of April 2018, all of the Group's magazine titles are digital-only and accessible via the integrated *Apple Daily* "super app" platform. Together, the Group's Hong Kong and Taiwan platforms achieved average monthly page view counts of 2.1 billion[2], making it a global leader in news site traffic.

During the year under review, the Group continuously stepped up investment in its high-quality online content creation capabilities, including the development of content collaboration offerings for advertisers. This included creating in-depth, informative films, such as the award-winning *Tree-swallowed House*, which received a Silver Prize for *Best Use of Online Video* from the World Association of Newspapers and News Publishers (WAN-IFRA). Ramping up the development of such innovative, value-added content led to higher costs, but the Group expects to realise positive returns from this investment in the coming year.

Mobile games proved to be one of the Group's strongest performers in terms of profit contribution. It will continue to introduce more games through creative collaborations, albeit at a sensible and measured pace. In addition, the Group continued to develop and enhance its innovative virtual reality (VR) offering.

Print Business Division

During the year under review, the total revenue of the Print Business Division amounted to HK$727.5 million, a decrease of 19.3% or HK$173.5 million compared to the previous year's figure of HK$901.0 million. The Division's revenue accounted for 55.8% of the Group's total revenue, with *Apple Daily* and *Taiwan Apple Daily* retaining their position as the Division's largest contributors.

Newspaper Publications

Apple Daily, known for its signature features of openness, liberalism, vibrancy and the quest for truth, maintained its leading position as Hong Kong's most widely read paid-for daily newspaper as well as one of the city's best-selling newspapers. Its average sales were 102,799[3] copies per day between July and December 2018, compared with 110,510[4] copies per day in the corresponding period of the previous year.

Apple Daily recorded revenue of HK$245.0 million during the year under review, a decline of 9.5% or HK$25.6 million compared with the HK$270.6 million achieved in the previous year. Advertising revenue accounted for HK$62.3 million of its total revenue, representing a decrease of 25.8% or HK$21.7 million compared to the previous year's figure of HK$84.0 million. Circulation income stood at HK$182.7 million, a drop of 2.1% or HK$3.9 million as compared to the HK$186.6 million recorded in the same period of the previous year. The advertising categories with the largest revenue contributions were the health product, property, loans, automobile and pharmaceutical sectors.

From January 2019, the newsstand price of *Apple Daily* was increased from HK$8 to HK$10, in a bid to improve circulation income and encourage readers to migrate to free subscriptions for the Group's online publications.

Taiwan Apple Daily, known for its dynamic style of reporting and emphasis on layout design, is one of the island's most widely read paid-for daily newspapers. Its sales averaged 168,915 copies per day during the 2018 calendar year, compared with 201,320 copies per day in the previous corresponding period. Its revenue amounted to HK$275.5 million during the year under review, a decline of 24.6% or HK$90.1 million against the HK$365.6 million recorded in the previous year. Advertising revenue accounted for HK$173.5 million of its total revenue, representing a drop of 28.4% or HK$68.9 million compared to the previous year's figure of HK$242.4 million. Its circulation income was HK$99.6 million, a decrease of 18.2% or HK$22.2 million compared to the HK$121.8 million earned in the same period of the previous year. Its main sources of advertising revenue were the property, decoration and furnishing, automobile, government and travel sectors.

The Group ceased publication of *Taiwan Sharp Daily*, a free newspaper distributed throughout the Taipei metro network on weekday mornings, on 31 August 2018. This decision was taken in order to avoid internal competition with *Taiwan Apple Daily*. Prior to its closure, *Taiwan Sharp Daily's* daily print run was 85,906 copies for the period of January to August of 2018 (January to December of 2017: 90,037 copies).

With combined revenues of HK$520.5 million, *Apple Daily* and *Taiwan Apple Daily* remained the largest contributors to the Division's revenue and accounted for 39.9% of the Group's total revenue. However, their combined revenues during the year under review declined 18.2% or HK$115.7 million compared to the previous year's combined figure of HK$636.2 million.

Printing

ADPL, the Group's newspaper printing operation, continues to make contributions to the Group despite the decline in *Apple Daily*'s print circulation. During the year under review, its revenue amounted to HK$113.6 million, a decrease of 20.9% or HK$30.0 million compared to the HK$143.6 million achieved in the previous year.

ADPL's printing operations recorded HK$67.9 million in revenue (total revenue minus transactions related to printing the Group's own publications) from external customers, including printing contracts for local and overseas newspapers, during the reporting period. This was 12.4% or HK$9.6 million less than the figure of HK$77.5 million earned in the previous corresponding period, owing to other newspaper groups facing similar pressures in terms of declining circulations and advertising income. Underlining its competitive advantages, however, ADPL was recognised as a "Newspaper Printing Project Merit Award" at the 30th Hong Kong Print Awards, held in December 2018.

During the year under review, the Group's commercial printing operation recorded revenue of HK$110.5 million, which was 17.8% or HK$16.7 million more than its revenue of HK$93.8 million in the same period of the previous year. With the local magazine sector in decline, the Group has focused successfully on attracting commercial printing contracts from book and textbook publishers, both in Hong Kong and overseas.

PROSPECTS AND OUTLOOK

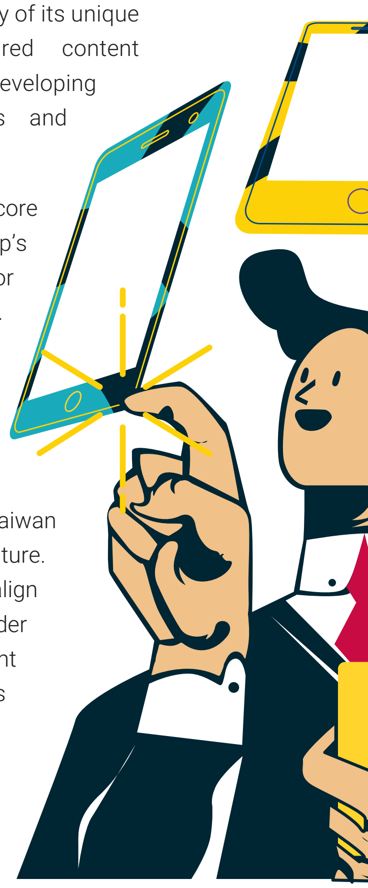
2019 promises to be a landmark year for Next Digital, as we unveil a brand new digital subscription-based business model for our flagship titles, *Apple Daily* and *Taiwan Apple Daily*. By radically transforming our revenue strategy, we expect to spark a monumental turnaround in business performance.

The forthcoming digital subscription model draws on the best practices of global news media brands such as the *New York Times* and the *Washington Post*, as well as groundbreaking digital media platforms such as Netflix and Spotify. Ambitious and forward-thinking media organisations have embraced this model because of the core competitive advantage it delivers: namely, securing a stable and reliable income stream that can act as a sustainable foundation for nurturing creative talent and producing high-quality content.

As a precursor to the launch of paid digital subscriptions, the Group introduced free online membership for *Apple Daily* and *Taiwan Apple Daily* in April 2019. This has already attracted 3.5 million members in Hong Kong and 3.2 million members in Taiwan as at 23 June 2019. From the middle of next financial year, the Group will start to convert these members to paid subscribers, thus rapidly developing a steady flow of subscription income.

It will also gain fresh competitive advantages through the implementation of its new DMP system. This will provide for an even better understanding of readers' and viewers' habits, preferences and needs, and allow the Group to leverage big data analytical techniques in order to provide more value-added services to advertisers.

Business model innovations are creating new growth horizons for the publishing industry, but content excellence will always be the engine that drives long-term success. Content will remain the lifeblood of the Group's strategy. To attract loyal subscribers, the Group will continue to strengthen the quality of its unique and carefully procured content offering, including developing new video, seminars and events.



Print remains a core element of the Group's business and a major contributor of revenue. Despite the wide-ranging shift to digital, there will still be demand for print newspapers in Hong Kong and Taiwan for the foreseeable future. The Group will realign its resources in order to make its print newspaper business viable, optimising its cost structures and working arrangements to maximise efficiency and return on investment. In line with the Group's overall emphasis on high-quality content, more resources will be devoted to producing feature stories, in-depth articles and interviews with high-profile individuals, including offline exclusives.

Hong Kong's economic growth momentum is expected to flag in 2019, although it will continue to be supported by a strong labour market, a proactive fiscal policy and expected boosts to the tourism, financial services and technology sectors. Advertising expenditure, however, is expected to remain flat. Taiwan's economic growth is expected to slow in the coming year, with future prospects depending on the outcomes of the 2020 general elections and a possible change to a more Beijing-friendly government. For both markets, the spectre of US-China trade friction will remain a significant source of risk and uncertainty.

As we head into a historic year for Next Digital, the Group stands fully prepared to capture emerging opportunities through our bold spirit, innovative mind-set and agile approach, guided at all times by an unremitting focus on creating excellent content that informs, engages and enriches our readers.

Sources:

1. *ComScore (April 2018 – February 2019)*
2. *Apple Daily Internal Server Log*
3. *Hong Kong Audit Bureau of Circulations Limited (July – December 2018)*
4. *Hong Kong Audit Bureau of Circulations Limited (July – December 2017)*

FINANCIAL REVIEW

Financial Position

The Group's primary source of financing for its operations during 2018/19 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 2019 amounted to HK$356.0 million, compared with a net cash outflow from operating activities of HK$150.1 million in the previous year. The inflow of investment-related cash during 2018/19 was a total of HK$364.8 million, compared to the cash outflow from investment-related activities of HK$33.0 million recorded in the previous year. During the reporting period, the Group realised HK$446.4 million in disposal proceeds net of transaction costs, mainly from the disposal of two blocks of office buildings in Taiwan.

The Group's net cash outflow for financing activities during the year amounted to HK$132.0 million, compared to the previous year's net cash outflow figure of HK$11.6 million. As at 31 March 2019, the Group recorded cash and cash equivalent of HK$175.6 million. After completing the disposal of office buildings in Taiwan, the Group repaid HK$254.7 million in bank borrowings, before drawing down new bank borrowings of HK$133.8 million.

As at 31 March 2019, the Group's available banking facilities amounted to a total of HK$387.1 million, of which HK$373.1 million had been utilised. The Group had bank borrowings amounting to HK$337.6 million. The maturity profile of the Group's bank borrowings was spread over a period of five years, with approximately HK$269.7 million repayable within three years. There was no seasonality in the Group's bank borrowing requirements, and the monies borrowed bear interest at fixed and floating rates.

As at 31 March 2019, the Group's aggregate bank balances and cash reserves, including restricted bank balances, pledged bank deposits and time deposits with original maturity over three months, amounted to HK$213.4 million. The Group's current ratio on the same date was 82.2%, compared to 133.6% as at 31 March 2018. As at 31 March 2019, its gearing ratio amounted to 16.0%, compared to 18.7% as at 31 March 2018. These figures were calculated by dividing its long-term borrowings, including current portions, by total asset value.

Assets Pledged

As at 31 March 2019, the Group had pledged properties situated in Taiwan with an aggregate carrying value of HK$435.9 million to various banks as security for banking facilities granted to it.

Share Capital

As at 31 March 2019, the Company's total amount of issued and fully paid share capital was HK$2,486.6 million (31 March 2018: HK$2,435.6 million) and the total number of issued Shares will no par value was 2,636,211,725 Shares (31 March 2018: 2,432,026,881 Shares).

Exchange Exposure and Capital Expenditure

The Group's assets and liabilities are mainly denominated in HK$ or NT$. Its exchange exposure to NT$ results from its existing print and digital publishing businesses in Taiwan. We have reduced this exposure by arranging bank loans in NT$.

As at 31 March 2019, the Group's net currency exposure stood at NT$1,085.2 million (equivalent to HK$276.4 million), a decrease of 57.3% compared to the figure of NT$2,543.0 million (equivalent to HK$685.8 million) as at 31 March 2018.

The Group's capital expenditure for the year ended 31 March 2019 totalled HK$48.7 million (2017/18: HK$27.1 million). As at 31 March 2019, the Group's outstanding capital commitments stood at HK$23.3 million (31 March 2018: HK$3.3 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$50.9 million (as at 31 March 2018: HK$40.5 million) as provisions. These provisions were recognised in respect of the outstanding legal proceedings based on advice obtained from the Company's legal counsel.

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

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

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 sales and purchase agreement ("SPA") specifically provides that any dispute arising out of or in connection with the SPA shall be dealt with by way of arbitration instead of court proceedings, the Defendants therefore commenced arbitration proceedings against GDL at the Hong Kong International Arbitration Centre on 9 April 2018 and also applied for a stay of the litigation proceeding (i.e. HCA 305 of 2018) wrongfully initiated by GDL in the Court of First Instance of the High Court of Hong Kong. On 27 August 2018, a judge of the High Court of Hong Kong stayed all the GDL's claims (contractual and tortious) to arbitration. The Arbitral Tribunal made a directions order on 16 October 2018 and will fix a substantive hearing on February 2020 tentatively. The Defendants consider GDL's allegations and claims to be utterly wrong and ill founded, and will continue to defend their position vigorously.

(c) Guarantee

Next Digital and its subsidiaries also maintain contingent liabilities that are related to various corporate guarantees the Group has provided to financial institutions for facilities utilised by certain of its subsidiaries and fellow subsidiaries. As at 31 March 2019, these contingent liabilities amounted to HK$387.1 million (31 March 2018: HK$618.3 million), HK$373.1 million (31 March 2018: HK$489.0 million) of which has been utilised by certain subsidiaries.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2019, the Group had a total of 2,539 employees, of which 1,335 were in Hong Kong and 1,204 were in Taiwan.

In June 2018, the Group launched an innovative share award scheme for its employees in Hong Kong and Taiwan. All of the Group's permanent employees were offered shares in the Company equivalent to either one month's or a half month's salary. The shares have no vesting period, meaning that participating employees are free to hold or sell at their own discretion. The scheme has been well received by employees, increasing morale and fostering a sense of belonging and ownership.

In addition, the Group has taken a number of steps to improve employee wellbeing and thus attract and retain talented staff. These include free office refreshments and seasonal gifts such as moon cakes and fresh fruit for festivals and holidays. The Hong Kong staff canteen has been renovated, and the renovation of the Taiwan staff canteen is underway.

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

During the year under review, the total staff costs of the Group amounted to HK$1,001.6 million, compared to the HK$1,042.1 million incurred during the previous year. The decrease was primarily due to the further consolidation of the Group's operations during the year.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2019 (2017/18: nil).

BOOK CLOSURE PERIOD

The Register of Members of the Company will be closed from Tuesday, 13 August 2019 to Friday, 16 August 2019, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2019 AGM scheduled to be held on Friday, 16 August 2019 at 3:00 p.m., all transfers documents accompanied by relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 12 August 2019.

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SCOPE AND REPORTING YEAR

This Environmental, Social, and Governance ("ESG") report was prepared by the Group, highlighting its ESG performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 27 to 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 9 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 2018 to 31 March 2019, unless otherwise stated. Total floor area coverage for the Group was 112,202 m^2 (Hong Kong: 64,599 m^2; Taiwan: 47,603 m^2). Operations 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.

During the reporting year, the Group has decided to centralize printing works in Taiwan at the printing plant in Taoyuan, with minimal operation in the printing plant in Kaohsiung. This was to maximize the overall production capacity and utilization rate of plant equipment in Taiwan, as well as lowering the production cost. With adjusted schedule for printing production and delivery arrangement, there were no significant impacts to the existing business services in the areas of southern Taiwan.

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 frontline staff and suppliers 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. Customer privacy;
2. Anti-corruption;
3. Intellectual property;
4. Occupational health and safety; and
5. Waste and effluent.

The above aspects were strictly managed through the Group's policies and guidelines. Management of the aspects have been described in separate sections below. With customer privacy as our stakeholders' top concern, the Group has reviewed management structure and engaged an independent consultant on strengthening privacy protection during the reporting year.

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 improving its ESG performance and advancing its management on ESG-related risks and strategy.

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 its 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

A1. Emissions

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 2019. The Group adopts environmental management system and strictly complies with national and local laws and regulations related to environmental protection and pollution control, including but not limited to the following:

Hong Kong:

- Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong);
- Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong); and
- Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong).

Taiwan:

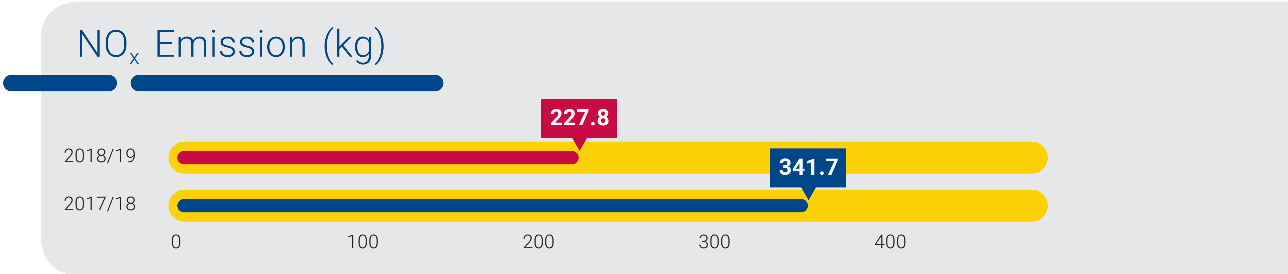
— Air Pollution Control Act;
— Water Pollution Control Act; and
— Waste Disposal Act.

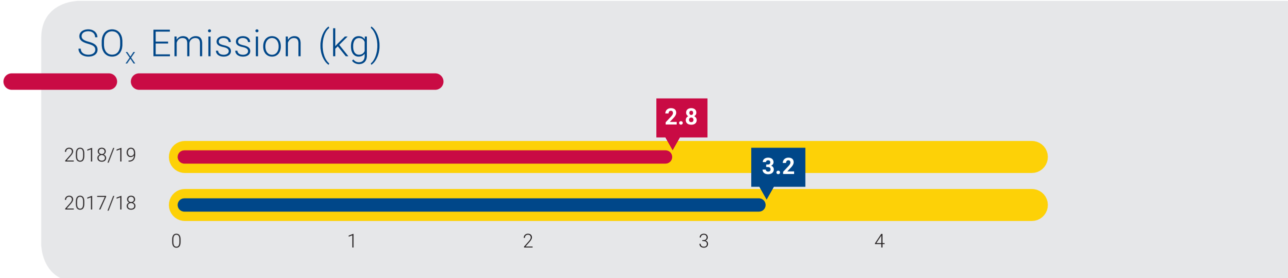
To monitor the impacts of printing activities on the environment and to ensure the operations comply with national standards, regular third-party sampling and testing are conducted at printing plants for wastewater discharge (Hong Kong and Taiwan), indoor air quality (Taiwan) and workplace noise pollution (Taiwan). No exceedances were recorded during the reporting year.

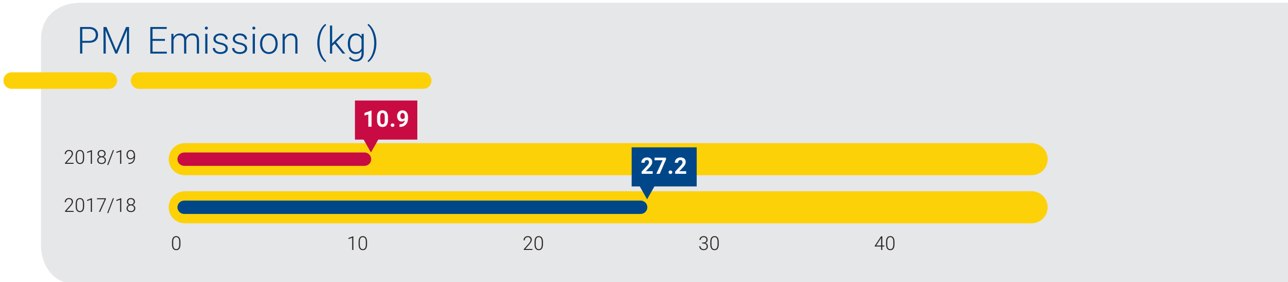
Emission data in 2018/19 was calculated with updated emission factors available at the time of report preparation.

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 to take steps to further decrease the dependence on fossil fuels and reduce air emissions.







Vehicle Operation

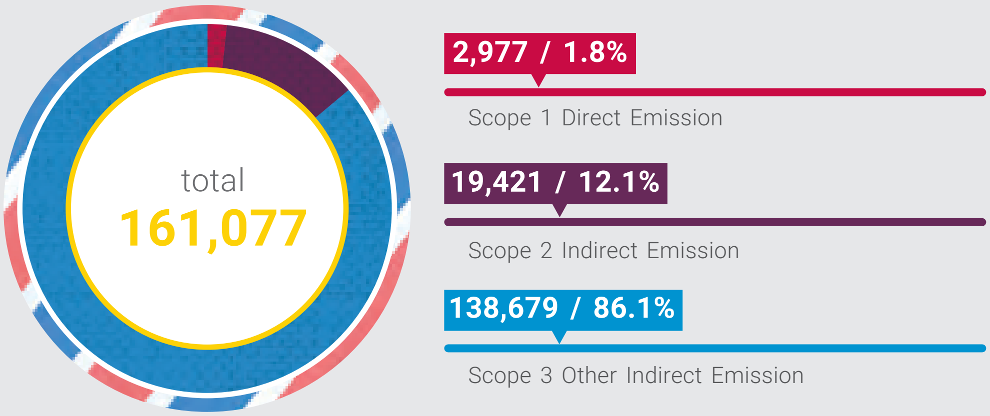
Vehicles were used for printing plant and business operations such as news assignment and circulations during the reporting year, contributing to 187.3 kg of NO_x emission and 2.6 kg of SO_x emission and 10.9 kg of PM emission.

Gaseous Fuel Consumption

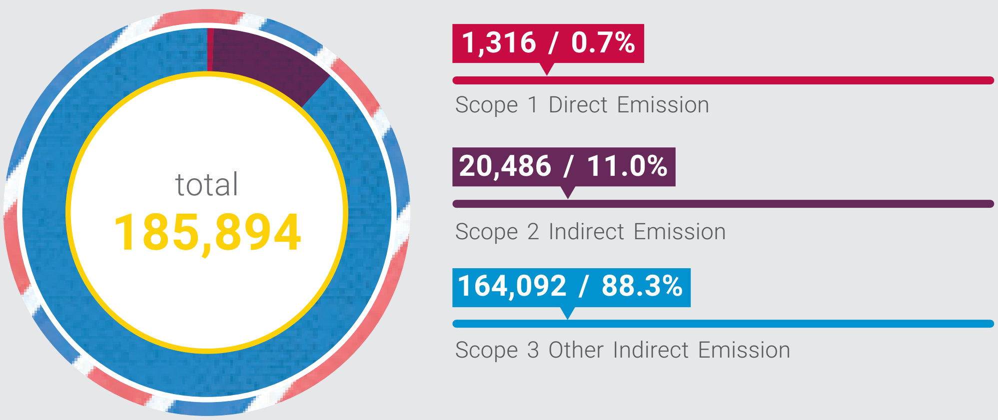
During the reporting year, town gas was used for heat generation required at printing operations, contributing to 40.5 kg of NO_x emission and 0.2 kg of SO_x emission.

A1.2 Greenhouse Gas ("GHG") Emissions

Total GHG Emissions in 2018/19 (tCO_2e)



Total GHG Emissions in 2017/18 (tCO_2e)



There were 161,077 tonnes of carbon dioxide equivalent ("tCO_2e", from carbon dioxide, methane, nitrous oxide and hydrofluorocarbons) emitted in the reporting year, a 13.3% 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 of in the landfills. The actual GHG emissions could be significantly lower with the rise in environmental awareness of the society and better paper recycling infrastructures in place for end-users.

GHG Removals from Planted Trees

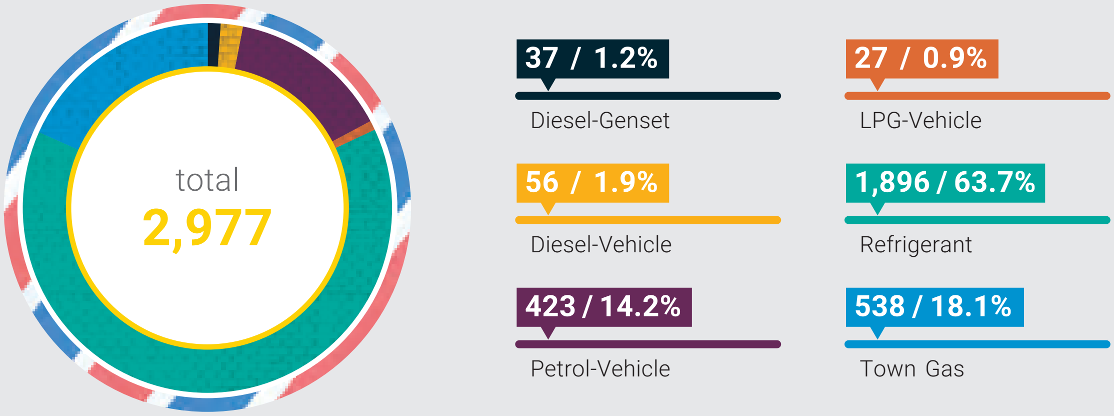
A total of 61 trees with height over 5 metres were planted at the printing plants in Taiwan, providing better air quality as well as reducing greenhouse effect. It contributed to a removal of 1 tonne of carbon dioxide equivalent GHG in scope 1.

Business Air Travel

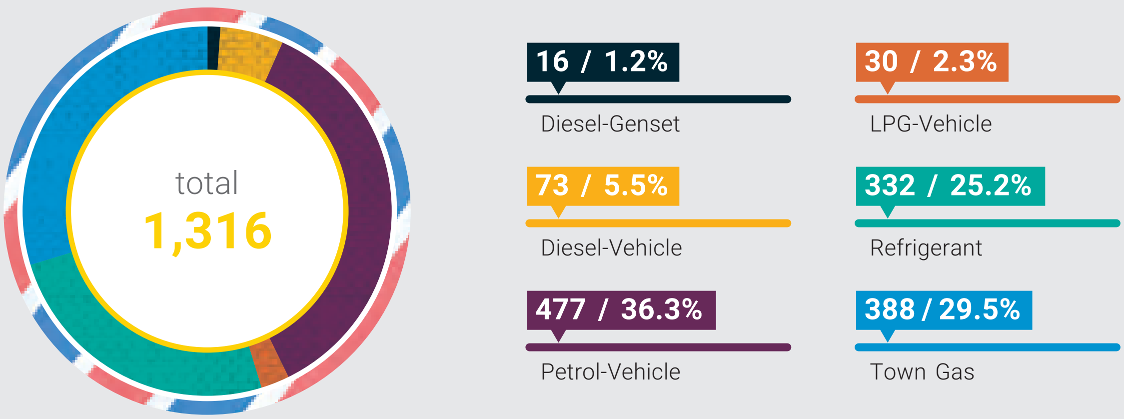
The Group keeps tracks of employees' business travelling and their relative carbon emission throughout the year. While the Group keeps exploring business opportunities, slight increase of 7.3% of business air travelling was essential to the sustainable growth of the Group's business. Administrative approval procedures have been implemented to pose control over business travel plans. With 2 new sets of videoconference systems installed during the reporting year in the Hong Kong office, the Group encourages 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 2018/19 (tCO_2e)



Scope 1 Direct Emission in 2017/18 (tCO_2e)

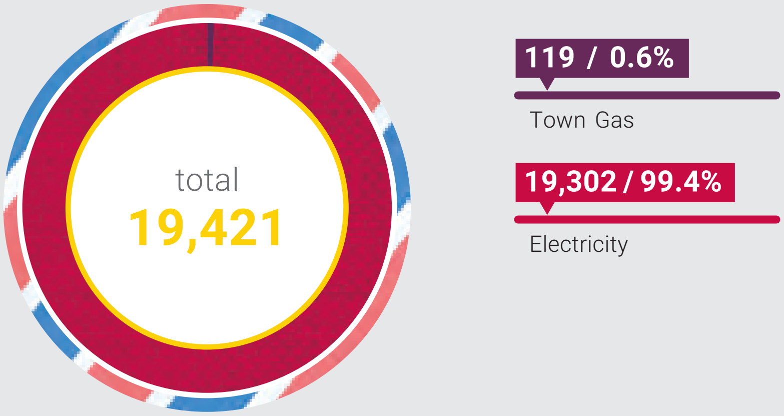


Refrigerant

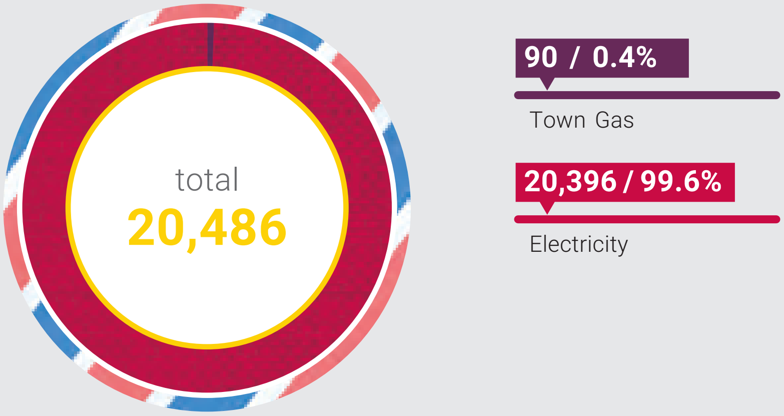
1,109 kg of HCFC-22/R22, HFC-134a and R-410A were used in air conditioning system in all premises during the reporting year, contributing to 1,896 tonnes of carbon dioxide equivalent emissions. Significant increase consumption comparing to last reporting year was due to overhauling works of main chiller plants and replenishment of refrigerant.

b. Scope 2 — Energy Indirect Emissions

Scope 2 Indirect Emission in 2018/19 (tCO_2e)

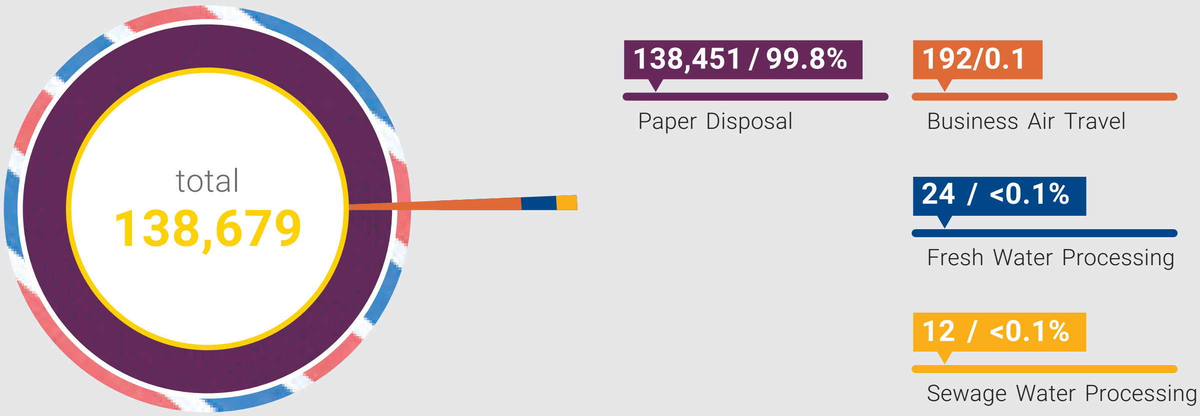


Scope 2 Indirect Emission in 2017/18 (tCO_2e)

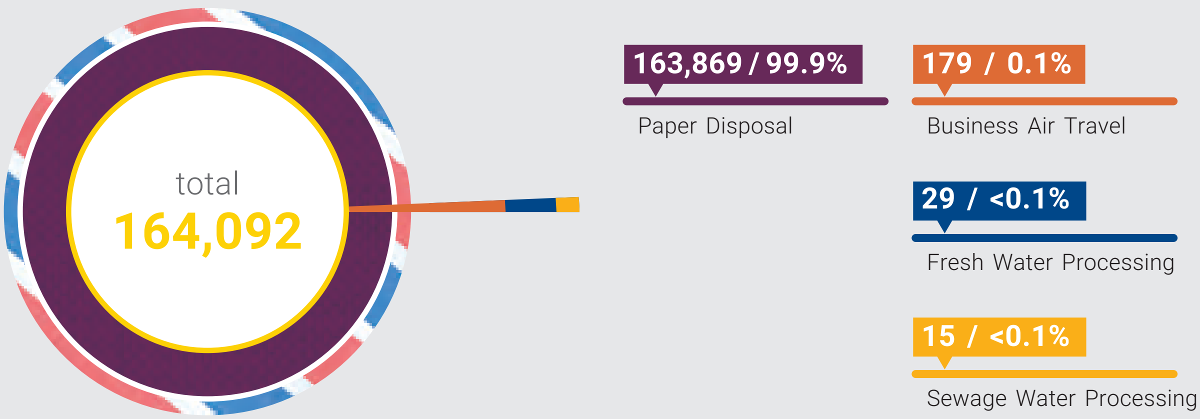


c. Scope 3 — Other Indirect Emissions

Scope 3 Other Indirect Emission in 2018/19 (tCO_2e)

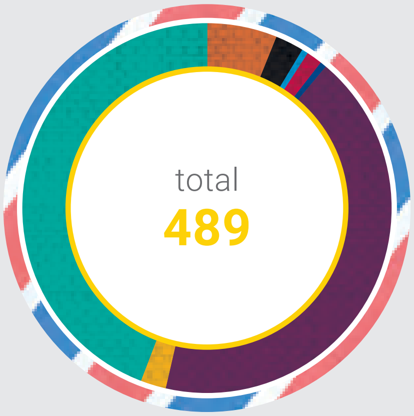


Scope 3 Other Indirect Emission in 2017/18 (tCO_2e)



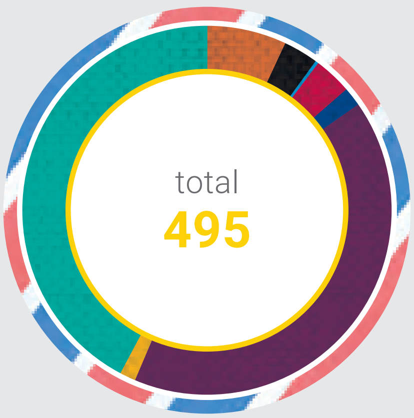
A1.3 Hazardous Waste

Hazardous Waste in 2018/19 (t)



- 31 / 6.3% Silver Compound
- 2 / 0.4% Spent Solvent/Sludge
- 12 / 2.5% Spent Film
- 208 / 42.5% Spent Developer
- 3 / 0.6% Lubrication Oil
- 11 / 2.2% Waste Ink Drum
- 7 / 1.4% Spent Ink/Sludge
- 215 / 44.1% Scrap Zinc Plates

Hazardous Waste in 2017/18 (t)

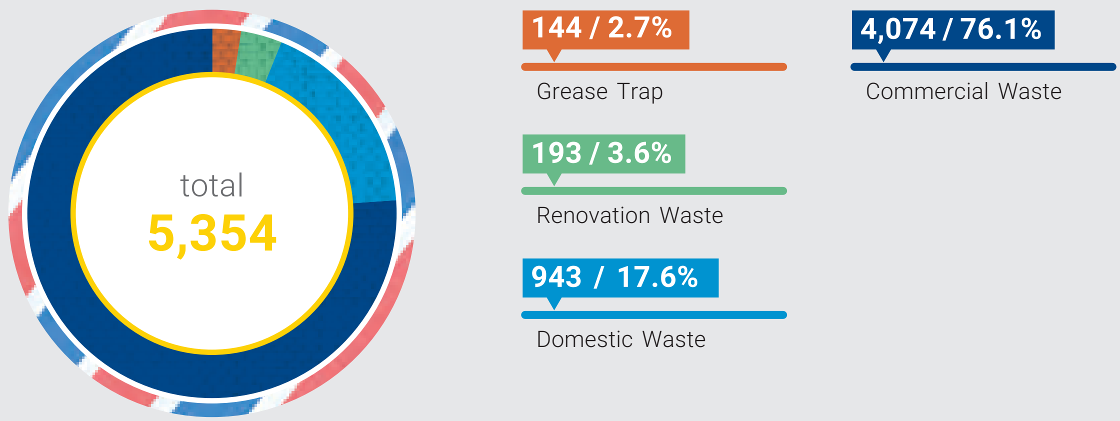


- 35 / 7.1% Silver Compound
- 8 / 1.6% Spent Solvent/Sludge
- 15 / 3.0% Spent Film
- 204 / 41.2% Spent Developer
- 0.07 / <0.1% Lubrication Oil
- 7 / 1.4% Waste Ink Drum
- 16 / 3.3% Spent Ink/Sludge
- 210 / 42.4% Scrap Zinc Plates

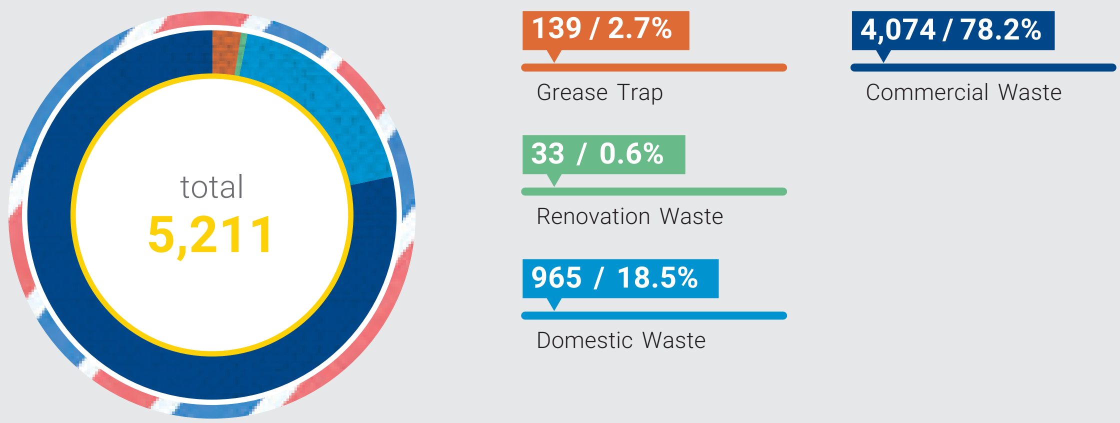
The Group generated hazardous waste in various processes during printing. A total amount of 489 tonnes of hazardous waste was generated during the reporting year (Hong Kong: 2.93 kg/m^2; Taiwan: 6.29 kg/m^2).

A1.4 Non-hazardous Waste

Non-Hazardous Waste in 2018/19 (t)



Non-Hazardous Waste in 2017/18 (t)



5,354 tonnes of non-hazardous waste were generated from the Group during the reporting year (Hong Kong: 66.3 kg/m^2; Taiwan: 22.5 kg/m^2).

A1.5 Measures to Mitigate Emissions

Comparing to last reporting year, there was an overall reduction for NO_x, SO_x and PM emissions. With the Group's business moving forwards to a more digitalized publication, the Group has continued to downsize company fleet and selected vehicles with small engines, which led to less fuel consumption on vehicles in Hong Kong. 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, fit for purpose would be considered. 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 a slight 1.2% less hazardous waste generated comparing to last reporting year. 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 were recycled. The Group has also installed on-site sludge treatment equipment to conduct preliminary treatment of sludge and reuse it on-site.

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 2.7% more waste generated comparing to last reporting year. It was because of increased office renovation works and upgrading of staff canteen. Due to a more supported and developed recycling industry in Taiwan, non-hazardous waste was separated at the point of disposal. All commercial wastes 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 some types of commercial waste ending up in landfills. Nevertheless, recyclable waste which has commercial value were sold or given to local registered recycling companies as much as possible. The rest of commercial 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

	2018/19	2017/18	Unit
Paper Consumption (Production)	33,084	38,116	t
Paper Consumption (Non-production)	23	29	t
Paper Collected for Recycle	(4,263)	(4,005)	t
Total Disposed at Landfills	**28,844**	**34,140**	**t**

A total of 33,084 tonnes of production paper (from production printing, including web print and flat sheet print) and 23 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 station as reminders to employees. Active recycle mechanism are in place for collecting waste paper from office and production areas.

The Group further strengthened its recycling efforts and source separation of waste. A total 4,263 tonnes of waste paper (from both production and non-production) was collected by approved recyclers from designated stockpile areas in premises. Such diversion from landfill successfully contributed to a 11.4% reduction of GHG emissions related to paper disposal. Nevertheless, a total of 28,844 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]).

A2. Use of Resources

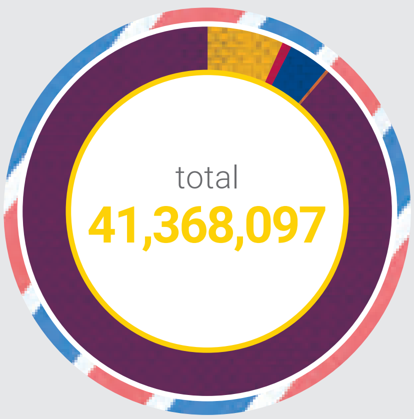
The Group has implemented various management measures on energy saving measures at both printing plants and offices.

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 401.6 kWh/m^2 for Hong Kong and 324.0 kWh/m^2 for Taiwan. Overall there was slight reduction in the Group's consumption of electricity, petrol and LPG, which was resulted from continuous efforts in related to the change of production volume, type of paper use and printing process, downsizing company fleet. Meanwhile, increase in diesel consumption (for backup generators) was due to frequent power interruption by electricity service provider in Taiwan, and increase in town gas consumption was mainly caused by increase production proportion of heat-set process in printing operation.

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

Energy Consumption in 2018/19 (kWh)



2,811,440 / 6.8%
Town Gas

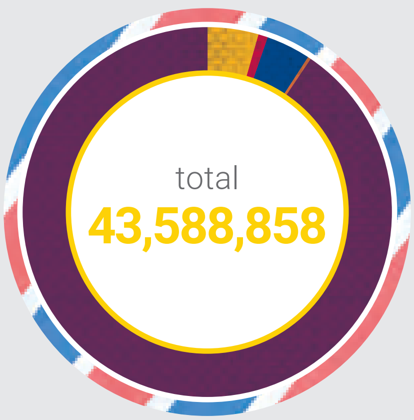
379,797 / 0.9%
Diesel

1,476,345 / 3.6%
Petrol

113,582 / 0.3%
LPG

36,586,933 / 88.4%
Electricity

Energy Consumption in 2017/18 (kWh)



2,024,773 / 4.7%
Town Gas

364,924 / 0.8%
Diesel

1,665,980 / 3.8%
Petrol

128,302 / 0.3%
LPG

39,404,879 / 90.4%
Electricity

A2.2 Water Consumption

Water consumption by the Group was 102,231 m^3 (Hong Kong: 0.6 m^3/m^2; Taiwan: 1.3 m^3/m^2). 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 99,526 m^3 of wastewater was generated from the Group during the reporting year (Hong Kong: 0.6 m^3/m^2; Taiwan: 1.3 m^3/m^2). 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

With electricity being the major energy consumption of the Group, policy related to energy saving has been established to promote energy conservation habits at work. For instance, computers in the offices must be switched off or with pre-approved exemption labels. Computer found turning on without exemption labels shall be recorded and followed up by Information and Communication Technology Department ("ICT") to handle the case with representative employees and management if issue persists.

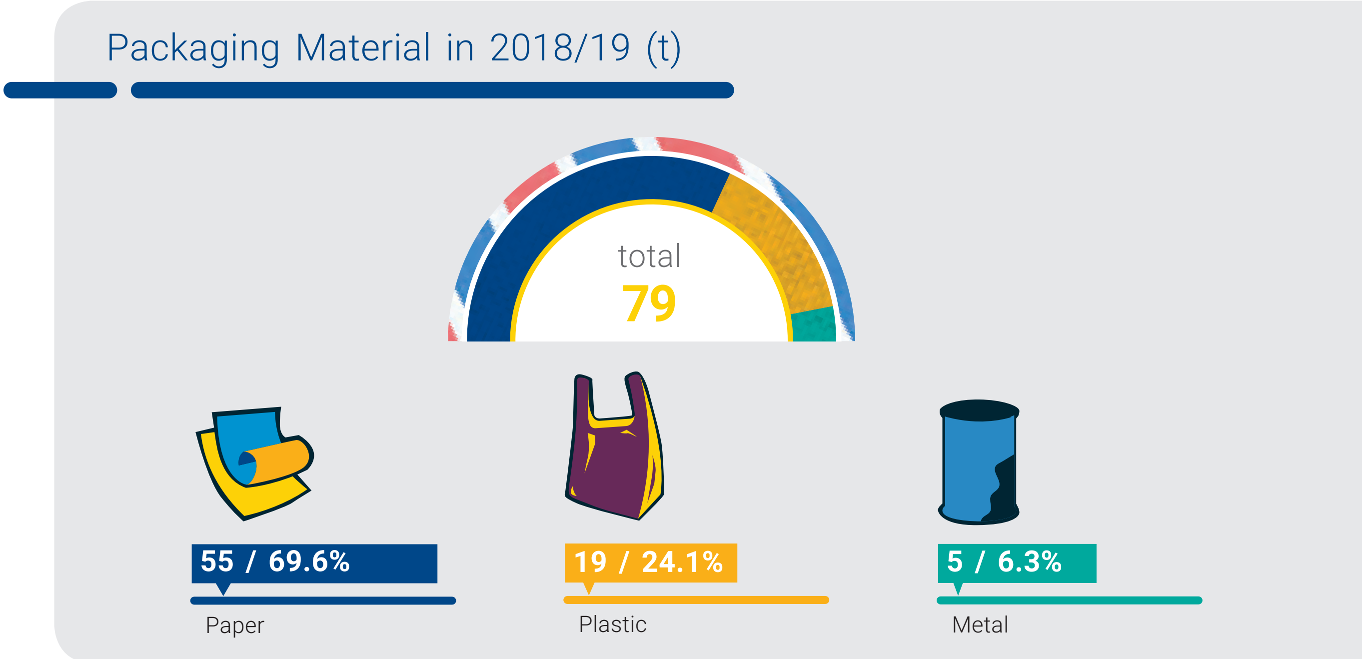
Moreover, the Group has been operating chiller systems in phases to cope with different thermal needs by manual or building management system, and is in progress of phasing out air cooled chiller systems in Hong Kong premises, and replacing them with water cooled ones with higher energy efficiency (all chiller systems are now water-cooled in Taiwan premises). Thermostat has been installed for all air conditioning for smarter control of room temperature and better efficient use of energy in all premises wherever possible. Energy saving labels are displayed next to light switches and air conditioners to remind employees to turn off equipment before leaving work.

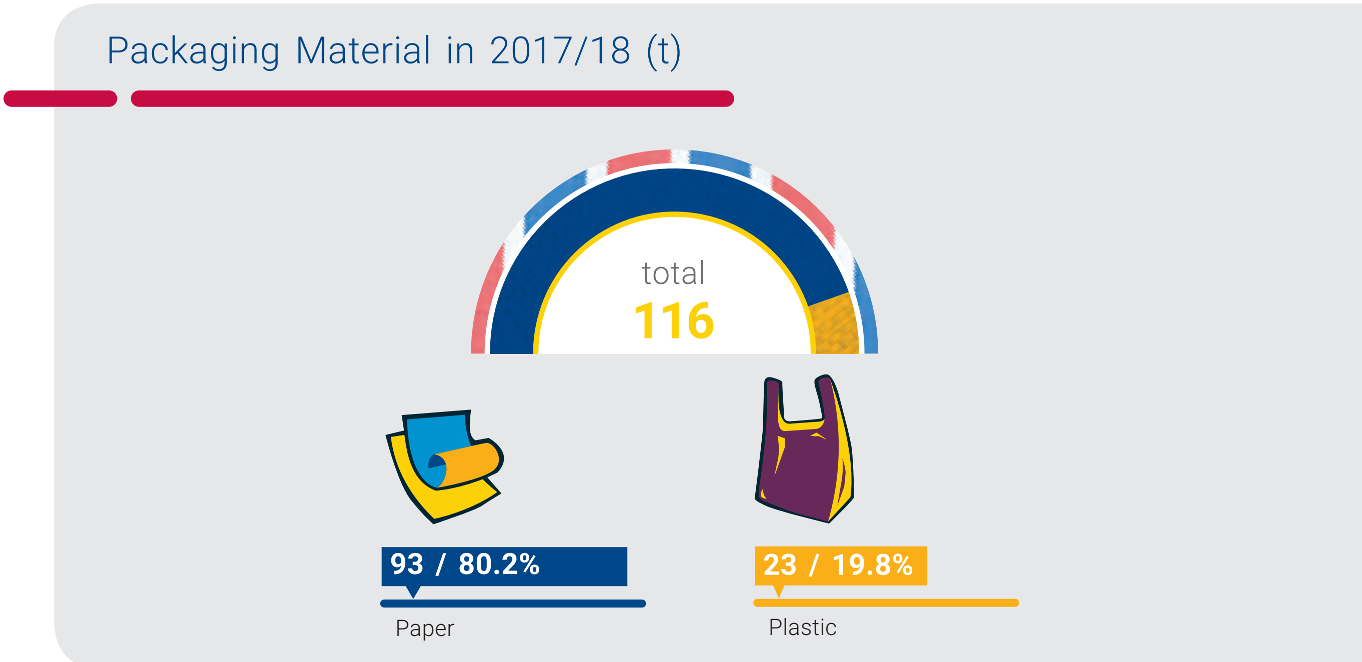
For lighting in the workplace, LED lights are now purchased to replace energy intensive lighting at printing plants. During the reporting year, the Group implemented pilot programme on installing motion sensors and LED lighting in phases for indoor renovation projects in premises other than printing plant in Hong Kong. The Group has also modified the chilling pipelines for operating chiller system to reduce number of reserve units and increase the overall utilization efficiency. In the next reporting year, the Group will further review the feasibility in replacing outdoor halogen floodlights with LED ones, which was completed in premises in Taiwan in 2018.

A2.4 Water Use Efficiency Initiatives

At printing plants in Hong Kong, reuse of bleed-off water from cooling system to flushing system is adopted 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 involved paper, plastic and metal for the protection of finished products during the reporting year, with some of the packaging paper made with recycled materials. A total amount of 79 tonnes of packaging materials were consumed (Hong Kong: 0.9 kg/m^2; Taiwan: 0.5 kg/m^2). Apart from the change of production volume, the Group will continue maximizing the use of packaging material in terms of quantity and type while ensuring quality of product protection during distribution.

A3. The Environment and Natural Resources

A3.1 Significant Impacts of Activities on the Environment

With the business nature, the Group understands its impact to the environment and natural resources may 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.

KEY STATISTIC TABLE

	2018/19	2017/18	2016/17	Unit
Area	**112,202**	**112,239**	**112,523**	**m^2**
Air Pollutant Emissions				
Nitrogen Oxides (NO_x)	227.8	341.7	390.7	kg
Sulphur Oxides (SO_x)	2.8	3.2	3.5	kg
Respiratory Suspended Particles (PM)	10.9	27.2	31.6	kg
Greenhouse Gas Emissions				
Scope 1	2,977	1,316	2,216	tCO_2e
— intensity	26.5	11.7	19.7	$kgCO_2e/m^2$
Scope 2	19,421	20,486	22,421	tCO_2e
— intensity	173.1	182.5	199.3	$kgCO_2e/m^2$
Scope 3	138,679	164,092	209,007	tCO_2e
— intensity	1,236.0	1,462.0	1,857.5	$kgCO_2e/m^2$
Total GHG Emissions (before removal)	161,077	185,894	233,644	tCO_2e
Total GHG Emissions (after removal)	161,076	185,893	233,643	tCO_2e
— intensity	1,435.6	1,656.2	2,076.4	$kgCO_2e/m^2$
Waste				
Total Hazardous Waste Generated	489	495	640	t
— intensity	4.4	4.4	5.7	kg/m^2
Total Non-hazardous Waste Generated	5,354	5,211	5,592	t
— intensity	47.7	46.4	49.7	kg/m^2

	2018/19	2017/18	2016/17	Unit
Energy Consumption				
Electricity	36,586,933	39,404,879	41,787,032	kWh
Town Gas	2,811,440	2,024,773	1,689,480	kWh
— unit consumed	210,858	151,858	126,711	unit
Diesel	379,797	364,924	434,623	kWh
— unit consumed	34,216	32,876	39,155	litre
Petrol	1,476,345	1,665,980	1,853,821	kWh
— unit consumed	157,058	177,232	197,216	litre
LPG	113,582	128,302	165,038	kWh
— unit consumed	8,889	10,041	12,916	kg
Total Energy Consumed	41,368,097	43,588,858	45,929,994	kWh
— intensity	368.7	388.4	408.2	kWh/m^2
Water Consumption				
Total Fresh Water Consumed	102,231	119,157	122,922	m^3
— intensity	0.9	1.1	1.1	m^3/m^2
Packaging Material				
Total Packaging Material Consumed	79	116	156	t
— intensity	0.7	1.0	1.4	kg/m^2
Paper				
Total Paper Consumed	33,107	38,145	48,188	t
— GHG emissions	158,913	183,096	231,300	tCO_2e
Total Paper Recycled	(4,263)	(4,005)	(4,710)	t
— GHG emissions	(20,462)	(19,224)	(22,607)	tCO_2e
Total Paper Disposed at Landfills	28,844	34,140	43,478	t
— GHG emissions	138,451	163,872	208,693	tCO_2e

Note1: Emission factors were made reference to Appendix 27 to the Main Board Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.

Note 2: Emission factor of 0.554 kg CO_2e/kWh for purchased electricity in Taiwan is used, according to the latest figure in 2017 from Bureau of Energy, Ministry of Economic Affairs.

Note 3: Emission factor of 0.0696 kg CO_2e/unit for processing both fresh water and wastewater in Taiwan is used, according to the latest figure from Taipei Water Department.

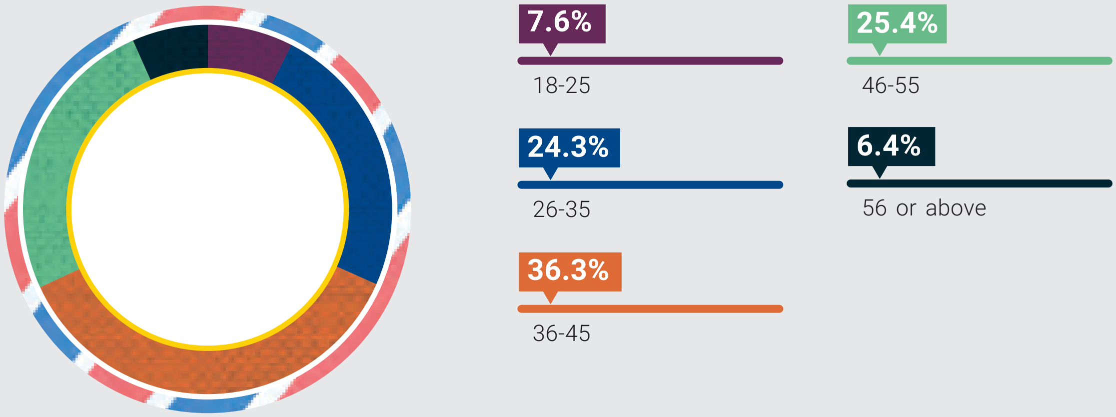
B. SOCIAL

1. Employment and Labour Practices

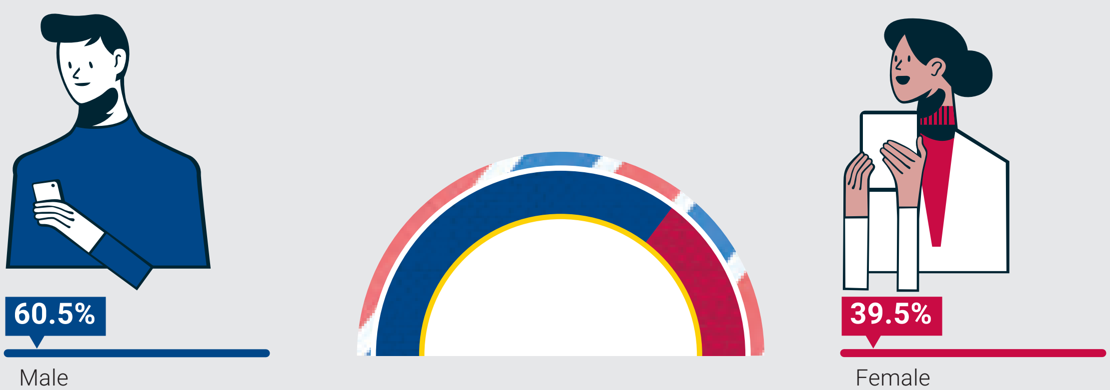
B1. Employment

The Group had a total number of 2,623 employees (including 84 part-time employees) as of 31 March 2019. Workforce remains stable despite the centralized printing operations in Taiwan, the Group continues to attract talents with sustainable growth of its digital business model.

Workforce by Age Group (%)



Workforce by Gender (%)



During the reporting year, the Group did not note any cases of material non-compliance in relation to employment, and strictly complies with national and local laws and regulations, including but not limited to the following:

Hong Kong:

- Employment Ordinance (Chapter 57 of the Laws of Hong Kong);
- Employment of Children Regulations (Chapter 57B of the Laws of Hong Kong);
- Employment of Young Persons (Industry) Regulations (Chapter 57C of the Laws of Hong Kong);
- Sex Discrimination Ordinance (Chapter 480 of the Laws of Hong Kong);
- Disability Discrimination Ordinance (Chapter 487 of the Laws of Hong Kong);
- Family Status Discrimination Ordinance (Chapter 527 of the Laws of Hong Kong);
- Race Discrimination Ordinance (Chapter 602 of the Laws of Hong Kong);
- Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong); and
- Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong).

Taiwan:

- Labour Standards Act;
- Employment Services Act;
- Gender Equality in Employment Act; and
- Labour Pension Act.

Employee Handbook and detailed policy documents are prepared based on the Group's Human Resources and Administration Policy. Conditions of employment, employee benefits, expected disciplines and penalty on malpractice or misconduct are clearly stated. Procedures and guidelines for the process of recruitment, internal transfer, salary review, promotion, retirement, termination and dismissal have also been standardized. 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 procedures set out in Whistleblowing Policy, 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 performance and the Group reviews employees' salary based on business growth and market norm, the pay is generally above market average.

Share Incentive Schemes

To motivate members of our senior and middle management, the Group offers a discretionary share option scheme that gives them options to subscribe for shares in the Company and its operating subsidiaries, so as to maintain the commitment of our employees to strive for excellence and professionalism. The Company also launched an innovative share award scheme to grant shares without vesting period to employees with a view to aligning the interests of employees directly to that of the Company's shareholders through ownership of shares, thereby encouraging their efforts and contribution.

Staff Engagement

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, a win-win situation can be achieved. The Group has been putting a lot of efforts in engagement amongst all levels of employees.

On-boarding Process

The brand new on-boarding process was developed to engage identified candidates during the pre-employment stage with digital component. By enabling new employees to experience our culture, the Group creates the sense of belonging. The new employees are well engaged with their managers, co-workers, distributed colleagues and leaders based on the 30–60–90 robust plan so they can learn, adapt, engage and deliver.

Workplace Welfare

The Group believe that work-life balance has a positive impact on employees' sense of belonging and productivity. It aims to promote healthy lifestyle and a wide range of leisure facilities are provided at workplace. Accommodation and shuttle bus are also provided for employees working at remote plant locations.

Staff Events

Employee morale is an extremely significant aspect of the Group's business. Annual dinner, flea market, and basketball tournament were arranged to boost employee morale. The events were all well-received and in particular, the Group's 2018/19 Annual Dinner drew a record high attendance.

Employee Self Services ("ESS")

ESS Pay Slip and Personal Information Modules have been successfully implemented during the reporting year, which resulted in immediate increases in productivity and efficiency. ESS was particularly beneficial to managers and Human Resources personnel who save time in the day-in-day-out paper and manual-based process approval.

Communication

Being transparent in the newly created Slack channel and having an open and objective two-way communication, the Group invites employees to submit ideas for continuous improvement and make communication effective. Mini survey in relation to specific staff facilities enhancement (snack and tea, canteen and gym room) were conducted and served as pulse checks. The average response rate was 12% and the overall satisfaction rate was 86%.

Turnover

During the reporting year, the overall annual turnover rate has dropped to 24.1% with 631 employees left the Group. With one of the printing plants under minimal operation to maximize the overall production capacity, utilization rate and to reduce production costs, certain amount of employees from this printing plant were laid off, while the retained ones were relocated to other printing plant.

B2. Employee Health and Safety

During the reporting year, the Group did not note any cases of material non-compliance in relation to health and safety laws and regulations. The Group strictly complies with national and local laws and regulations, including but not limited to the following:

Hong Kong:

- Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong);
- Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong);
- Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong); and
- Dangerous Goods Ordinance (Chapter 295 of the Laws of Hong Kong).

Taiwan:

- Occupational Safety and Health Act; and
- Protection for Workers Incurring Occupational Accidents Act.

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 systems are regularly cleaned and maintained. As a pilot scheme, the Group has installed high efficiency particular air filter in the fresh air duct of Hong Kong office during the reporting year, aiming to improve indoor air quality in major meeting rooms. Carbon dioxide and PM sensors were also installed for monitoring.

The Group has adopted Journalist Health and Safety Guide since 2016 which applies to all news reporters working in high risk or hostile environments. The guide emphasizes risk assessment, health precaution, training, communication set-up and support in case of emergency or causalities. During the reporting year, there was no work-related fatality in the reporting year. 618.5 working days were lost (accounts for less than 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

9

Work Injury
Cases ≤ 3 days

13

Work Injury
Cases > 3 days

Safety Management Policy

The Policy stipulates that the Group has the sole responsibility for maintaining a high standard of health and safety at workplace with sufficient resources and proper training. 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.

Severe Weather and Fire Emergency Response

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 2019, there were 11 qualified first aiders and 9 security guards trained to use AED.

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

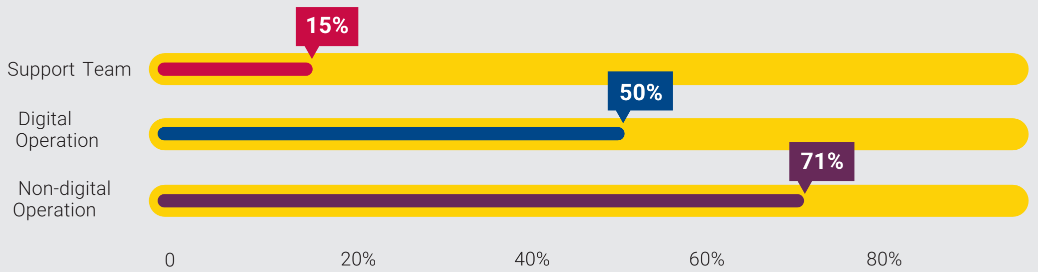
All employees working at printing plant are entitled to bi-annual body check. Nurses were hired to station at printing plants, and the Group arranged monthly doctor visit for on-site medical counselling and regular seminar related to occupational health and safety. If the employees' hearing problems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

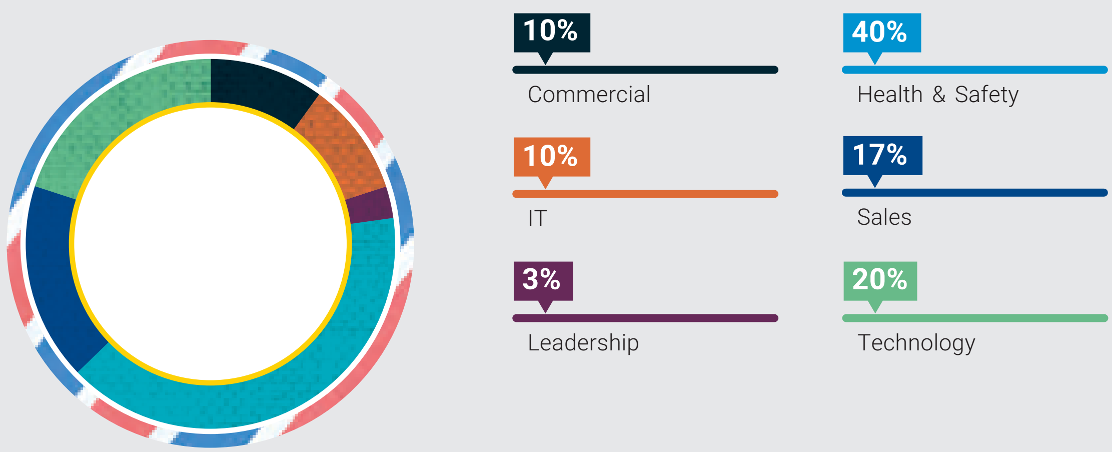
The Group offers training opportunities to all employees. Based on business needs and discussions after annual performance appraisal, the Heads of Department will assign trainings for their staff. These trainings include both internal and external courses, and encompass a wide aspect of areas shown in the following table. During the reporting year, 68% of training sessions were conducted externally, and employees were supported with education allowances to attend seminars, lectures and conferences.

The Group has also developed 5 standard modules for staff orientation: About Next Digital, Human Resources Policy, Occupational Safety and Health, 10 Interesting Points of Views, and Getting to Know Our Business. The Group takes the advantage of online as well as offline training to implement these modules. E-learning related to Occupational Safety and Health has been extended to office colleagues. Moreover, big data and artificial intelligence learning programs were organized and recommended to empower our employees, who were able to learn from the most influential leaders from within and in town.

Percentage of Employees Trained by Employee Category (%)



Training Category (%)



B4. Labour Standards

During the reporting year, the Group did not note any cases of material non-compliance relating to preventing child and forced labour. Background and information check were conducted for every new employee by Human Resources Department to ensure compliance with the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) in 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. No such incident was reporting during the reporting year.

2. Operating Practices

B5. Supply Chain Management

With the Group's business moving forwards to a more digitalized publication, the Group has engaged more supply chain related to ICT during the reporting year. For non-digital operation, 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 at setting directions and standardizing procedures for employees to follow, especially for those in Procurement Department. Each supplier shall be assessed and selected based on various parameters such as service, quality, reputation and compliance with health and safety, environmental laws and regulations, as well as annual appraisal on suppliers' performance. The Group also regularly reviewed and updated the Material Safety Data Sheets of the chemicals used in printing plants.

When engaging new suppliers, Procurement Department encourages their voluntary disclosure on internal green policy and international accreditation. Through meetings, the Group was able to gather insightful information and communicate with them the Group's expectation and standard on waste management issues.

B6. Product Responsibility

During the reporting year, the Group has formulated a standardized Editorial Charter to establish editorial autonomy, safeguard freedom of speech, promote the development of the industry and protect the rights and interests of both company and employees. The Group did not note any cases of material non-compliance regarding product responsibility and strictly complies with the related laws and regulations, including but not limited to Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong), Copyright Ordinance (Chapter 528 of the Laws of Hong Kong) and Competition Ordinance (Chapter 619 of the Laws of Hong Kong).

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."

The Charter reinforces the principles of truth, justice, objectivity and independence. It is our duty to the readers to correct our errors as soon as possible, and all involved departments and employees must review issues related to the process, mechanism, manpower or individual personnel to prevent further mistakes.

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. Legal Department regularly arranges training for staff in Editorial Department to familiarize themselves with various topics related to intellectual property rights and copyrights. The protection of intellectual property is also reinforced in the employment contract in which all creations and other derivative or editorial works related to the business, made during employment shall belong to the Group.

Consumer Data Protection

It is stated clearly in the Employee Handbook and Employment Contract, employees are not allowed to sell or use any Group property without authorization. No confidential information, editorial property or customer information shall be disclosed to anyone outside the Group under any circumstances during employment. There is standard procedure to deal with access to confidential information once employees are being transferred to other departments or resigned. The Group has various privacy protection control systems in place for domain and computer access and will continue to monitor their performance and effectiveness. 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 the reporting year, there were no concluded legal cases regarding corrupt practices, and the Group strictly complies with Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong), Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of the Laws of Hong Kong). Integrity is one of the Group's core values, anti-corruption policy, code of conducts and conflict of interest declaration standard procedure have been established to regulate the discipline and professional conduct of employees. Internal control with more stringent requirements is 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. The Group also has Whistleblowing Policy in place to raise concerns among employees for any improprieties, suspected misconduct or malpractice within the Group.

During the reporting year, the Group established an Editorial Charter to ensure fairness within the Editorial Department whether they are journalists or editors. No exchange of interests or collection of improper interests are allowed. The Group's policy on resignation has also stipulated that an employee shall be dismissed if he/she commits any violation of employment contract or work ethnics.

B8. Community Investment

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 (Chapter 112 of the Laws of Hong Kong) and the operation costs are funded by *Apple Daily*. Its principal objective is to assist less-privileged members of our community and various social service programmes through *Apply Daily* as main communication portal to gather financial support from general public 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.

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$0.43 million for 4 emergency assistance cases, and a total of HK$40.22 million for 278 beneficiaries suffering from serious illness that required immediate or special medical treatment. The Foundation's Apple Bursaries Scheme also provided bursaries totalling HK$0.88 million to 310 primary and secondary school students as well as undergraduates.

Apart from providing financial support, the Foundation established the "Next Digital Volunteer Team" 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 23 voluntary activities, including large-scale fundraising events, festival celebration with people in need and the elderly and home visits for the underprivileged families.

Taiwan — Apple Daily Charity Fund

During the year, the Fund has engaged 44,418 readers in charitable activities with 365,916 times of participation. The total donation amounted to nearly NT$320 million, which helped supporting 979 families who were in difficulties and 160 social welfare groups who gave services to underprivileged groups, as well as providing scholarships to 386 students to complete their education. Furthermore, the Fund allocated a total of NT$5.38 million to serve 2,638 underprivileged families for enjoying festivals by providing emergency funds, giving away rice dumplings and boxes of mooncakes from non-profit organizations.

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 SHAREHOLDER VALUE.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the applicable provisions of the CG Code throughout the year ended 31 March 2019, save for a minor deviation from Code Provision E.1.2.

Under Code Provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting. Due to other business engagements, Mr. Lai Chee Ying, Non-executive chairman of the Group was unable to attend the 2018 AGM. Mr. Cheung Kim Hung, the CEO, chaired the 2018 AGM on his behalf in accordance with the provisions of the Articles of Association.

BOARD OF DIRECTORS

As of 31 March 2019, the Board consisted of seven members: two EDs, two NEDs and three INEDs. Names and other biographical details of the current members of the Board are set out in the "Directors and Senior Management" section on pages 61 to 63 of this report. The current structure and composition of the Board provide 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 levels of expertise and independence are maintained.

During the year under review, all INEDs complied with the guidelines for assessing their independence set out in Rule 3.13 of the Listing Rules, and provided the Company with written confirmation regarding their independence. The Nomination Committee also assessed the independence of the INEDs in respect of the year ended 31 March 2019, and opined that all 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 its policies are delegated to the Company's Executive Committee and senior management of the Company's subsidiaries. The Board fully supports the management by allowing it to operate and develop the Group's business autonomously within the context of the powers and authorities delegated to it. The management is expected to report back and obtain approval from the Board before any significant decisions or commitments are 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. Mr. Lai Chee Ying acts as Non-executive Chairman of the Board and is responsible for promoting good corporate governance, providing leadership to the Board and exercising top-level oversight of the management in compliance with the mission and vision of the Group. Mr. Cheung Kim Hung, the CEO of the Group, focuses on implementing the strategies set by the Board, taking charge of the day-to-day management and operation of the Group and leading the management team to ensure that 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 Board meetings and committee meetings, attending general meetings, and participating in continuous professional development, all Directors are able to make their required contributions to the Board and to the development of the Group. The dates of Board meetings for each year are usually proposed by the Company Secretary and agreed by all Directors during the third quarter of the prior year, in order to give all Directors adequate time to plan their schedules in advance.

The Board's proceedings are well defined, pursuant to 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 a notice of the Board meeting at least 14 days in advance, and sends to all Directors Board papers containing supporting analysis and related information at least 3 days in advance. During each regular Board meeting, the Chairman of the Board encourages all Directors to make a full and active contribution to the Board's affairs, and takes the lead in ensuring that the Board acts in the best interests of the Company. Directors are encouraged to discuss such matters and express different views at Board meetings, so as 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 operations, project progress 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 or dissenting views expressed by Directors. Draft minutes and resolutions of the Board are sent to all Directors for comment in a timely manner. Original minutes and resolutions of the Board are placed on record and kept by the Company Secretary. These are available for inspection by the Directors upon request.

Below is an overview of the dates of the various Board/committee/general meetings and the record of member attendance 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)	6/8 (75%)	N/A	N/A	N/A	0/1 (0%)
Ip Yut Kin (Note 3)	8/8 (100%)	1/1 (100%)	N/A	N/A	1/1 (100%)
EDs					
Cheung Kim Hung (CEO)	8/8 (100%)	N/A	N/A	0/0 (0%)	1/1 (100%)
Chow Tat Kuen, Royston (CFO)	8/8 (100%)	N/A	1/1 (100%)	N/A	1/1 (100%)
INEDs					
Louis Gordon Crovitz	8/8 (100%)	3/3 (100%)	1/1 (100%)	0/0 (0%)	1/1 (100%)
Mark Lambert Clifford (Note 4)	8/8 (100%)	2/2 (100%)	N/A	0/0 (0%)	1/1 (100%)
Lam Chung Yan, Elic (Note 5)	8/8 (100%)	3/3 (100%)	1/1 (100%)	N/A	1/1 (100%)
Bradley Jay Hamm (Note 6)	2/2 (100%)	N/A	N/A	0/0 (0%)	1/1 (100%)
Dates of Meetings	11.06.2018 11.06.2018 18.09.2018 29.10.2018 08.11.2018 12.11.2018 26.11.2018 19.02.2019	08.06.2018 09.11.2018 06.03.2019	26.11.2018	N/A	27.07.2018

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 a 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 independent auditor attended the 2018 AGM to answer questions from the Shareholders.

3. Mr. Ip ceased to be a member of the Audit Committee of the Company as of 13 September 2018.

4. Mr. Clifford was appointed as an Independent Non-executive Director of the Company as of 9 May 2018 and as Chairman of the Nomination Committee and a member of the Audit Committee of the Company as of 13 September 2018, in place of Dr. Hamm and Mr. Ip respectively.

5. Mr. Lam was appointed as an Independent Non-executive Director, Chairman of the Audit Committee and a member of the Remuneration Committee of the Company as of 9 May 2018, in place of Dr. Lee Ka Yam, Danny.

6. Dr. Hamm resigned as an Independent Non-executive Director and Chairman of the Nomination Committee of the Company with effect from 13 September 2018.

BOARD COMMITTEES

The Board has established the Executive Committee that comprises all executive directors on the Board. Under its terms of reference, the Executive Committee is responsible for overseeing the management and daily operations of the Group and any other matters delegated by the Board. In addition to the Executive Committee, the Board has set up the Audit Committee, the Remuneration Committee, the Nomination Committee and other committee to act 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).

In order to pursue the highest standards of corporate governance, the Board altered the composition of the Audit Committee so that it solely comprises of INEDs. It currently includes Mr. Lam Chung Yan, Elic; Mr. Louis Gordon Crovitz and Mr. Mark Lambert Clifford. It is chaired by Mr. Lam Chung Yan, Elic, who possesses the professional qualifications and financial management expertise required under the Listing Rules. None of the members are, or have been, a member of the Company's current or previous independent auditor.

(ii) Audit Committee's Functions

The Audit Committee meets regularly with the independent auditor, professional advisers and management team to assist the Board in overseeing the Group's financial reporting, the appointment of the auditor and related fees, and the effectiveness of the Group's risk management and internal control systems. It convenes 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, as well as on the Stock Exchange's website.

(iii) Audit Committee's Activities

During the year under review, the Audit Committee has considered and/or endorsed 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 2018;
- The 2018 audit completion report for the year ended 31 March 2018;
- The continuing connected transactions of the Group for the year ended 31 March 2018;
- The engagement of the independent auditor and related fees;
- The internal control review report for the year ended 31 March 2018;
- Valuation of mastheads and publishing rights of the Group for the year ended 31 March 2018;
- The Group's unaudited consolidated interim results for the six months ended 30 September 2018;
- The internal audit of the Group for the year ended 31 March 2019;
- The internal audit service renewal; and
- The Group's risk management system.

The CFO and the Group Financial Controller were invited to attend these meetings to give a full account of the financial statements and answer the Audit Committee's questions. The Audit Committee reviews 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 reviews the adequacy and effectiveness of Next Digital's internal control and risk management measures.

Nomination Committee

(i) Structure and Membership

The Nomination Committee was established on 30 March 2012 and currently consists of two INEDs, Mr. Mark Lambert Clifford and Mr. Louis Gordon Crovitz, and one ED, Mr. Cheung Kim Hung. It is chaired by Mr. Mark Lambert Clifford.

(ii) Nomination Committee's Functions

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board and making recommendations to the Board regarding the appropriateness of Board's skills and experience in relation to 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, as well as on the Stock Exchange's website.

The Company has established a Nomination Policy setting out the criteria, procedures and process by which the Nomination Committee shall select individuals for nomination for election or appointment to the Board. The selection criteria include, but are not limited to, the candidate's academic background and professional qualifications, relevant experience in the industry, character and integrity, and time available to devote to Board duties. Where a candidate is proposed as an INED, the criteria of independence under the Listing Rules are also included. The Nomination Committee may identify potential candidates from any source it considers appropriate, and evaluates the personal profiles of candidates based on the aforementioned selection criteria. The Nomination Committee may interview potential candidates and select the most appropriate candidates for the Board's consideration and approval.

The Company has also adopted a Board Diversity Policy setting out the Company's approach to achieving Board 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:

- The change of an INED and composition of board committees;
- The renewal of a term of appointment of a NED; and
- Directors' nomination and related matters.

Remuneration Committee

(i) Structure and Membership

The Remuneration Committee was established on 15 March 2005 and currently comprises two INEDs, Mr. Louis Gordon Crovitz and Mr. Lam Chung Yan, Elic and one ED, Mr. Chow Tat Kuen, Royston. It is 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. The Remuneration Policy for EDs is determined with reference to the Group's performance, duties and level of responsibility of the EDs and the prevailing market conditions. Compensation for NEDs is determined with reference to their individual duties and level of responsibility with the Company. In order to provide remuneration and compensation packages that are sufficiently competitive to attract, retain and motivate high quality executives to serve the Group, the remuneration of the Company's Directors and senior management is reviewed annually. 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 as well as on the Stock Exchange's website.

The Remuneration Committee is also responsible for ensuring that no Director or any of their associates are involved in deciding their own remuneration. The Remuneration Committee has determined the remuneration packages of the EDs, having been delegated this responsibility. 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 considered and/ or endorsed the following matters in line with its delegated responsibilities and with reference to the Group's operating results, duties and level of responsibility of the EDs and the prevailing market conditions, before they were submitted to the Board, where appropriate, for its consideration:

- The issue of shares awarded to EDs;
- The Directors' fees for the year ending 31 March 2020; and
- The 2019/20 Salary Review of the Group.

Other Committee

A sub-committee consisting of the financial heads of all 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 the business and affairs of the Group and to ensure that good corporate governance practices and procedures are in place. To this end, the Board has 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 reviewed and discussed, among other things, the Company's policies and practices on corporate governance. They 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 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 its 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 of 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. Louis Gordon Crovitz, who was/is also a director of Dun & Bradstreet, Marin Software and Houghton Mifflin Harcourt. The shares of these companies were/are listed on the New York Stock Exchange and NASDAQ respectively.

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 of 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 are set out in the relevant circulars sent to Shareholders within the stipulated timeframe, and are explained to those present at the start of general meetings.

To ensure that votes were counted correctly, the Company's share registrar was appointed to scrutinize voting at the 2018 AGM and an extraordinary general meeting held on 28 December 2018.

Dividend Policy

The Company has adopted a Dividend Policy that sets out the principle and procedures for the payment of dividend to Shareholders. The Board may take into account the Group's operating results, working capital, financial position, business strategies, statutory and regulatory restrictions, as well as any other factors which the Board may deem relevant, in order to determine whether to pay a dividend and of what amount. Dividend may be paid in the form of either cash or shares, out of the net realized profit or accumulated realized net profits not previously utilized for distribution or capitalization.

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. During the year under review, an induction package containing information regarding the duties and responsibilities of the Directors under the Listing Rules, the Companies Ordinance and other related ordinances and relevant regulatory requirements of Hong Kong was provided to each newly appointed Director. As and when necessary, the Company also arranges seminar sessions for all 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 so as 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 new developments concerning 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 2019. 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)	✔	✔
Ip Yut Kin	✔	✔
EDs		
Cheung Kim Hung (CEO)	✔	✔
Chow Tat Kuen, Royston (CFO)	✔	✔
INEDs		
Louis Gordon Crovitz	✔	✔
Mark Lambert Clifford *(appointed on 9 May 2018)*	✔	✔
Lam Chung Yan, Elic *(appointed on 9 May 2018)*	✔	✔
Lee Ka Yam, Danny *(resigned on 9 May 2018)*	✔	–
Bradley Jay Hamm *(resigned on 13 September 2018)*	✔	–

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, to prepare and maintain records of minutes, and to advise the Board on compliance under the applicable laws, rules and regulations in a way that keeps the Board 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 in areas relating to financial, legal and corporate governance matters, as well as to the management of listed companies.

Independent and Professional Advice

The Directors and Board committee members are empowered with all 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 regarding the performance of their duties at the Company's expense and in accordance with the *Procedures for Directors to Seek Independent Professional Advice*, which has been adopted by the Board.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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 independent 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 78 to 82.

MONTHLY FINANCIAL UPDATES TO DIRECTORS

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

AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT

Independent Auditor

Deloitte has been the Company's independent auditor since 2004. For the year ended 31 March 2019, the total fees paid and payable to the independent auditor amounted to a total of HK$3,629,000, of which HK$2,105,000 was for audit services and HK$1,524,000 was for non-audit services including procedures for the interim financial report, review and report of financial information included in the 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 2019, 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 to the Group's ability to act confidently when making forward-facing 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 an independent professional firm to conduct assessments and evaluations of the Group's entity-level controls.

The Group has established a Risk Management Policy in order to provide sound and effective risk management. This sets out a framework, including a risk assessment process, for the identification, analysis, evaluation, treatment, monitoring and reporting of the Group's key risks, with a view to supporting the achievement of the Group's overall strategic objectives.

The establishment of the Company's risk management and internal control systems involves (1) identifying risks associated with each activity undertaken within the 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) the monitoring and reporting of identified risks to the Audit Committee and senior management by an externally-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 in achieving the business objectives of the Group and can provide reasonable, but no absolute assurance, against material misstatement or loss.

During the year, an externally-engaged professional firm conducted a review of the Group's risk management and internal controls according to the internal audit plan 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 the functioning of key controls through audit sampling. It reported to the Audit Committee on the results of its assessment and on the implementation status of follow-up actions based on its control recommendations. In addition, a representative from the professional firm attended Audit Committee meetings twice during the financial year to report on its progress. The key risks identified, managed and monitored during the year included the maintenance and security of the Group's data and networks, marketing and production in the print business, finance and accounting functions, and staff recruitment and retention. The Group has taken active steps to address these areas of concern.

The Audit Committee, supported by the professional firm, reviewed the adequacy of the resources, qualifications, experience and training requirements of staff responsible for financial, operational and compliance processes. The professional firm issued an internal audit report incorporating control recommendations and management rectification plans.

During the year under review, the Board conducted a bi-annual review of the effectiveness of the Group's risk management and internal control systems and determined that the Group has complied 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 and the Company's independent auditor.

Investor Relations

As a multimedia company, Next Digital is always 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 has adopted a Shareholder Communication Policy to promote effective communication with Shareholders. To ensure equal access to information regarding the Company's latest major developments, measures have been taken to guarantee that 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 questions about their shareholdings to the Company's share registrar. To access information about the Company, Shareholders may send any enquiries to the Board by mail, email or telephone, via 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 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 has also set out procedures for communication with analysts and the media. Certain EDs and senior management are carefully selected 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 "Corporate Governance" section and under the column of "Investor Relations", as well as on the Stock Exchange's website. During the year, there was no significant change to 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
香港互動市務商會
The 6th Media Convergence Awards
第六屆傳媒轉型大獎

Apple Daily
《蘋果日報》:

Top 10 Media
十大傑出傳媒
Newspaper Category (Mobile) Silver Award
報紙類別(流動程式)銀獎
Newspaper Category (Social Media) Silver Award
報紙類別(社交媒體)銀獎
Newspaper Category (Website) Silver Award
報紙類別(網站)銀獎
Newspaper Category (Overall) Silver Award
報紙類別(整體)銀獎
Top 10 Favourite Facebook Fanpages
十大最喜愛紛絲專頁
Mobile Bronze Award
流動程式銅獎
Social Media Bronze Award
社交媒體銅獎
Website Silver Award
網站銀獎
Overall Excellence Bronze Award
整體大獎銅獎

Next Digital
壹傳媒:

Top 10 Favourite Media Websites
十大最喜愛媒體網站

The Society of Publishers in Asia (SOPA)
亞洲出版業協會
2018 Awards for Editorial Excellence
2018年度卓越新聞獎

Excellence in Video Reporting Group C
卓越視頻報道獎C組

Award for Excellence: *Apple Daily*
卓越獎:*《蘋果日報》*
主題:中國孤兒雜技團

Kam Yiu-yu Press Freedom Awards
第十屆金堯如新聞自由獎

Print and Online Category
紙媒網媒組

Winner: *Apple Daily*
大獎:*《蘋果日報》*
主題:「沙中綫工程醜聞」系列報道

Consumer Council
消費者委員會
The 18th Consumer Rights Reporting Awards
第18屆消費權益新聞報道獎

Text (Investigative) Merit: *Apple Daily*
文字組別(調查報道)優異獎:*《蘋果日報》*
主題:「銷售團隊神化精油 稱助贏馬醫百病」
Audio-Visual (Short) Merit: *Apple Daily*
影像組別(短片)優異獎:*《蘋果日報》*
主題:「直擊元朗非法貨櫃屋村 揭港月產百個貨櫃式住宅」

The Hang Seng University of Hong Kong
香港恒生大學
The 3rd Business Journalism Awards of The Hang Seng University of Hong Kong
第三屆恆大商業新聞獎

Best Visual Design of Business News Reporting (Motion)
最佳商業新聞視覺設計獎(動態)
Gold Award: *Apple Daily*
金獎:*《蘋果日報》*
主題:「Fintech Jargon系列」

The 30th Hong Kong Print Awards 2018
第三十屆「香港印製大獎」

Newspaper Printing
報紙印刷獎
Merit: *Apple Daily*
優異獎:*《蘋果日報》*

「世界報業暨新聞出版協會」(WAN-IFRA)
Asian Media Awards 2018
2018年亞洲媒體大獎

Best in Print

最佳印刷獎

Gold Award: *Apple Daily*

金獎:*《蘋果日報》*

Circulation above 150,000 copies

印刷15萬份或以上

澳洲News Media Works
News Media Awards 2018

「Technical」組別的「Best Run of Press(OPEN)」:*《蘋果日報》*

TAIWAN
台灣

2018年度消費者權益報導獎

平面媒體類平日報導獎特優:*《台灣蘋果日報》*

主題:《踢爆 豬頭皮瀝青除毛 黑心工廠毒害消費者》

平面媒體類平日報導獎佳作:*《台灣蘋果日報》*

主題:《紙吸管檢測》

電視新聞類平日報導獎佳作:*《台灣蘋果日報》*

主題:《鮮乳革命 獸醫率酪農殺出心血路》

「世界報業暨新聞出版協會」(WAN-IFRA)
Asian Media Awards 2018
2018年亞洲媒體獎

「最佳專題報導」金獎:*《台灣蘋果日報》*

主題:《河瘤調查》

Theme: The River with Cancer

「最佳專題攝影」銅獎:*《台灣蘋果日報》*

主題:《爬行被譏狗 身障變發明王》

Theme: Taiwan Handicapped Investor Who Walks by Hands and Feet

「最佳線上影音」(數位)銀獎:*《台灣蘋果日報》*

主題:《樹噬屋》

Theme: Tree-swallowed House

2018年台灣新聞攝影大賽

《台灣蘋果日報》:地方中心攝影記者

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

圖文特寫類優選

The Society of Publishers in Asia (SOPA)
亞洲出版業協會
2018 Awards for Editorial Excellence
2018年度卓越新聞獎

Excellence in Reporting on the Environment

卓越環境報道獎

首獎:*《台灣蘋果日報》*

主題:《*《蘋果》*前進洛興雅 73萬難民悲慘逃屠殺》

Excellence in Video Reporting Group C

卓越視頻報道獎C組

榮譽獎:*《台灣蘋果日報》*

主題:《吞辱被笑像狗爬 200種發明揚威國際》

台北市新聞記者公會
2018社會光明面新聞報導獎

平面新聞攝影獎:*《台灣蘋果日報》*

主題:《*《蘋果》*前進洛興雅 73萬難民悲慘逃屠殺》

2018全球華文永續報導獎

專業組融媒體類佳作:*《台灣蘋果日報》*

主題:《*《蘋果》*前進洛興雅 73萬難民悲慘逃屠殺》

《管理雜誌》雜誌

消費者心目中理想品牌(報紙)第一名:*《台灣蘋果日報》*

2019年台灣新聞攝影大賽

地方中心攝影:

藝術文化與娛樂新聞類第二及三名

圖文特寫類優選

體育中心攝影:

體育新聞類第二名

攝影中心:

網路影音新聞專題類第二名

主題:《流浪漢娶水某 趁熱打鐵奮起變鍋王》

肖像類優選

體育新聞類優選

網路影音新聞專題類優選

主題:《紅螞蟻合唱團吉他手》

ANNUAL AND INTERIM REPORT AWARDS
年報及中期報告獎

The 29th Galaxy Awards – 2018 Annual International Competition
2018年度第29屆Galaxy Awards國際賽

Annual Report – Print – Digital Information
年報 – 印刷 – 數碼資訊
Gold Award: *Next Digital Limited*
Publication: 2017/18 Annual Report
金獎：*壹傳媒有限公司*
作品：2017/18年報

Annual Report – Print – Media Company
年報 – 印刷 – 媒體公司
Gold Award: *Next Digital Limited*
Publication: 2017/18 Annual Report
金獎：*壹傳媒有限公司*
作品：2017/18年報

The 28th Annual Astrid Awards
第28屆Astrid Awards

Annual Report – Non Traditional Format (D01: Boxed/Sleeve)
年報 – 非傳統模式（D01：盒裝/套）
Honors Award: *Next Digital Limited*
Publication: 2017/18 Annual Report
榮譽獎：*壹傳媒有限公司*
作品：2017/18年報

Annual Report – Non Traditional Format (D03: Extraordinary Presentation)
年報 – 非傳統模式（D03：非凡的圖像）
Bronze Award: *Next Digital Limited*
Publication: 2017/18 Annual Report
銅獎：*壹傳媒有限公司*
作品：2017/18年報

NON-EXECUTIVE DIRECTORS

Mr. Lai Chee Ying, aged 71, 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 67, was appointed a Non-executive Director of the Company in June 2016. He serves as a Director of several subsidiaries of the Company. Mr. Ip was Non-executive Chairman of the Group from June 2016 to January 2018 and was a member of the Audit Committee from April 2017 to September 2018. Prior to the aforesaid appointments, 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 57, 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 Executive Committee and the Nomination Committee, as well as 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 61, was appointed an Executive Director of the Company in January 2016. He is a member of the Executive Committee and 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. Louis Gordon Crovitz, aged 60, 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. Mr. Crovitz is also lead independent 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 NASDAQ. 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 baccalaurens in Politics, Economics, Rhetoric and Law from the University of Chicago.

Mr. Mark Lambert Clifford, aged 61, was appointed an Independent Non-executive Director of the Company in May 2018. He is the Chairman of the Nomination Committee and a member of the Audit Committee of the Company. He is also 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. Lam Chung Yan, Elic, aged 40, 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 and the co-founder of Synapse Group which provides services of data analysis, big data and data artificial intelligence software. He has been holding senior management positions in professional firms for over 11 years. Mr. Lam graduated from The University of Sydney, Australia with a Master's degree in Project Management and graduated from Tamkang University, Taiwan with a Bachelor's degree of Business in Accounting. He is a fellow of the CPA Australia, a member and a Certified General Accountant of the CPA Canada 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 49, is the Associate Publisher of *Apple Daily*. She joined the Group in 1996 as a senior reporter of *Apple Daily*. Ms. Chan graduated from The Chinese University of Hong Kong with a Bachelor's degree in Business Administration.

Mr. Law Wai Kwong, Ryan, aged 46, is the Editor-in-Chief of *Apple Daily*. He joined the Group in 2000 as a reporter of *Apple Daily*. Mr. Law graduated from the University of Hong Kong with a Bachelor's degree in Arts.

Mr. Cheung Chi Wai, Nick, aged 51, is the Platform Director of *Apple Daily Digital*. 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).

Ms. Wong Lai Sheung, Louise, aged 47, is currently the Publisher of *Next Magazine*. Ms. Wong worked in the Group from August 1995 to September 1997 and from February 1998 to October 2017 and rejoined in October 2018. She has over 20 years of experience in journalism and media. Ms. Wong graduated from the University of Hong Kong with a Bachelor's degree in Social Sciences. In 1999, she was awarded the Chevening Scholarship by the British government to study journalism in the University of Sheffield. In 2006, she obtained a certificate for a magazine program from the Media Management Centre, Kellogg School of Management of the Northwestern University in the United States.

Mr. Mak King Hing, Mark, aged 45, is the Associate Publisher and Editor-in-Chief of *Next Magazine*. 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 58, 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 54, 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.

Ms. Chan Wai Man, Connie, aged 44, is the Chief ICT Officer of the Group. Ms. Chan worked in the Group from September 2010 to February 2018 and rejoined in January 2019. She handled large-scale media and digital application development at tvb.com and The Hong Kong Polytechnic University. Ms Chan graduated from City University of Hong Kong with a Bachelor's degree of Science (Honors) in Information Technology and from The Manchester Metropolitan University with a Bachelor's degree in Laws. She is also a board member of The Interactive Advertising Bureau of Hong Kong.

CORPORATE INFORMATION

DIRECTORS

Non-executive Directors

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

Executive Directors

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

Independent Non-executive Directors

Louis Gordon Crovitz
Mark Lambert Clifford
Lam Chung Yan, Elic

AUTHORISED REPRESENTATIVES

Cheung Kim Hung
Chow Tat Kuen, Royston

COMPANY SECRETARY

Chow Tat Kuen, Royston

INDEPENDENT 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

Tricor Investor Services Limited
Level 54, 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

WEBSITE

http://www.nextdigital.com.hk

SHARE INFORMATION

As at 31 March 2019

SHAREHOLDERS

Mr. Lai Chee Ying	71.26%
Others Directors	0.58%
Others	28.16%

ISSUED SHARES

2,636,211,725 Shares

MARKET CAPITALISATION

at HK$0.194 per Share (closing price on 29 March 2019)	HK$0.51 billion

STOCK CODE

The Stock Exchange of Hong Kong Limited	00282 Main Board

BOARD LOT

2,000 Shares

(The board lot size for trading in the Shares changed from 2,000 Shares to 10,000 Shares with effect from 27 May 2019.)

OUTSTANDING SHARE OPTIONS GRANTED UNDER THE 2014 SHARE OPTION SCHEME

Exercise price per Share	HK$0.42
Number of Shares	1,500,000

DIRECTORS' REPORT

The Directors present their report and Financial Statements for the year ended 31 March 2019.

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 40 to the Financial Statements.

The Group's performance for the year is analysed by business and geographical segments in note 7 to the Financial Statements. The Management Discussion and Analysis ("MD&A") on pages 6 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 as required by Schedule 5 of the CO, comprising a discussion and analysis of the Group's performance during the year, a description of the principle risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 March 2019 (if any) as well as an indication of likely future developments of the Group's business are set out in the sections headed "Chairman's Statement" and "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", "Financial Review of MD&A" and "Five-year Financial Summary" 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 section headed "Environmental, Social and Governance Report" and "Corporate Governance Report" of this annual report. All such discussions 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 pages 83 to 84.

No interim dividend was paid to the Shareholders during the year (2018: nil).

The Directors have resolved not to recommend the payment of a final dividend for the year ended 31 March 2019 (2018: nil).

DISTRIBUTABLE RESERVES

There was no distributable reserves of the Company at 31 March 2019, calculated under Part 6 of the CO (2018: nil).

Details of changes in the Company's distributable reserves during the year are set out in note 32 to the Financial Statements.

DONATIONS

Donations for charitable and other purposes made by the Group during the year amounted to HK$2,655,000 (2018: HK$2,338,000).

MAJOR CUSTOMERS AND SUPPLIERS

The Group's five largest customers accounted for 23.6% of its revenue, and its five largest suppliers accounted for 12.6% of its total purchases during the year. The Group's largest customer accounted for 11.1% of its revenue, and its largest supplier accounted for 7.1% 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 19 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 178.

SHARES ISSUED DURING THE YEAR

Pursuant to the terms of the shares award granted to an INED on 13 April 2015 and to two EDs on 26 November 2018, a total of 100,000 Shares and 2,042,238 Shares were issued and allotted to the INED on 13 April 2018 and to two EDs on 31 December 2018 respectively.

Pursuant to the terms of the employee share award scheme adopted by the Company on 12 June 2018, an aggregate of 202,042,606 Shares were issued and allotted to the selected employees on 28 June 2018.

Details of movements in respect of Shares issued during the year are set out in note 30 to the Financial Statements.

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.

EQUITY-LINKED AGREEMENT

Other than the share option schemes and share award schemes of the Group as disclosed below, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of 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)
Mr. Ip Yut Kin

Executive Directors:

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

Independent Non-executive Directors:

Mr. Louis Gordon Crovitz
Mr. Mark Lambert Clifford *(appointed on 9 May 2018)*
Mr. Lam Chung Yan, Elic *(appointed on 9 May 2018)*
Dr. Lee Ka Yam, Danny *(resigned on 9 May 2018)*
Dr. Bradley Jay Hamm *(resigned on 13 September 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. Louis Gordon Crovitz	26.03.2018 to 25.03.2020
Mr. Mark Lambert Clifford	09.05.2018 to 08.05.2020
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, Mr. Lai Chee Ying, Mr. Ip Yut Kin and Mr. Chow Tat Kuen, Royston will retire at the 2019 AGM and, being eligible, offer themselves for re-election.

Biographical details of the Directors are set out on pages 61 to 62. Details of the Director's emoluments are provided under note 11 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 remain independent.

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

DIRECTORS' BIOGRAPHIES

The Company has received the following notifications from Directors relating to the change in their information:

With effect from 8 February 2019, Mr. Louis Gordon Crovitz ceased to be 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 whose shares were listed on the New York Stock Exchange.

Mr. Lam Chung Yan, Elic has set up Synapse Group with other founders since 13 January 2019 and is its co-founder. He also became a member and a Certified General Accountant of the CPA Canada with effect from 1 December 2018.

Updated biographical details of the existing Directors as at the date of this report are set out on pages 61 to 62.

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

None 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, "Related Party Transactions" in note 38 to the Financial Statements, no transactions, arrangements and 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 28 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) Share Option Scheme of the Company

2014 Share Option Scheme

The Company adopted the 2014 Share Option Scheme on 31 July 2014. Details of which were disclosed in the Company's circular dated 3 July 2014 and are set out in note 31 to the financial statements. Movements of the 2014 Share Option Scheme during the year were set out below:

					Number of Shares options				
Name or category of participants	Date of grant	Exercise price per Share	Vesting date (%)	Exercise period	At 01.04.2018	Granted during the year	Exercised during the year	Lapsed during the year	At 31.03.2019
Directors									
Chow Tat Kuen, Royston	03.02.2016	HK$0.42	03.02.2017 (30%) 03.02.2018 (60%) 03.02.2019 (100%)	04.02.2016 – 30.07.2024	1,500,000	–	–	–	1,500,000
Bradley Jay Hamm (resigned on 13 September 2018)	02.03.2015	HK$0.76	02.03.2016 (30%) 02.03.2017 (60%) 02.03.2018 (100%)	03.03.2015 – 30.07.2024	510,000	–	–	(510,000)	–
Total					2,010,000	–	–	(510,000)	1,500,000

(b) Subsidiary Share Option Schemes

During the 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
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

SHARE INCENTIVE SCHEMES (continued)

(b) Subsidiary Share Option Schemes (continued)

Details of the Subsidiary Share Option Schemes were disclosed in note 31 to the financial statements. The tables below set out movements in options under the Subsidiary Share Option Schemes during the year:

2013 nxTomo Share Option Scheme

					Number of shares options				
Category of participants	Date of grant	Exercise price per share	Vesting date (%)	Exercise period	At 01.04.2018	Granted during the year	Exercised during the year	Lapsed during the year	At 31.03.2019
Employees	23.09.2013	HK$0.01	23.09.2014 (100%)	24.09.2014 – 14.06.2023	50,000	–	–	(50,000)	–
	03.10.2014	HK$0.01	03.10.2015 (100%)	04.10.2015 – 14.06.2023	20,000	–	–	(12,000)	8,000
Total					70,000	–	–	(62,000)	8,000

2015 ADEC Share Option Scheme

					Number of shares options				
Category of participant	Date of grant	Exercise price per share	Vesting date (%)	Exercise period	At 01.04.2018	Granted during the year	Exercised during the year	Lapsed during the year	At 31.03.2019
Employee	07.10.2015	HK$0.01	07.10.2016 (100%)	08.10.2016 – 28.08.2025	100,000	–	–	(100,000)	–

Apart from the movements as stated above, no options were granted, exercised, lapsed or cancelled under the other Subsidiary Share Option Schemes during the year ended 31 March 2019.

(c) Share Award to Directors

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

Name of INED	Award date	No. of award shares	Vesting date/ No. of award shares
Bradley Jay Hamm ("Dr. Hamm") (resigned on 13 September 2018)	13 April 2015	300,000	13 April 2016/100,000 13 April 2017/100,000 13 April 2018/100,000

Subject to the payment of nominal amount of subscription price by Dr. Hamm and Dr. Hamm remaining as Director, the Company allotted and issued the award shares to him on the respective vesting dates as stated above. Pursuant to the terms and vesting conditions, the last tranche of the award shares of 100,000 Shares were issued and allotted to Dr. Hamm on 13 April 2018.

SHARE INCENTIVE SCHEMES (continued)

(c) Share Award to Directors (continued)

The Company on 26 November 2018 had conditionally awarded the award shares to Mr. Cheung Kim Hung ("Mr. Cheung") and Mr. Chow Tat Kuen, Royston ("Mr. Chow"), being all the EDs, as an additional form of reward for their contribution to the Group subject to the conditions and compliance with reporting, announcement and independent Shareholders' approval.

Subject to the payment of nominal amount of subscription price by the EDs and the EDs remaining as Directors, the Company allotted and issued a total of 2,042,238 Shares to Mr. Cheung and Mr. Chow without any vesting conditions on 31 December 2018, Mr. Cheung as to 1,117,699 Shares and Mr. Chow as to 924,539 Shares pursuant to the terms of the issue of the award shares.

The Company has used the market approach to assess the fair value of the above total of 2,142,238 award shares granted to the INED and EDs during the year. For the year ended 31 March 2019, the Group recognized a total expense of HK$462,000 (2018: HK$44,000) in relation to such award shares.

(d) Share Award to Employees

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

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

The Company has used the market approach to assess the fair value of the award shares granted to the selected employees during the year. For the year ended 31 March 2019, the Group recognized a total expense of HK$50,511,000 in relation to such award shares.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 31 March 2019, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company (within the meaning of Part XV of SFO) as recorded in the register required to be kept 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:

Long positions in Shares and underlying Shares of the Company

Name of Directors	Number of Shares held				Number of underlying Shares held under equity derivatives	Total Shares	Percentage of issued Shares
	Personal interests	Family interests	Corporate interests	Other interests			
Lai Chee Ying	1,720,594,935	–	93,124,000	64,938,230	–	1,878,657,165	71.26
Ip Yut Kin	10,200,377	2,630,000	–	–	–	12,830,377	0.49
Cheung Kim Hung	1,117,699 (Note 1)	–	–	–	–	1,117,699	0.04
Chow Tat Kuen, Royston	1,224,539 (Note 2)	–	–	–	1,500,000 (Note 3)	2,724,539	0.10

Notes:

1. These interests represented award shares allotted and issued to Mr. Cheung Kim Hung on 31 December 2018.

2. These interests included 924,539 award shares allotted and issued to Mr. Chow Tat Kuen, Royston on 31 December 2018.

3. These interests represented options granted to Mr. Chow Tat Kuen, Royston as beneficial owner under the 2014 Share Option Scheme.

Save as disclosed above, none of the Directors or the chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 March 2019.

SUBSTANTIAL SHAREHOLDER INTERESTS AND SHORT POSITIONS

As at 31 March 2019, 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 Shareholder	Capacity	Number of Shares held (long position)	Percentage of issued Shares
Li Wan Kam, Teresa	Interest of spouse	1,878,657,165 (Note)	71.26

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

Save as disclosed above, the Company had not been notified of any other person (other than 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 pursuant to Section 336 of the SFO as at 31 March 2019.

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

CONTINUING CONNECTED TRANSACTIONS (continued)

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 the 2017 Business Framework Agreement and the 2017 IPRS Agreement constitute CCTs 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$39,209,000 as animation service charge but did not receive any advertising service income or supporting service fee under the 2017 Business Framework Agreement. It did not make any payment under the 2017 IPRS Agreement.

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 and ending during the reporting period on 1 October 2018 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 for the entire consultancy period.

   Mr. Lai, a controlling Shareholder and a Non-executive Director reappointed 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 38 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 2019.

ANNUAL REVIEW OF THE CCTs

All the INEDs have reviewed the above disclosed CCTs for the year ended 31 March 2019 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 independent 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 independent 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 independent 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 38 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.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float throughout the year and up to the date of this report as required under the Listing Rules.

INDEPENDENT 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 independent auditor will be proposed at the 2019 AGM.

On behalf of the Board

Lai Chee Ying
Non-executive Chairman

Hong Kong, 24 June 2019

INDEPENDENT AUDITOR'S REPORT

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 83 to 177, which comprise the consolidated statement of financial position as at 31 March 2019, 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 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment on intangible assets	
We identified the impairment on intangible assets as a key audit matter due to significant judgment required by the management in estimating the recoverable amounts of the intangible assets. The impairment on intangible assets is determined by comparing the carrying amounts with the recoverable amounts which are estimated with reference to the value in use calculation based on the cash flow projections prepared by management. The value in use calculation requires the management to estimate the future cash flows which are discounted in their present value taking in account key assumptions including growth rates, discount rates and the forecast performance based on management's view of future business prospects. As at 31 March 2019, the carrying value of intangible assets was HK$658.0 million and no impairment loss has been recognised during the year ended 31 March 2019. Details relating to the Group's intangible assets and impairment testing are set out in notes 17 and 18, respectively 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 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. As at 31 March 2019, provisions of HK$50.9 million were made in respect of a number of legal proceedings in Hong Kong and Taiwan. The provisions recognised are the management's best estimate of the consideration required to settle the obligation, after consultation with the legal counsel on the possible outcome and liability of the Group. Details relating to the Group's provisions are set out in note 34 to the consolidated financial statements.	Our procedures in relation to provisions for legal cases included: • Understanding how the Group's management performs 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, 24 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	NOTES	2019 HK$'000	2018 HK$'000
Revenue	6	**1,304,275**	1,495,521
Production costs			
Cost of raw materials consumed		**(233,749)**	(230,948)
Other overheads		**(307,495)**	(329,783)
Staff costs	14	**(530,987)**	(577,773)
		(1,072,231)	(1,138,504)
Personnel costs excluding direct production staff costs	14	**(470,586)**	(464,279)
Other income	6	**27,561**	28,114
Net exchange gain		**2,473**	9,525
Depreciation of property, plant and equipment		**(55,156)**	(85,117)
Release of prepaid lease payments		**(1,797)**	(1,797)
Other expenses		**(220,060)**	(141,737)
Impairment loss recognised in respect of intangible assets	18	**–**	(159,886)
Impairment loss on trade receivables, net		**(102,462)**	(15,294)
Gain (loss) on disposal of property, plant and equipment	20	**259,903**	(270)
Finance costs	8	**(11,083)**	(10,998)
Loss before tax		**(339,163)**	(484,722)
Income tax (expense) credit	9	**(1,022)**	7,803
Loss for the year	10	**(340,185)**	(476,919)
Other comprehensive income (expense)			
Item that will not be reclassified subsequently to profit or loss:			
Actuarial gain (loss) from remeasurement of	28(b)		
defined benefit obligations, net of tax		**630**	(451)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(40,499)**	27,506
Total comprehensive expense for the year		**(380,054)**	(449,864)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	NOTE	2019 HK$'000	2018 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(338,478)**	(475,991)
Non-controlling interests		**(1,707)**	(928)
		(340,185)	(476,919)
Total comprehensive expense attributable to:			
Owners of the Company		**(378,294)**	(449,098)
Non-controlling interests		**(1,760)**	(766)
		(380,054)	(449,864)
Loss per share	15		
— Basic		**HK(13.1 cents)**	HK(19.6 cents)
— Diluted		**HK(13.1 cents)**	HK(19.6 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	NOTES	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Intangible assets	17	**658,039**	658,039
Property, plant and equipment	19	**754,067**	1,076,915
Prepaid lease payments	21	**48,974**	50,773
Deposit for acquisition of property, plant and equipment		**12,881**	16,237
		1,473,961	1,801,964
CURRENT ASSETS			
Inventories	23	**62,822**	82,307
Trade and other receivables	24	**268,336**	385,724
Prepaid lease payments	21	**1,797**	1,797
Tax recoverable		**12,269**	15,761
Restricted bank balances	25	**1,500**	1,500
Pledged bank deposits	25	**33,485**	–
Amounts due from related parties	22	**6,532**	7,705
Time deposits with original maturity over three months	25	**2,878**	–
Bank balances and cash	25	**175,566**	303,506
		565,185	798,300
Assets classified as held for sale	16	**73,258**	–
		638,443	798,300
CURRENT LIABILITIES			
Trade and other payables	26	**523,233**	541,564
Deferred revenue		**–**	1,902
Contract liabilities	29	**23,768**	–
Borrowings	27	**179,125**	–
Provisions	34	**50,884**	40,480
Tax liabilities		**39**	13,620
		777,049	597,566
NET CURRENT (LIABILITIES) ASSETS		**(138,606)**	200,734
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,335,355**	2,002,698
NON-CURRENT LIABILITIES			
Borrowings	27	**158,489**	485,437
Retirement benefits plans	28	**31,339**	41,837
Deferred tax liabilities	33	**150,772**	151,623
		340,600	678,897
NET ASSETS		**994,755**	1,323,801

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	NOTE	2019 HK$'000	2018 HK$'000
CAPITAL AND RESERVES			
Share capital	30	**2,486,621**	2,435,582
Reserves		**(1,493,592)**	(1,115,756)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**993,029**	1,319,826
NON-CONTROLLING INTERESTS		**1,726**	3,975
TOTAL EQUITY		**994,755**	1,323,801

The consolidated financial statements on pages 83 to 177 were approved and authorised for issue by the Board of Directors on 24 June 2019 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 2019

	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 2017	2,435,345	(67,900)	17,297	(627,675)	1,757,067	10,294	6,059	16,353	1,773,420
Loss for the year	–	–	–	(475,991)	(475,991)	–	(928)	(928)	(476,919)
Exchange differences on translating foreign operations	–	27,351	–	–	27,351	–	155	155	27,506
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)*	–	(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**
Loss for the year	**–**	**–**	**–**	**(338,478)**	**(338,478)**	**–**	**(1,707)**	**(1,707)**	**(340,185)**
Exchange differences on translating foreign operations	**–**	**(40,440)**	**–**	**–**	**(40,440)**	**–**	**(59)**	**(59)**	**(40,499)**
Actuarial gain from remeasurement of defined benefit obligations, net of tax	**–**	**–**	**–**	**624**	**624**	**–**	**6**	**6**	**630**
Total comprehensive expense for the year	**–**	**(40,440)**	**–**	**(337,854)**	**(378,294)**	**–**	**(1,760)**	**(1,760)**	**(380,054)**
Recognition of equity-settled share-based payment expense	**–**	**–**	**51,006**	**–**	**51,006**	**–**	**–**	**–**	**51,006**
Issue of ordinary shares in relation to award of new shares *(note 31d)*	**51,039**	**–**	**(51,037)**	**–**	**2**	**–**	**–**	**–**	**2**
Lapse of share options	**–**	**–**	**(178)**	**667**	**489**	**(489)**	**–**	**(489)**	**–**
At 31 March 2019	**2,486,621**	**(82,794)**	**277**	**(1,411,075)**	**993,029**	**162**	**1,564**	**1,726**	**994,755**

Note: *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 Apple Daily Publication Development Limited ("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 Next Media Publishing Limited ("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 2019

	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES		
Loss for the year	**(340,185)**	(476,919)
Adjustments for:		
Income tax expense (credit)	**1,022**	(7,803)
Finance costs	**11,083**	10,998
Impairment loss on trade receivables, net	**102,462**	15,294
Provision for (reversal of) litigation expense, net	**16,748**	(49,261)
Depreciation of property, plant and equipment	**55,156**	85,117
Release of prepaid lease payments	**1,797**	1,797
(Gain) loss on disposal of property, plant and equipment	**(259,903)**	270
Share-based payment expense	**51,006**	831
Impairment loss recognised in respect of intangible assets	**—**	159,886
Interest income	**(359)**	(772)
Operating cash flows before movements in working capital	**(361,173)**	(260,562)
Decrease (increase) in inventories	**17,657**	(10,788)
Decrease in trade and other receivables	**8,068**	52,759
Decrease (increase) in amounts due from related parties	**1,173**	(479)
Increase in trade and other payables	**9,962**	91,005
Decrease in deferred revenue	**—**	(3,028)
Decrease in contract liabilities	**(463)**	—
Decrease in provisions	**(6,001)**	(9,222)
Decrease in retirement benefits plans	**(13,005)**	(14,275)
Net cash used in operations	**(343,782)**	(154,590)
Income tax (paid) refunded	**(12,190)**	4,474
NET CASH USED IN OPERATING ACTIVITIES	**(355,972)**	(150,116)
INVESTING ACTIVITIES		
Interest received	**359**	772
Placement of pledged bank deposits	**(33,485)**	—
Placement of time deposits with original maturity over three months	**(2,878)**	—
Proceeds from disposal of property, plant and equipment	**462,332**	756
Transaction costs on disposal of property, plant and equipment	**(15,920)**	—
Purchase of property, plant and equipment	**(32,486)**	(18,391)
Deposit for acquisition of property, plant and equipment	**(13,151)**	(16,099)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**364,771**	(32,962)

	2019 HK$'000	2018 HK$'000
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(254,712)**	—
New loan raised	**133,843**	—
Drawdown of shareholder's loan	**50,000**	—
Repayment of shareholder's loan	**(50,000)**	—
Interest paid	**(11,083)**	(10,998)
Proceeds from issue of new shares in relation to award of new shares	**2**	—
Acquisition of additional interests in subsidiaries	**—**	(1)
Dividends paid to non-controlling interests	**—**	(585)
NET CASH USED IN FINANCING ACTIVITIES	**(131,950)**	(11,584)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(123,151)**	(194,662)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**303,506**	500,546
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(4,789)**	(2,378)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**175,566**	303,506

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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 ("Mr. Lai"), who is the controlling shareholder of the Company. The address of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

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

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 40.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group"), the directors of the Company have given careful consideration of the Group in light of its net current liabilities of approximately HK$138,606,000 as at 31 March 2019. Having considered the facility for unsecured shareholder's loan of an aggregate maximum amount of HK$500,000,000 for a period of 36 months were obtained on 8 November 2018 which remains unutilised at the date of approval of the consolidated financial statements and total available unutilised bank loan facilities of approximately HK$13,967,000, the directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements for the year ended 31 March 2019 have been prepared on a going concern basis.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

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

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

Except as described below, the application of the amendments to HKFRSs and the interpretation 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.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

3.1 HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15")

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

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Internet advertising income and development of mobile games and apps income ("Digital business")
- Sales of newspapers
- Newspapers advertising income
- Books and magazines advertising income
- Printing and reprographic services income

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 6 and 4, respectively.

Summary of effects arising from initial application of HKFRS 15

At the date of initial application, 1 April 2018, there is no difference recognised in the opening accumulated losses.

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

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

3.1 HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") (continued)

	Carrying amounts previously reported at 31 March 2018	Reclassification	Carrying amounts under HKFRS 15 at 1 April 2018
	HK$'000	HK$'000	HK$'000
Current liabilities			
Trade and other payables	541,564	(22,329)	519,235
Deferred revenue	1,902	(1,902)	–
Contract liabilities	–	24,231	24,231

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

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 March 2019 and the consolidated statement of cash flows for the year then ended for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported	Reclassification	Amounts without application of HKFRS 15
	HK$'000	HK$'000	HK$'000
Current liabilities			
Trade and other payables	523,233	22,334	545,567
Deferred revenue	–	1,434	1,434
Contract liabilities	23,768	(23,768)	–

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

3.1 HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") (continued)

Impact on the consolidated statement of cash flows

	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Operating activities			
Increase in trade and other payables	9,962	(931)	9,031
Increase in deferred revenue	–	468	468
Decrease in contract liabilities	(463)	463	–

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 March 2019, movements in working capital have been computed based on the opening consolidated statement of financial position as at 1 April 2018 as disclosed above.

3.2 HKFRS 9 *Financial Instruments* ("HKFRS 9")

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

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

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

Accounting policies resulting from application of HKFRS 9 are disclosed in note 4.

Summary of effects arising from initial application of HKFRS 9

Classification and measurement of financial instruments

Upon application of HKFRS 9 on 1 April 2018, all financial assets are held within a business model whose objective is to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and are measured at amortised cost.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

3.2 HKFRS 9 *Financial Instruments* ("HKFRS 9") (continued)

Summary of effects arising from initial application of HKFRS 9 (continued)

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Except for those which had been determined as credit-impaired under HKAS 39, trade receivables have been assessed using a provision matrix with appropriate groupings.

ECL for other financial assets at amortised cost, including other receivables, restricted bank balances, pledged bank deposits, amounts due from related parties, time deposits with original maturity over three months and bank balances, are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

The application of HKFRS 9 on 1 April 2018 has no material impact on the consolidated financial statements of the Group with regards to impairment under ECL model as the amounts involved are not material.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[1]

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

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

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

[4] *Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020*

[5] *Effective for annual periods beginning on or after 1 January 2020*

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and the interpretation will have no material impact on the consolidated financial statements in the foreseeable future.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 16 *Leases* ("HKFRS 16")

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. HKFRS 16 also includes requirements relating to subleases and lease modifications.

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 land for own use and other operating lease payments 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, upfront prepaid lease payments will continue to be presented as investing cash flows.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold land where the 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.

Other than certain requirements which are also applicable to lessor, 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 2019, the Group has non-cancellable operating lease commitments of HK$69,525,000 as disclosed in note 35. 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.

In addition, the Group currently considers refundable rental deposits paid of HK$491,000 and refundable rental deposits received of HK$4,268,000 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. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 16 *Leases* ("HKFRS 16") (continued)

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) — Int 4 *Determining whether an Arrangement contains a Lease* ("HK(IFRIC) — Int 4") and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) — Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening accumulated losses without restating comparative information.

Amendments to HKAS 1 and HKAS 8 *Definition of Material*

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 April 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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* ("HKFRS 2"), 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").

4. 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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in 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 from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 3)

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 3) (continued)

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

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

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

For revenue from provision of advertising services on internet, revenue is recognised at a point in time when the advertisement is displayed in the internet and the target impression rate or click rate set out in respective contract is satisfied.

For revenue from mobile games and apps, revenue from sales of consumable virtual items is recognised at a point in time when the items are consumed and the related services are rendered. For sales of durable virtual items, customers simultaneously receive the benefits provided by the Group's performance and revenue is recognised over time in accordance to the average life of durable virtual items for the applicable games using output method. Proceeds received from the players purchase the virtual items ("Paying Players") at the point of transaction will give rise to contract liability at the start of a contract until the revenue is fully recognised over the period of the contract.

For revenue from sales of newspaper, revenue is recognised at a point in time when control of the goods has been transferred to the customers, being when the goods have been delivered to the customers' designated locations.

For revenue from provision of advertising services on newspapers, books and magazines, revenue is recognised at a point in time upon the publication of the edition in which the advertisement is displayed.

For revenue from provision of printing and reprographic services, revenue is recognised at a point in time when the relevant services are rendered by the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (prior to 1 April 2018)

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

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

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

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

Service income is recognised when services are provided.

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

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (prior to 1 April 2018) (continued)

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

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

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

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

The Group's games are free to play and players can purchase virtual items for better in-game experience. 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").

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (prior to 1 April 2018) (continued)

(x) (continued)

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

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

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

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

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.

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

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

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Property, plant and equipment

Property, plant and equipment other than freehold land held for use in the production or supply of goods and services, or for administrative purposes 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.

4. 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.

4. 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 borrowing costs not qualified for capitalisation 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).

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

(iii) Retirement benefit costs and termination benefits

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

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

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

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.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

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

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 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 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.

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 loss before tax 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 April 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 3)

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

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

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for credit-impaired balances and collectively using a provision matrix with appropriate groupings.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 3) (continued)

(i) Significant increase in credit risk

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

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

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

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

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 3) (continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 3) (continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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

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

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018)

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018) (continued)

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 except for short-term receivables where the recognition of interest would be immaterial.

Impairment of loans and receivables (before application of HKFRS 9 on 1 April 2018)

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

Objective evidence of impairment could include:

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of loans and receivables (before application of HKFRS 9 on 1 April 2018) (continued)

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.

Derecognition of financial assets

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 measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

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 Company 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.

Derecognition of financial liabilities

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets 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.

The recoverable amount of tangible and intangible assets are estimated individually, 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 groups 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.

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.

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.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, 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.

Key sources of estimation uncertainty

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

Impairment on intangible assets

Determining whether intangible asset is impaired requires an estimation of the recoverable amounts of the intangible assets. The impairment on intangible assets is determined by comparing the carrying amounts with the recoverable amounts which are estimated with reference to the value in use calculation based on the cash flow projections prepared by management. The impairment model is sensitive to changes in the key assumptions including growth rates, discount rates and the forecast performance based on management's view of future business prospects. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2019, the carrying amount of intangible assets is HK$658,039,000 (2018: HK$658,039,000). For the year ended 31 March 2019, no impairment loss has been recognised (2018: impairment loss of HK$159,886,000 has been recognised). Details of the recoverable amount calculation are disclosed in note 18.

Provisions for legal cases

The management estimates the outcome of the claims and legal proceedings, taking into account the risks and uncertainties surrounding the legal cases. Provisions which is the management's best estimate of the consideration required to settle the obligation, after consultation with the legal counsel on the possible outcome and liability of the Group would then be recognised. As at 31 March 2019, an amount of approximately HK$50,884,000 (2018: HK$40,480,000) has been provided for a number of legal proceedings in Hong Kong and Taiwan. Details are set out in note 34.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Assessment of the indefinite useful lives of masthead and publishing rights

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

The useful lives of masthead and publishing rights could change significantly as a result of changes in commercial and technological environment. When the actual useful lives of masthead and publishing rights are different from their estimated useful lives due to change in commercial and technological environment, such difference will impact the amortisation charges and the amounts of assets written down for future periods. The carrying amount of masthead and publishing rights with indefinite useful lives is HK$658,039,000 at 31 March 2019 (2018: HK$658,039,000).

Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable, supportable and available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 37b and 24 respectively.

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 2019, actuarial gain from remeasurement of defined benefit obligations net of tax effect amounting to HK$630,000 (2018: actuarial loss from remeasurement of defined benefit obligations net of tax effect amounting to HK$451,000) are recognised directly in equity in the period in which they occur. Details are set out in note 28.

6. REVENUE AND OTHER INCOME

Disaggregation of revenue from contracts with customers and reconciliation of revenue from contracts with customers with segment revenue:

Segments	For the year ended 31 March 2019 Digital business HK$'000	Print business HK$'000	Total HK$'000
Type of goods or services			
Internet advertising income and development of mobile games and apps income	**576,819**	**–**	**576,819**
Sales of newspapers	**–**	**303,285**	**303,285**
Newspapers advertising income	**–**	**241,382**	**241,382**
Books and magazines advertising income	**–**	**3,039**	**3,039**
Printing and reprographic services income	**–**	**179,750**	**179,750**
	576,819	**727,456**	**1,304,275**
Geographic markets			
Hong Kong	**406,408**	**420,782**	**827,190**
Taiwan	**159,591**	**281,111**	**440,702**
Others	**10,820**	**25,563**	**36,383**
Total	**576,819**	**727,456**	**1,304,275**
Timing of revenue recognition			
At a point in time	**574,581**	**727,456**	**1,302,037**
Over time — development of mobile games and apps income	**2,238**	**–**	**2,238**
Total	**576,819**	**727,456**	**1,304,275**

	2019 HK$'000	2018 HK$'000
Other income		
Sales of waste materials	**6,339**	4,657
Interest income on bank deposits	**359**	772
Rental income	**16,071**	17,199
Others	**4,792**	5,486
	27,561	28,114

6. REVENUE AND OTHER INCOME (continued)

Performance obligations for contracts with customers

(i) Revenue from provision of advertising services on internet, development of mobile games and apps income

The Group provides advertising services to both advertising agencies and clients on websites or apps developed by the Group. Revenue is recognised at a point in time when the advertisement is displayed in the internet and the target impression rate or click rate set out in respective contract is satisfied.

Group's revenue from mobile games and apps is derived from the sales of in-game virtual items from the game development operations. For income received from sales of consumable virtual items, revenue is recognised at a point in time when the items are consumed and the related services are rendered.

For income received from sales of durable virtual items, revenue is recognised over time in accordance to the average life of durable virtual items for the applicable games using output method. Proceeds received from the Paying Players at the point of transaction will give rise to contract liability at the start of a contract until the revenue is fully recognised over the period of the contract.

The payment term is 7 to 120 days upon the services have been delivered.

(ii) Revenue from sales of newspapers

The Group sells newspaper mainly to the wholesale market. Revenue is recognised at a point in time when control of the goods has transferred, being when the goods have been delivered to the customers' designated locations.

The payment term is 7 to 120 days upon the goods have been delivered.

(iii) Revenue from provision of advertising services on newspapers, books and magazines

The Group provides advertising services to both advertising agencies and clients on newspapers, books and magazines. Revenue is recognised at a point in time upon the publication of the edition in which the advertisement is displayed.

The payment term is 7 to 120 days upon the services have been delivered.

(iv) Revenue from provision of printing and reprographic services

The Group provides printing and reprographic services to customers. Revenue is recognised at a point in time when the relevant services are rendered by the Group.

The payment term is 7 to 120 days upon the services have been delivered.

6. REVENUE AND OTHER INCOME (continued)

Transaction price allocated to the remaining performance obligation for contracts with customers

As at 31 March 2019, no remaining performance obligation for contracts with customers has an original expected duration over one year. As permitted by HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

For the year ended 31 March 2018

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

	2018 HK$'000
Digital business	594,495
Sales of newspaper	308,515
Sales of books and magazines	31,496
Newspaper advertising income	343,493
Books and magazines advertising income	44,771
Printing and reprographic service income	172,751
	1,495,521

7. SEGMENT INFORMATION

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

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

Operating segments	Principal activities
Digital business	Internet advertising 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.

7. SEGMENT INFORMATION (continued)

Segment revenue and results

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

For the year ended 31 March 2019

	Digital business HK$'000	Print business HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE				
External sales	**576,819**	**727,456**	**–**	**1,304,275**
Inter-segment sales	**–**	**300,855**	**(300,855)**	**–**
	576,819	**1,028,311**	**(300,855)**	**1,304,275**
Segment results	**(211,803)**	**(130,464)**	**–**	**(342,267)**
Unallocated expenses				**(7,035)**
Unallocated income				**21,222**
Finance costs				**(11,083)**
Loss before tax				**(339,163)**

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)

Segment results represent the loss incurred by each segment without the allocation of income or expenses resulted from interest income, rental and certain 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.

7. SEGMENT INFORMATION (continued)

Segment assets and liabilities

As at 31 March 2019

	Digital business HK$'000	Print business HK$'000	Eliminations HK$'000	Consolidated HK$'000
Segment assets	**900,521**	**909,565**	**–**	**1,810,086**
Assets classified as held for sale	**–**	**73,258**	**–**	**73,258**
Unallocated assets				**229,060**
Total assets				**2,112,404**
Segment liabilities	**(86,451)**	**(536,999)**	**–**	**(623,450)**
Unallocated liabilities				**(494,199)**
Total liabilities				**(1,117,649)**

As at 31 March 2018

	Digital business HK$'000	Print business HK$'000	Eliminations HK$'000	Consolidated HK$'000
Segment assets	1,066,214	1,209,991	–	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)

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

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

7. SEGMENT INFORMATION (continued)

Other segment information

For the year ended 31 March 2019

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	**21,764**	**26,959**	**–**	**48,723**
Depreciation of property, plant and equipment	**22,269**	**32,722**	**165**	**55,156**
Release of prepaid lease payments	**–**	**1,797**	**–**	**1,797**
Impairment loss on trade receivables, net	**7,667**	**94,795**	**–**	**102,462**
Share-based payment expense	**7,068**	**43,443**	**495**	**51,006**
Loss (gain) on disposal of property, plant and equipment	**708**	**(260,611)**	**–**	**(259,903)**
Provision for litigation expense, net of reversal *(note 34)*	**13**	**16,735**	**–**	**16,748**
Legal and professional fee	**5,755**	**13,519**	**–**	**19,274**

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	14,536	12,545	–	27,081
Depreciation of property, plant and equipment	22,018	60,365	2,734	85,117
Impairment loss recognised in respect of intangible assets *(notes 17 and 18)*	–	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 34)*	–	(49,261)	–	(49,261)
Legal and professional fee	9,729	11,562	–	21,291

7. 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	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong (country of domicile)	**827,190**	884,506	**1,130,648**	1,068,944
Taiwan	**440,702**	569,348	**343,075**	732,223
Others	**36,383**	41,667	**238**	797
	1,304,275	1,495,521	**1,473,961**	1,801,964

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:

	2019	2018
	HK$'000	HK$'000
Customer A *(Note)*	**144,219**	336,609

Note: *Revenue from this customer comprised revenue earned in print business amounting to HK$144,219,000 (2018: HK$336,609,000).*

8. FINANCE COSTS

	2019	2018
	HK$'000	HK$'000
Interest expense on bank borrowings	**11,083**	10,998

9. INCOME TAX EXPENSE (CREDIT)

	2019	2018
	HK$'000	HK$'000
Current tax:		
Hong Kong	**2,244**	21,509
Taiwan	**110**	—
(Over)underprovision in prior years:		
Other jurisdictions	**(44)**	198
	2,310	21,707
Deferred tax *(note 33)* :		
Current year	**(1,288)**	(29,510)
	1,022	(7,803)

9. INCOME TAX EXPENSE (CREDIT) (continued)

(a) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

(b) Taiwan Income Tax is calculated at 20% (2018: 17%) of the estimated assessable profit.

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

The tax expense (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:

	2019 **HK$'000**	2018 HK$'000
Loss before tax	**(339,163)**	(484,722)
Tax at Hong Kong Profits Tax rate of 16.5%	**(55,962)**	(79,979)
Tax effect of expenses not deductible for tax purpose	**2,988**	1,985
Tax effect of income not taxable for tax purpose	**(54,025)**	(5,571)
(Over)underprovision in prior years	**(44)**	198
Tax effect of deductible temporary difference not recognised	**6,124**	–
Tax effect of estimated tax losses not recognised for Hong Kong subsidiaries	**55,211**	50,871
Tax effect of estimated tax losses not recognised for Taiwan subsidiaries	**58,857**	24,217
Utilisation of tax losses previously not recognised	**(3,971)**	(13,428)
Effect of different tax rates of subsidiaries operating in Taiwan and other jurisdictions	**(9,441)**	(719)
Tax charge arising from disposal of land and buildings to group company	**–**	14,235
Others	**1,285**	388
Income tax expense (credit) for the year	**1,022**	(7,803)

10. LOSS FOR THE YEAR

	2019 HK$'000	2018 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**2,105**	2,691
Minimum operating lease expenses on:		
Properties	**1,847**	1,050
Plant and equipment	**12,487**	13,410
Provision for (reversal of) litigations expenses, net of reversal (included in other expenses) *(note 34)*	**16,748**	(49,261)
Legal and professional fee (included in other expenses)	**19,274**	21,291

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

(a) Directors' emoluments

The emoluments paid or payable to each of the 9 (2018: 9) directors were as follows:

For the year ended 31 March 2019

	Mr. Lai Chee Ying HK$'000	Mr. Ip Yut Kin HK$'000	Total HK$'000
NON-EXECUTIVE DIRECTORS ("NEDs")			
Fees	**20**	**232**	**252**
Other emoluments:			
Salaries and other benefits	**–**	**129**	**129**
Total emoluments	**20**	**361**	**381**

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

(a) Directors' emoluments (continued)

For the year ended 31 March 2019 (continued)

	Mr. Cheung Kim Hung HK$'000	Mr. Chow Tat Kuen, Royston HK$'000	Total HK$'000
EXECUTIVE DIRECTORS ("EDs")			
Fees	230	230	460
Other emoluments:			
Salaries and other benefits	3,484	2,928	6,412
Discretionary bonus payments	274	472	746
Share-based payment expense	253	242	495
Pension costs — defined contribution plans	152	125	277
Total emoluments	4,393	3,997	8,390

	Mr. Louis Gordon Crovitz HK$'000	Mr. Mark Lambert Clifford HK$'000 *(Note 5)*	Mr. Lam Chung Yan, Elic HK$'000 *(Note 6)*	Dr. Bradley Jay Hamm HK$'000 *(Note 7)*	Dr. Lee Ka Yam, Danny HK$'000 *(Note 8)*	Total HK$'000
INDEPENDENT NON-EXECUTIVE DIRECTORS ("INEDs")						
Fees	330	233	268	104	32	967
Other emoluments:						
Share-based payment expense	–	–	–	1	–	1
Total emoluments	330	233	268	105	32	968

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

(a) Directors' emoluments (continued)

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
NEDs			
Fees	33	270	303
Other emoluments:			
Salaries and other benefits	—	311	311
Total emoluments	33	581	614

	Mr. Cheung Kim Hung HK$'000 *(Note 3)*	Mr. Chow Tat Kuen, Royston HK$'000	Mr. Cheung Ka Sing, Cassian HK$'000 *(Note 9)*	Total HK$'000
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

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

(a) Directors' emoluments (continued)

For the year ended 31 March 2018 (continued)

	Mr. Louis Gordon Crovitz HK$'000 *(Note 4)*	Dr. Bradley Jay Hamm HK$'000	Dr. Lee Ka Yam, Danny HK$'000 *(Note 8)*	Mr. Wong Chi Hong, Frank HK$'000 *(Note 10)*	Total HK$'000
INEDs					
Fees	5	230	300	330	865
Other emoluments:					
Share-based payment expense	–	45	7	7	59
Total emoluments	5	275	307	337	924

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. Louis Gordon Crovitz was appointed as an independent non-executive director on 26 March 2018.*

(5) *Mr. Mark Lambert Clifford was appointed as an independent non-executive director on 9 May 2018.*

(6) *Mr. Lam Chung Yan, Elic was appointed as an independent non-executive director on 9 May 2018.*

(7) *Dr. Bradley Jay Hamm resigned as an independent non-executive director on 13 September 2018.*

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

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

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

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$36,000 (2018: HK$185,000) paid by the Group under one operating lease (2018: two) in respect of residential accommodation provided to one director (2018: two).

During the years ended 31 March 2019 and 2018, no director of the Company waived or agreed to waive any emoluments.

During the years ended 31 March 2019 and 2018, 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 31.

11. 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 as set out in the Directors' Report, is within the following bands:

	Number of individuals	
Emoluments Bands	**2019**	2018
HK$3,500,001 to HK$4,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**3**	1
HK$1,000,001 to HK$1,500,000	**1**	4
HK$0 to HK$1,000,000	**3**	1

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2018: two) were directors of the Company whose emoluments are included in the disclosure in note 11(a) above. The emoluments of the remaining individual were as follows:

	2019	2018
	HK$'000	HK$'000
Salaries and other benefits	**4,884**	7,898
Performance related incentive payments	**430**	409
Share-based payment expense	**375**	35
Pension costs — defined contribution plans	**225**	287
	5,914	8,629

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	**2019**	2018
HK$3,500,001 to HK$4,000,000	**–**	1
HK$2,500,001 to HK$3,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**2**	1

13. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2019, nor has any dividend been proposed since the end of the reporting period (2018: nil).

14. STAFF COSTS

	2019 **HK$'000**	2018 HK$'000
Wages, salaries and other benefits	**918,302**	1,009,410
Pension costs — defined contribution plans, net of forfeited contributions	**36,110**	42,217
Pension costs — defined benefits plans *(note 28(b))*	**(3,845)**	(10,406)
Share-based payment expense	**51,006**	831
	1,001,573	1,042,052

The staff costs for the year ended 31 March 2019 included directors' emoluments of HK$9,739,000 (2018: HK$14,218,000) as set out in note 11(a).

15. LOSS PER SHARE

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

	2019 **HK$'000**	2018 HK$'000
Loss		
Loss for the year attributable to the owners of the Company for the purposes of basic and diluted loss per share	**(338,478)**	(475,991)

	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share *(Note)*	**2,585,052,466**	2,431,974,278

Note: *For the years ended 31 March 2019 and 2018, 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.*

16. ASSETS CLASSIFIED AS HELD FOR SALE

On 28 February 2019, ADPDL, an indirect non wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with a purchaser (the "Purchaser"), a third party independent of the Company. Pursuant to the sale and purchase agreement, ADPDL agreed to sell, and the Purchaser agreed to purchase, the property located at 68 Bengong 5th Road, Gangshan District, Kaohsiung City, Taiwan (the "Property") for a consideration of NT$310.0 million (equivalent to approximately HK$78.9 million). The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and accordingly, no impairment loss has been recognised.

The major classes of assets classified as held for sale are as follows:

	At 31 March 2019 HK$'000
Total assets classified as held for sale	
Property, plant and equipment	**73,258**

17. INTANGIBLE ASSETS

	Masthead and publishing rights HK$'000
COST	
At 1 April 2017, 31 March 2018 and 31 March 2019	1,482,799
ACCUMULATED IMPAIRMENT	
At 1 April 2017	664,874
Impairment loss recognised for the year *(note 18)*	159,886
At 31 March 2018 and 31 March 2019	824,760
CARRYING VALUES	
At 31 March 2019	658,039
At 31 March 2018	658,039

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 18.

18. 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 17 have been allocated to three CGUs, represented by (1) newspapers publication and printing, (2) newspapers publication and digital and (3) magazines publication and printing, of which the amount attributable to the magazines publication and printing CGU has been fully impaired. The remaining masthead and publishing rights are allocated to the following CGUs:

	Masthead and publishing rights	
	2019	2018
	HK$'000	HK$'000
Newspapers publication and printing unit	**195,449**	195,449
Newspapers publication and digital unit	**462,590**	462,590
	658,039	658,039

During the year ended 31 March 2019, the directors of the Company further reviewed the carrying amounts of the Group's masthead and publishing rights and identified that the recoverable amounts of the CGUs exceeded the carrying amounts of assets of the CGUs. Accordingly, no impairment loss has been recognised in the profit and loss for the year ended 31 March 2019.

During the year ended 31 March 2018, the directors of the Company reviewed the carrying amounts of the Group's masthead and publishing rights and identified that the recoverable amounts of the CGUs, were less than their carrying amounts of assets of the CGUs. Accordingly, the carrying amounts of these intangible assets were reduced to their recoverable amounts and an impairment loss of approximately HK$159,886,000 had been recognised in the profit and loss for the year ended 31 March 2018.

The recoverable amounts of masthead and publishing rights have been determined on the basis of the value in use of respective CGUs to which the assets have been allocated. The recoverable amounts are based on certain key assumptions which are based on historical operating records and management's expectation for the market development. Value in use calculations of CGUs are cash flow projections based on financial budgets approved by management covering a 5-year period with an average annual growth rate of 14.2% (2018: 5.4%) and a pre-tax discount rate of 15.1% (2018: 13.8%). Cash flow projections beyond the 5-year period are extrapolated using a steady growth rate of 3% (2018: 3%). Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of masthead and publishing rights to exceed the recoverable amount of masthead and publishing rights.

19. 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 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
Exchange difference	(28,394)	(31,685)	(738)	(30,585)	(9,500)	–	(54)	(100,956)
Additions	–	–	4,354	–	34,106	10,159	104	48,723
Classified as held for sale	(22,410)	(73,777)	(811)	–	–	–	–	(96,998)
Disposals	(123,546)	(61,512)	(15,163)	(139,158)	(46,233)	(3,925)	(143)	(389,680)
At 31 March 2019	142,755	721,832	69,582	1,095,027	353,458	37,793	4,587	2,425,034
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
At 1 April 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
Exchange difference	–	(5,618)	(239)	(29,572)	(8,827)	–	(52)	(44,308)
Charge for the year	–	7,935	4,011	9,815	24,278	8,987	130	55,156
Classified as held for sale	–	(23,485)	(255)	–	–	–	–	(23,740)
Eliminated on disposals	–	(9,865)	(5,698)	(137,687)	(46,063)	(3,726)	(132)	(203,171)
At 31 March 2019	–	220,390	49,795	1,070,339	302,235	23,896	4,312	1,670,967
CARRYING VALUES								
At 31 March 2019	142,755	501,442	19,787	24,688	51,223	13,897	275	754,067
At 31 March 2018	317,105	637,383	29,964	36,987	42,238	12,924	314	1,076,915

19. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 March 2019, the carrying value of the Group's land and buildings comprised the following:

	2019 HK$'000	2018 HK$'000
Buildings situated in Hong Kong	**281,022**	290,910
Buildings situated outside Hong Kong on freehold land	**220,420**	346,473
Freehold land situated outside Hong Kong	**142,755**	317,105
	644,197	954,488

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 2019, certain of the Group's freehold land and buildings (including the assets classified as held for sale) with carrying values of HK$165,165,000 (2018: HK$309,440,000) and HK$270,709,000 (2018: HK$354,786,000), respectively were pledged as security for the Group's banking facilities (note 27).*

20. GAIN (LOSS) ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 March 2019, included in amount of gain on disposal of property, plant and equipment is a disposal of certain properties situated in Taiwan. On 9 November 2018, the Company entered into the provisional sale and purchase agreement with an independent third party pursuant to which the Company has agreed to sell certain properties situated in Taiwan at a cash consideration of approximately NT$1,793.9 million (equivalent to HK$458.0 million). The transaction was completed on 1 February 2019 and a gain on disposal of property, plant and equipment was amounted to HK$258.6 million was recognised.

21. PREPAID LEASE PAYMENTS

	2019 HK$'000	2018 HK$'000
Leasehold land in Hong Kong	**50,771**	52,570
Analysed for reporting purposes as:		
Current asset	**1,797**	1,797
Non-current asset	**48,974**	50,773
	50,771	52,570

22. AMOUNTS DUE FROM RELATED PARTIES

The amounts due from the Colored World Holdings Limited and its subsidiaries ("Colored World Group") are related to the office rental and supporting services fee receivable by the Group (note 38(b)). Mr. Lai has controlling interest in the Colored World Group. The amounts are unsecured, non-interest bearing and aged within a credit period of 30 days and not yet past due.

23. INVENTORIES

	2019 HK$'000	2018 HK$'000
Raw materials	**57,652**	76,999
Work in progress	**2,208**	2,329
Finished goods	**2,962**	2,979
	62,822	82,307

24. TRADE AND OTHER RECEIVABLES

	2019 **HK$'000**	2018 HK$'000
Trade receivables	**355,210**	376,275
Less: impairment loss	**(158,538)**	(57,498)
	196,672	318,777
Prepayments *(Note)*	**41,384**	36,515
Rental and other deposits	**12,525**	12,342
Others	**17,755**	18,090
Trade and other receivables	**268,336**	385,724

Note: *Included in the balance are mainly rental and utilities prepayments of HK$294,000 (2018: HK$1,289,000), value-added tax receivables of HK$17,082,000 (2018: HK$20,523,000) and other prepayments of HK$24,008,000 (2018: HK$14,703,000).*

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 impairment loss presented based on invoice dates, at the end of the reporting period:

	2019 **HK$'000**	2018 HK$'000
0–30 days	**83,502**	109,983
31–90 days	**70,744**	111,741
91–120 days	**20,948**	48,099
Over 120 days	**21,478**	48,954
	196,672	318,777

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.

24. TRADE AND OTHER RECEIVABLES (continued)

As at 31 March 2019, the Group's trade receivables balance with aggregate carrying amount of HK$21,478,000 which are past due but none of them are past due over 90 days as at the reporting date. The Group does not hold any collateral over these balances.

As at 31 March 2018, included in the Group's trade receivable balances are debtors with an aggregate carrying amount of HK$48,954,000 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
Over 120 days	48,954

Movement in the impairment loss on trade receivables

	2018 HK$'000
Balance at beginning of the year	44,756
Impairment loss recognised	19,051
Amounts recovered during the year	(3,757)
Exchange difference	330
Amounts written off as uncollectible	(2,882)
Balance at end of the year	57,498

As at 31 March 2018, included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$57,498,000, the payers of which are in severe financial difficulties.

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

	2019		2018	
	Denominated currency '000	**Equivalent to HK$'000**	Denominated currency '000	Equivalent to HK$'000
United States Dollar ("USD")	**234**	**1,839**	640	5,023
Australian Dollar	**22**	**125**	13	76
Pound Sterling	**7**	**68**	8	84

Details of impairment assessment of trade and other receivables for the year ended 31 March 2019 are set out in note 37.

25. RESTRICTED BANK BALANCES/PLEDGED BANK DEPOSITS/TIME DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS/BANK BALANCES AND CASH

As at 31 March 2019, bank balances amounting to HK$1,500,000 (2018: HK$1,500,000) were restricted for the use of settling certain potential debts and claims as stipulated as part of a share capital reduction exercise carried out during the year ended 31 March 2015. The restricted bank balances carry fixed interest rate at 1.08% (2018: 0.60%) per annum for the year.

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to HK$33,485,000 (2018: nil) have been pledged mainly to secure bank guarantee. The pledged deposits carry fixed interest rate of 0.3% to 1.01% (2018: nil) per annum. The pledged bank deposits will be released upon the maturity of relevant bank guarantee.

Time deposits with original maturity over three months of approximately HK$2,878,000 (2018: nil) bear fixed interest of 0.7% (2018: nil) per annum.

Included in bank balances is an amount of approximately HK$21,790,000 (2018: HK$87,346,000) placed in time deposits for periods from 2 weeks to 3 months. Such deposits bear fixed interest between 1.50% to 1.55% (2018: 0.30% to 1.35%) per annum.

The remaining bank balances are placed in current and savings accounts which bear prevailing market interest rate of 0% to 0.13% (2018: 0% to 0.10%) per annum.

26. TRADE AND OTHER PAYABLES

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

	2019 HK$'000	2018 HK$'000
Trade payables	**53,494**	75,364
Accrued staff costs	**219,570**	187,386
Accrued charges *(Note a)*	**126,318**	118,444
Deposits received *(Note b)*	**88,000**	88,000
Other payables	**35,851**	72,370
Trade and other payables	**523,233**	541,564

Note a: *The balance includes accrual for repair and maintenance expenses of HK$50,581,000 (2018: HK$43,728,000), accrual for utilities of HK$4,717,000 (2018: HK$6,141,000) and other miscellaneous accruals of HK$71,020,000 (2018: HK$68,575,000).*

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 34 for the details of the proposed but terminated disposal of certain magazine business of the Company and related litigation.*

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

	2019 HK$'000	2018 HK$'000
0–30 days	**35,211**	49,629
31–90 days	**10,948**	19,671
Over 90 days	**7,335**	6,064
	53,494	75,364

26. TRADE AND OTHER PAYABLES (continued)

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

	2019		2018	
	Denominated currency '000	Equivalent to HK$'000	Denominated currency '000	Equivalent to HK$'000
USD	**1,926**	**15,118**	2,705	21,161

27. BORROWINGS

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

	2019 HK$'000	2018 HK$'000
Carrying amount repayable		
— within one year	**179,125**	–
— in the second year	**45,282**	107,875
— in the third year	**45,282**	107,875
— in the fourth year	**45,282**	107,875
— in the fifth year	**22,643**	107,875
— more than five years	**–**	53,937
	337,614	485,437
Less: Amounts due within one year shown under current liabilities	**(179,125)**	–
Amounts shown under non-current liabilities	**158,489**	485,437

Bank loans comprise balances of HK$203,770,000 (2018: HK$485,437,000) carrying interests at 3 months Taipei Interbank Offered Rate plus 1.55% per annum, HK$31,958,000 (2018: nil) carrying interests at 1 month Taipei Interbank Offered Rate plus 1% per annum and HK$101,886,000 (2018: nil) carrying interests at 1.6% per annum.

The ranges of effective interest rates (which are equal to contractual interest rates) of borrowings are 1.60% to 2.33% (2018: 2.32%) 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 2019 and 2018, the Group had total unutilised bank loan facilities of HK$13,967,000 (2018: HK$129,345,000).

The bank borrowings are secured by certain property, plant and equipment and bank deposits of which the details are set out in notes 19 and 25.

28. RETIREMENT BENEFITS PLANS

	2019 HK$'000	2018 HK$'000
Obligations on:		
Pensions — defined contribution plans, include in other payables under current liabilities *(Note a)*	**2,582**	3,110
Defined benefit plans obligations *(Note b)*	**31,339**	41,837
	33,921	44,947

Notes:

(a) *Defined contribution plans*

Hong Kong

The Group participates in two (2018: 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 2019, forfeited contributions totalling HK$2,685,000 were utilised (2018: HK$1,928,000). At 31 March 2019 and 2018, the Group has no balance available to reduce future contributions in respect of the HK Scheme.

The Group had no contributions payable under the HK Scheme and the MPF Scheme included in the consolidated statement of financial position as at 31 March 2019 and 2018.

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 2019 and 2018.

As at 31 March 2019, the Group had contributions payable under the Taiwan defined contribution scheme totalling HK$2,582,000 (2018: HK$3,110,000) which is included in trade and other payables under current liabilities in the consolidated statement of financial position.

(b) *Defined benefit plans*

Taiwan

The Group also participates in three (2018: 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 2019, an actuarial valuation of plan assets and the present value of the defined benefits obligations were carried out and valued by a qualified actuary, Mr. Chen Wen-Hsien, associate of the Actuarial Institute of the Republic of China, of Client View Management Consulting Co. Ltd. The present value of the defined benefit obligations and the related current service cost were measured using the projected unit credit method.

The plans in Taiwan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

28. RETIREMENT BENEFITS PLANS (continued)

Notes: *(continued)*

(b) Defined benefit plans (continued)

Taiwan *(continued)*

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:

	2019	2018
	%	%
Discount rate	**1.00**	1.25
Expected rate of future salary increases	**2.50**	2.50

The discount rate is set on a risk free rate which is determined by reference to market yields of government bonds of which duration is consistent with the term of obligations.

The actuarial valuation showed that the market value of plan assets was HK$19,555,000 (2018: HK$17,931,000) and that the actuarial value of these assets represented 38.4% (2018: 30.0%) of the benefits that had accrued to members. The shortfall of HK$31,339,000 (2018: HK$41,837,000) is to be cleared over the estimated remaining service period of the expected working lives of the employees of 16.0 years (2018: 17.0 years).

Amounts recognised in profit or loss and other comprehensive income in respect of these defined benefit plans are as follows:

	2019	2018
	HK$'000	HK$'000
Service cost:		
Current service cost	**531**	741
Past service cost	**(4,838)**	(11,992)
Net interest expense	**462**	845
Components of defined benefit cost recognised in profit or loss *(note 14)*	**(3,845)**	(10,406)
Actuarial gain from remeasurement of defined benefit obligations	**(790)**	(2,591)
Income tax related to actuarial gain from remeasurement of defined benefit obligations *(note 33)*	**160**	3,042
Components of defined benefit cost recognised in other comprehensive (income) expense	**(630)**	451
Total	**(4,475)**	(9,955)

28. RETIREMENT BENEFITS PLANS (continued)

Notes: *(continued)*

(b) Defined benefit plans (continued)

Taiwan *(continued)*

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:

	2019 HK$'000	2018 HK$'000
Present value of funded defined benefit obligations	50,894	59,768
Fair value of plan assets	(19,555)	(17,931)
Net liability arising from defined benefit obligations	31,339	41,837

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

	2019 HK$'000	2018 HK$'000
At 1 April	59,768	69,089
Current service cost	531	741
Interest cost	694	1,078
Actuarial gain	(790)	(2,591)
Past service cost	(4,838)	(11,992)
Exchange differences on foreign plans	(2,300)	3,443
Benefits paid	(2,171)	—
At 31 March	50,894	59,768

Movements in the fair value of the plan assets in the current year were as follows:

	2019 HK$'000	2018 HK$'000
At 1 April	17,931	13,333
Interest income	232	233
Gain (loss) on plan assets (excluding amounts included in net interest expense)	1,025	(92)
Contributions from the employer	3,535	3,754
Exchange differences on foreign plans	(997)	703
Benefits paid	(2,171)	—
At 31 March	19,555	17,931

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	
	2019 %	2018 %	2019 HK$'000	2018 HK$'000
Equity instruments	20.67	(1.47)	5,094	4,210
Debt instruments	1.50	1.50	11,747	10,529
Bank deposits	1.02	1.40	2,714	3,192
			19,555	17,931

28. RETIREMENT BENEFITS PLANS (continued)

Notes: *(continued)*

(b) Defined benefit plans (continued)

Taiwan *(continued)*

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 2019, the actual return on plan assets was HK$1,257,000 (2018: HK$141,000).

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$1,733,000 (increase by HK$1,812,000) (2018: decrease by HK$2,051,000 (increase by HK$2,148,000)).*
- *If the expected salary growth increases (decreases) by 0.25%, the defined benefit obligations would increase by HK$1,780,000 (decrease by HK$1,712,000) (2018: increase by HK$2,116,000 (decrease by HK$2,032,000).*

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.

The history of experience adjustments is as follows:

	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Present value of defined benefit obligations	**(50,894)**	(59,768)	(69,089)	(88,429)	(96,833)
Fair value of plan assets	**19,555**	17,931	13,333	11,624	11,404
Deficit	**(31,339)**	(41,837)	(55,756)	(76,805)	(85,429)

The Group expects to make a contribution of HK$3,505,000 (2018: HK$3,754,000) to the defined benefit plans during the next financial year.

29. CONTRACT LIABILITIES

The balances represent service fee paid by the Paying Players, for which the related services had not been rendered and receipt in advance from customers as at 31 March 2019 and 1 April 2018 after the adjustments from the application of HKFRS 15.

	31 March 2019 HK$'000	1 April 2018* HK$'000
Printing services income *(Note a)*	**1,585**	1,217
Internet advertising income and development of mobile games and apps income *(Note b)*	**22,183**	23,014
	23,768	24,231

* The amounts in this column are after the adjustments from the application of HKFRS 15.

29. CONTRACT LIABILITIES (continued)

Notes:

(a) *The Group receives 30% to 70% of the contract value as deposits from new customers when they sign the contracts for printing services income. The advance payment results in contract liabilities being recognised until the relevant services are rendered by the Group.*

(b) *For internet advertising income, the Group receives 30% to 50% of the contract value as deposits from new customers when they sign the contracts for internet advertising services. The advance payment results in contract liabilities being recognised until the advertisement is displayed in the internet and the target impression rate or click rate set out in respective contract is satisfied.*

For development of mobile games and apps income, full payments received from the Paying Players at the point of transaction of purchase of durable virtual items result in contract liabilities at the start of a contract until the revenue is fully recognised over the period of the contract.

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities:

	Printing services income HK$'000	Internet advertising income and development of mobile games and apps income HK$'000	Total HK$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	**1,217**	**23,014**	**24,231**

30. SHARE CAPITAL

	Number of shares		Share capital	
	31 March 2019	31 March 2018	**31 March 2019 HK$'000**	31 March 2018 HK$'000
Issued and fully paid:				
At beginning of year	**2,432,026,881**	2,431,726,881	**2,435,582**	2,435,345
Issue of ordinary shares in relation to award of new shares *(note 31(d))*	**204,184,844**	300,000	**51,039**	237
At end of the year	**2,636,211,725**	2,432,026,881	**2,486,621**	2,435,582

31. 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 before their expiry on 29 July 2017.

31. SHARE INCENTIVE SCHEMES (continued)

(a) 2007 Share Option Scheme adopted by the Company

The 2007 Share Option Scheme was adopted for the primary purpose of providing incentives to the directors 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. The maximum entitlement of each participant is not exceeding 1% of the total number of issued shares in any 12-month period.

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. Life of the 2007 Share Option Scheme is 10 years commencing on 30 July 2007. As at the date of this report, there was no share available for issue under 2007 Share Option Scheme as the scheme expired on 30 July 2017.

Details of the terms and movements of the options granted pursuant to the 2007 Share Option Scheme during the year ended 31 March 2018 are as follows:

2018

				Number of options				
Category of grantees	Date of grant	Exercise price per share	Expiry date	Balance as at 01.04.2017	Granted during the year	Exercised during the year	Lapsed/ cancelled 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

31. 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, lapsed or cancelled under the 2007 Share Option Scheme during the year ended 31 March 2018.

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 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) 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. Under the 2014 Share Option Scheme, the Board may grant options to the participants to subscribe for shares in the Company. The maximum entitlement of each participant is not exceeding 1% of the total number of issued Shares in any 12-month period.

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. Life of the 2014 Share Option Scheme is 10 years commencing on 31 July 2014. As at the date of this report, there were total 224,090,688 shares available for issue under the 2014 Share Option Scheme, representing 8.5% of the Company's issued Shares.

31. 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:

2019

				Number of options				
Category of grantees	**Date of grant**	**Exercise price per share**	**Expiry date**	**Balance as at 01.04.2018**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Balance as at 31.03.2019**
Directors	02.03.2015	HK$0.760	30.07.2024	**510,000**	**–**	**–**	**(510,000)**	**–**
	03.02.2016	HK$0.420	30.07.2024	**1,500,000**	**–**	**–**	**–**	**1,500,000**
				2,010,000	**–**	**–**	**(510,000)**	**1,500,000**
Exercisable at the end of the year								**1,500,000**
Weighted average exercise price				**HK$0.506**				**HK$0.420**

2018

				Number of options				
Category of grantees	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
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

31. 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 2019 and 2018.

These fair values were calculated by using the binomial model based on each tranche of the 2014 Share Option Scheme with reference to the vesting period respectively. The variables and assumptions are based on the management's best estimate. Change in variables and assumption may result in change in fair value of the option.

(c) 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 Limited ("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, Sharp Daily and nxTomo are, collectively referred to as the "Subsidiaries" or individually referred to as the "Subsidiary". 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.

31. SHARE INCENTIVE SCHEMES (continued)

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

Under the 2007 Subsidiary Share Option Schemes, the 2008 Subsidiary Share Option Schemes, the 2009 AHIL Share Option Scheme, the 2012 Subsidiary Share Option Schemes, the 2013 nxTomo Share Option Scheme and the 2015 ADEC Share Option Scheme (collectively referred to as the "Subsidiary Share Option Schemes"), 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, 2008 Subsidiary Share Option Schemes, 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. The maximum entitlement of each participant is not exceeding 1% of the total number of issued shares of his respective Subsidiary in any 12-month period under the Subsidiary Share Option Schemes.

Other important terms of Subsidiary Share Option Schemes include the followings:

1. Options granted must be taken up within 14 days from the date of grant, upon payment of HK$10.

2. The board of directors of the Subsidiary may, at its absolute discretion, determine (i) the period for which an option must be held before it can be exercised; and (ii) 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.

3. 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 with reference to factors which may include the its business performance and value. 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 lodgement 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.

4. The maximum number of shares that may be issued upon the exercise of all the options to be granted shall be 10% 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.

5. The terms of each Subsidiary Share Option Scheme shall expire on either (i) the date of the listing; or (ii) the 10th anniversary date of its adoption, whichever is the earlier.

Subject to the respective terms of issue, options may be exercised at any time from the vesting date to the expiry date of the above respective scheme. The exercise price is determined solely by respective board of directors of each Subsidiary with reference to factors which may include the business performance and value of the respective subsidiaries, and will be higher than or equal to the then nominal value of their respective shares. Life of the above schemes is a period commencing their respective dates of adoption and expiring on the earlier of (i) the dates of their respective listing of shares on an internationally recognised stock exchange of the Subsidiaries, or (ii) the tenth anniversary date of their respective dates of adoption.

31. SHARE INCENTIVE SCHEMES (continued)

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

(i) 2007 Subsidiary Share Option Schemes

During the year ended 31 March 2018, all the remaining options under the 2007 Subsidiary Share Option Schemes of NMPL were lapsed.

Details of the terms and movements of the share options granted pursuant to the 2007 Subsidiary Share Option Schemes of ADPDL for the year ended 31 March 2018 are as follows:

2018

				Number of options				
Category of grantees	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
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

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

31. SHARE INCENTIVE SCHEMES (continued)

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

(ii) 2008 Subsidiary Share Option Schemes

During the year ended 31 March 2018, all the remaining options under the 2008 Subsidiary Share Option Schemes of NMDL were lapsed.

Details of the terms and movements of the share options granted pursuant to the 2008 Subsidiary Share Option Schemes of nxTomo Games for the year ended 31 March 2018 are as follows:

2018

				Number of options				
Category of grantees	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

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 2019 and 2018, no options were granted, exercised, lapsed, cancelled or outstanding under the 2009 AHIL Share Option Scheme.

31. SHARE INCENTIVE SCHEMES (continued)

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

(iv) 2012 Subsidiary Share Option Schemes

During the years ended 31 March 2019 and 2018, no options were granted, exercised, lapsed or cancelled under the 2012 Subsidiary Share Option Schemes of Anyplex, NMIL, Next E-Shopping and Sharp Daily.

(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:

2019

				Number of options				
Category of grantees	**Date of grant**	**Exercise price per share**	**Expiry date**	**Balance as at 01.04.2018**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Balance as at 31.03.2019**
nxTomo								
Employees	23.09.2013	HK$0.01	14.06.2023	**50,000**	**–**	**–**	**(50,000)**	**–**
	03.10.2014	HK$0.01	14.06.2023	**20,000**	**–**	**–**	**(12,000)**	**8,000**
				70,000	**–**	**–**	**(62,000)**	**8,000**
Exercisable at the end of the year								**8,000**
Weighted average exercise price				**HK$0.01**				**HK$0.01**

2018

				Number of options				
Category of grantees	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

31. SHARE INCENTIVE SCHEMES (continued)

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

(v) 2013 nxTomo Share Option Scheme (continued)

The 50,000 options granted to a director and the 510,000 options granted to employees of the nxTomo under 2013 nxTomo Share Option Scheme on 23 September 2013 was fully vested on 23 September 2014.

The 108,000 options granted to employees on 3 October 2014 was vested on 3 October 2015 and the 50,000 options granted to an employee on 27 January 2015 was vested on 27 January 2016.

(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 2019 and 2018 are as follows:

2019

				Number of options				
Category of grantees	**Date of grant**	**Exercise price per share**	**Expiry date**	**Balance as at 01.04.2018**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Balance as at 31.03.2019**
ADEC Employee	07.10.2015	HK$0.01	28.08.2025	**100,000**	**–**	**–**	**(100,000)**	**–**
Exercisable at the end of the year								**–**
Weighted average exercise price				**HK$0.01**				**N/A**

2018

				Number of options				
Category of grantees	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

31. SHARE INCENTIVE SCHEMES (continued)

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

(vi) 2015 ADEC share option scheme (continued)

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 2007 Subsidiary Share Option Scheme of ADPDL, the 2008 Subsidiary Share Option Scheme of nxTomo Games, the 2013 nxTomo Share Option Scheme and the 2015 ADEC Share Option Scheme.

(d) Award of new shares to directors and employees

(i) Award of new shares to INEDs 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 INEDs	Award Dates	No. of Award Shares	Vesting Date/ No. of Award Shares
Dr. Bradley Jay Hamm (Resigned on 13 September 2018)	13 April 2015	300,000	13 April 2016/100,000 13 April 2017/100,000 13 April 2018/100,000
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 second and third tranches of the award shares, each of 100,000 Shares were issued and allotted to Dr. Bradley Jay Hamm, an INED, on 13 April 2017 and 13 April 2018 respectively.

On 30 June 2017, the last tranche of the award shares with a total of 200,000 shares were issued and allotted to 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.

31. SHARE INCENTIVE SCHEMES (continued)

(d) Award of new shares to directors and employees (continued)

(ii) Employee Share Award Scheme adopted by the Company

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

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

(iii) Award of new shares to EDs of the Company

The Company has on 26 November 2018 conditionally awarded a total of 2,042,238 shares to two EDs, Mr. Cheung Kim Hung as to 1,117,699 shares and Mr. Chow Tat Kuen, Royston as to 924,539 shares, for the purpose of providing an additional form of reward for their contribution to the Group. The award shares were issued at HK$0.226 each, which is determined by using market approach, subject to the payment of nominal amount of subscription price by the EDs and the EDs remained as directors of the Company, but not subject to any vesting condition. This award is comparable to the Employee Share Award Scheme adopted on 12 June 2018.

The Group recognised the total expense of HK$51,006,000 for the year ended 31 March 2019 (2018: HK$831,000) in relation to options granted under the share option schemes and the award shares of the Group.

32. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2019 **HK$'000**	2018 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**–**	165
Interests in subsidiaries	**938,035**	1,316,735
Deferred tax assets	**29**	24
	938,064	1,316,924
CURRENT ASSETS		
Other receivables *(Note)*	**3,361**	3,291
Amounts due from subsidiaries *(Note)*	**57,219**	90,970
Restricted bank balances *(Note)*	**1,500**	1,500
Bank balances and cash *(Note)*	**1,339**	21,726
	63,419	117,487
CURRENT LIABILITIES		
Other payables	**5,775**	6,342
Amounts due to subsidiaries	**992**	91,397
Tax liabilities	**39**	13,620
	6,806	111,359
NET CURRENT ASSETS	**56,613**	6,128
NET ASSETS	**994,677**	1,323,052
CAPITAL AND RESERVES		
Share capital	**2,486,621**	2,435,582
Reserves	**(1,491,944)**	(1,112,530)
TOTAL EQUITY	**994,677**	1,323,052

Note: *The credit risks on bank balances and restricted bank balances are limited because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies. ECL for other receivables and amounts due from subsidiaries are assessed on 12m ECL basis as there had been no significant increase in credit risk since initial recognition considering the counterparties have no historical default record. Together with forward looking information, the loss allowance at 31 March 2019 was insignificant.*

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 24 June 2019 and is signed on its behalf by:

Cheung Kim Hung
DIRECTOR

Chow Tat Kuen, Royston
DIRECTOR

32. 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 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)**
Loss and total comprehensive expense for the year	**–**	**(379,383)**	**(379,383)**
Issue of ordinary shares in relation to award of new shares	**(526)**	**–**	**(526)**
Recognition of equity-settled share-based payments	**495**	**–**	**495**
Lapse of share options	**(178)**	**178**	**–**
At 31 March 2019	**277**	**(1,492,221)**	**(1,491,944)**

33. 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	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
At beginning of the year	**47,840**	51,298	**108,578**	134,959	**156,418**	186,257
Exchange difference	**277**	(330)	**–**	–	**277**	(330)
Credit to profit or loss	**(307)**	(3,128)	**–**	(26,381)	**(307)**	(29,509)
At end of the year	**47,810**	47,840	**108,578**	108,578	**156,388**	156,418

33. DEFERRED TAX (continued)

Deferred tax assets

	Retirement benefit obligations		Tax losses		Total	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At beginning of the year	**(4,790)**	(7,832)	**(5)**	(4)	**(4,795)**	(7,836)
Credit to profit or loss	**–**	–	**(981)**	(1)	**(981)**	(1)
Charge to other comprehensive income *(note 28)*	**160**	3,042	**–**	–	**160**	3,042
At end of the year	**(4,630)**	(4,790)	**(986)**	(5)	**(5,616)**	(4,795)

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 account is as follows:

	2019	2018
	HK$'000	HK$'000
At beginning of the year	**151,623**	178,421
Exchange difference	**277**	(330)
Credit to profit or loss	**(1,288)**	(29,510)
Charge to other comprehensive income	**160**	3,042
At end of the year (shown as non-current liabilities)	**150,772**	151,623

As at 31 March 2019, the Group has estimated unused tax losses of approximately HK$2,973,709,000 (2018: HK$2,300,505,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$5,978,000 (2018: HK$30,000) of such loss. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$2,967,731,000 (2018: HK$2,300,475,000) due to the unpredictability of future profits streams. Included in this remaining tax losses, tax losses of HK$356,033,000 (2018: HK$162,520,000) have not yet been approved by Taiwan tax authority. Unrecognised tax losses of approximately HK$604,041,000 will expire from 2020 to 2028 (2018: HK$249,223,000 will expire from 2019 to 2027) and HK$2,363,690,000 (2018: HK$2,051,252,000) may be carried forward indefinitely.

As at 31 March 2019, the Group has deductible temporary differences of HK$37,117,000 (2018: nil). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

34. PROVISIONS

	Litigations 2019 HK$'000	2018 HK$'000
At beginning of the year	**40,480**	98,426
Additional provision during the year	**21,747**	3,909
Payment during the year	**(6,001)**	(9,222)
Reversal during the year	**(4,999)**	(53,170)
Exchange difference	**(343)**	537
At end of the year	**50,884**	40,480

As at 31 March 2019 and 2018, the Group had provisions classified as current liabilities in respect of a number of legal proceedings in Hong Kong and Taiwan arising in the normal course of its publishing business.

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

On 25 August 2017, Next Media Magazines Limited and Ideal Vegas Limited (the "Sellers") (being indirect wholly owned subsidiaries of the Company), the Company (the "Guarantor") and Gossip Daily Limited (the "Buyer") (an independent third party) entered into the sales and purchase agreement ("SPA") pursuant to which the Sellers have conditionally agreed to sell and the Buyer has conditionally agreed to purchase the entire issued share capital of the Target Companies and certain intellectual property rights in connection with, or with the benefits of, the business of the Target Companies and other incidental business at the consideration of HK$320,000,000. The Sellers 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 expected to proceed to final completion on or before 28 February 2018. However, as of the date of this report, the Sellers still have not received the funds which the Buyer has promised to pay in order for completion to take place. In the circumstances, the Sellers treated the Buyer's failure to pay as its termination of the transaction. The Sellers seeked legal advice as to the remedies available to them. On 10 April 2018, the Sellers and the Company received an amended writ of summons from the Buyer ("Amended Writ"). Under the Amended Writ, the Buyer alleges, among other matters, that safe-harbour completion did not take place as a result of the wilful default of the Sellers and the Company (which for the avoidance of doubt, is strongly denied) and claims against the Sellers and the Company (i) return of deposits paid of HK$88,000,000; (ii) an additional amount of HK$88,000,000 as liquidated damages; (iii) consequential losses of NT$900,000,000 (equivalent to approximately HK$240,000,000); and (iv) unspecified damages for loss caused by other torts. As the SPA specifically provides that any dispute arising out of or in connection with the SPA shall be dealt with by way of arbitration instead of court proceedings, the Sellers and the Company therefore commenced arbitration proceedings against the Buyer at the Hong Kong International Arbitration Centre ("HKIAC") on 9 April 2018 and also applied for a stay of the litigation proceeding (i.e. HCA305 of 2018) wrongfully initiated by the Buyer in the Court of First Instance of the High Court of Hong Kong.

34. PROVISIONS (continued)

A hearing for such application took place on 7 August 2018 and judgement was delivered on 27 August 2018. The court has found in favour of the Sellers and the Company and stayed all Buyer's claims to arbitration and ordered the Buyer to pay the Sellers' and the Company's costs of the stay application on an indemnity basis. Buyer subsequently amended its defence and counterclaim on 14 September 2018 and the Sellers and the Company submitted their amended reply and defence to counterclaim to the Arbitral Tribunal on 3 October 2018. The Arbitral Tribunal made a directions order on 16 October 2018 and will fix a substantive hearing in February 2020 tentatively.

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

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

During the year ended 31 March 2019, approximately HK$13,628,000 has been provided by the Company to account for the potential legal costs arising from this case.

During the year ended 31 March 2018, included in the Group's reversal of provision was a litigation with BaWang International (Group) Holdings Limited and BaWang (Guangzhou) Company Limited (collectively referred to as the "Plaintiffs"). Upon negotiation between the Group and the Plaintiffs, the Plaintiffs had 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 final settlement was paid and finalised during the year ended 31 March 2018 and reversal of provision amounted to HK$48.2 million was made during the year ended 31 March 2018. For details of this case, please refer to the 2017/18 annual report of the Company.

35. COMMITMENTS

(a)

	2019 HK$'000	2018 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**23,253**	3,278

(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:

	2019			2018		
	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	**6,532**	**6,046**	**12,578**	555	9,459	10,014
In the second to fifth year inclusive	**24,257**	**2,794**	**27,051**	271	4,562	4,833
Over five years	**29,896**	**–**	**29,896**	–	–	–
	60,685	**8,840**	**69,525**	826	14,021	14,847

Operating lease payments included rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 2 to 10 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$16,071,000 (2018: HK$17,199,000).

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:

	2019 HK$'000	2018 HK$'000
Within one year	**7,898**	15,818
In the second to fifth year inclusive	**23,341**	58,008
	31,239	73,826

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

36. 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 27, 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.

37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 **HK$'000**	2018 HK$'000
Financial assets		
Financial assets at amortised cost	**434,388**	–
Loans and receivables (including cash and cash equivalents)	**–**	649,578
	434,388	649,578
Financial liabilities		
Liabilities at amortised cost	**426,959**	607,830

(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, pledged bank deposits, time deposits with original maturity over three months, 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.

37. FINANCIAL INSTRUMENTS (continued)

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

Market risk

Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. The directors of the Company believe that the Group does not have significant foreign exchange exposures and will consider the use of foreign exchange forward contracts to reduce the currency exposures in case the foreign exchange exposures become significant.

The carrying amounts of the major monetary assets and monetary liabilities denominated in foreign currencies other than the functional currency of the group entities at the end of the reporting period are as follows:

	Liabilities		Assets	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**12,594**	21,161	**27,712**	38,604
NT$ — inter-company balances	**159,335**	4,227	**381,255**	551,037

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% (2018: 5%) increase and decrease in the entity's respective functional currency against NT$. 5% (2018: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, including balances with foreign operations within the Group and adjusts their translation at the end of the reporting period for a 5% (2018: 5%) change in foreign currency rates. A positive number below indicates an increase in loss for the year where HK$ strengthen against the relevant currency. For a 5% (2018: 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	
	2019	2018
	HK$'000	HK$'000
Post-tax loss	**9,210**	22,693

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.

37. 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 25 for details) and fixed-rate bank borrowings (see note 27 for details of these borrowings).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank deposit (see note 25) and variable-rate bank borrowings (see note 27 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 and 1 month Taipei Interbank Offered Rate (2018: 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 (2018: 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 (2018: 50 basis points) and all other variables were held constant, post-tax loss for the year ended 31 March 2019 would increase/decrease by approximately HK$943,000 (2018: post-tax loss would increase/decrease by HK$2,014,000).

Credit risk and impairment assessment

As at 31 March 2019, 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.

Trade receivables

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2018: incurred loss model) on trade balances individually for credit-impaired balances and based on provision matrix.

37. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment (continued)

Trade receivables (continued)

As at 31 March 2019, the Group does not have any significant concentration of credit risk. As at 31 March 2018, the Group has concentration of credit risk as 51% 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.

Other receivables and amounts due from related parties

The Group performs impairment assessment under ECL model upon application of HKFRS 9 (2018: incurred loss model) on other receivables and amounts due from related parties based on 12m ECL as there had been no significant increase in credit risk since initial recognition. No material loss allowance is made based on the Group's internal credit rating.

Restricted bank balances, pledged bank deposits, bank balances and time deposits with original maturity over three months

The credit risks on bank balances are limited because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000
Trade receivables	24	N/A	*Note 1*	Lifetime ECL	**233,789**
				Lifetime ECL (credit-impaired)	**121,421**
					355,210
Other receivables	24	N/A	*Note 2*	12m ECL	**17,755**
Amounts due from related parties	22	N/A	*Note 2*	12m ECL	**6,532**
Restricted bank deposits	25	A1	N/A	12m ECL	**1,500**
Pledged bank deposits	25	A2 to Aa2	N/A	12m ECL	**33,485**
Bank balances	25	A1 to Aa2	N/A	12m ECL	**175,566**
Time deposits with original maturity over three months	25	A2 to Aa2	N/A	12m ECL	**2,878**

Note 1: *For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with credit-impaired, the Group determines the ECL on these items by using a provision matrix, grouped by internal credit rating and past due status.*

Note 2: *For other receivables and amounts due from related parties, the Group has assessed these balances using 12m ECL basis as there had been no significant increase in credit risk since initial recognition considering the counterparties have no historical default record. The loss allowance at 31 March 2019 was insignificant.*

37. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment (continued)

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its operation. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 March 2019 within lifetime ECL (not credit impaired). Debtors with credit-impaired with gross carrying amounts of HK$121,421,000 as at 31 March 2019 were assessed individually.

	Average loss rate	Gross carrying receivables HK$'000	Impairment loss allowance HK$'000
Internal credit rating			
Group A	**2.1%**	**84,852**	**1,740**
Group B	**7.9%**	**43,331**	**3,420**
Group C	**16.0%**	**36,167**	**5,769**
Group D	**21.3%**	**32,377**	**6,896**
Group E	**52.1%**	**37,062**	**19,292**
		233,789	**37,117**

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 March 2019, the Group provided HK$37,117,000 loss allowance for trade receivables, based on the provision matrix. Loss allowance of HK$121,421,000 were made on credit impaired debtors.

37. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment (continued)

Movement in the impairment loss on trade receivables

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (non-credit impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 31 March 2018 under HKAS 39 and 1 April 2018 under HKFRS 9	–	**57,498**	**57,498**
Changes due to trade receivables recognised as at 1 April:			
Amounts recovered during the year	–	**(3,514)**	**(3,514)**
Exchange difference	–	**(390)**	**(390)**
Amounts written off as uncollectible	–	**(1,032)**	**(1,032)**
Newly originated trade receivables *(Note)*	**37,117**	**68,859**	**105,976**
At 31 March 2019	**37,117**	**121,421**	**158,538**

Note: *Included in the amount for lifetime ECL (credit-impaired) is a loss allowance recognised on an individual trade debtor with gross amount of HK$67,577,000, which the Group has entered into a litigation against the trade debtor in relation to a trade dispute. In this regard, a full loss allowance has been recognised on the particular trade debtor balance. The loss allowance for lifetime ECL (non-credit impaired) is mainly resulted from shifting of the portfolio of the customers from groups with lower loss rate to higher loss rate for the newly originated trade receivables.*

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 had net current liabilities of approximately HK$138,606,000 as at 31 March 2019. The Group is exposed to liquidity risk if it is not able to raise sufficient funds to meet its financial obligations. The Group relies on bank borrowings as a significant source of liquidity. As at 31 March 2019, the Group has total available unutilised bank loan facilities of approximately HK$13,967,000 (2018: HK$129,345,000). Details of which are set out in note 27. In addition, the Group has unsecured shareholder's loan of an aggregate maximum amount of HK$500,000,000 which remains unutilised as at 31 March 2019.

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.

37. 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 2019 HK$'000
2019								
Non-derivative financial liabilities								
Trade payables	–	35,730	10,294	7,470	–	–	53,494	53,494
Other payables	–	35,851	–	–	–	–	35,851	35,851
Borrowings – variable rate	2.25	6,879	13,759	61,914	166,650	–	249,202	235,728
Borrowings – fixed rate	1.60	103,515	–	–	–	–	103,515	101,886
		181,975	24,053	69,384	166,650	–	442,062	426,959

	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

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 approximate their corresponding fair value.

38. 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:

	2019 **HK$'000**	2018 HK$'000
Short-term benefits	**14,280**	21,752
Share-based payments	**871**	793
Pension costs — defined contribution plans	**502**	302
	15,653	22,847

(b) Related party transactions

Nature of transaction	**Name of related company/person**	**Relationship with the Group**	**2019** **HK$'000**	2018 HK$'000
Animation production service charge paid by the Group *(Note i)*	NASL	100% beneficially owned by Mr. Lai	**39,209**	36,637
Supporting services fee received by the Group *(Note i)*	NASL	100% beneficially owned by Mr. Lai	**–**	(383)
Payment for non-compete agreement *(Note ii)*	Mr. Cheung Ka Sing, Cassian	Ex-director of the Company	**–**	2,702

Notes:

(i) *On 10 June 2011, the Group entered into a Business Framework Agreement with NASL, a company formerly 70% beneficially owned by Mr. Lai, 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.

(ii) *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.*

38. RELATED PARTY DISCLOSURE (continued)

(b) Related party transactions (continued)

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, for a period of three years commencing from 1 October 2015 in respect of the engagement of Mr. Lai as a corporate strategic advisor to the Group to give advice on the overall strategic direction of the Group with a particular focus on digital business at a nominal fee of HK$1.0 for the entire consultancy period. The consultancy agreement expired on 1 October 2018 at the end of the consultancy period.

39. 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 2018 HK$'000	Financing cash flow *(Note i)* HK$'000	Non-cash changes Other changes *(Note ii)* HK$'000	As at 31 March 2019 HK$'000
Borrowings *(note 27)*	**485,437**	**(120,869)**	**(26,954)**	**337,614**
Accrued interests	**—**	**(11,083)**	**11,083**	**—**
	485,437	**(131,952)**	**(15,871)**	**337,614**

	As at 1 April 2017 HK$'000	Financing cash flow HK$'000	Non-cash changes Dividend declared HK$'000	Non-cash changes Other changes *(Note ii)* HK$'000	As at 31 March 2018 HK$'000
Borrowings *(note 27)*	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

Notes:

(i) Included in the financing cash flow for the year is the drawdown and repayment of a shareholder's loan amounted to HK$50,000,000 during the year.

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

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES

(a) Particulars of the principal subsidiaries of the Company as at 31 March 2019 and 2018 are as follows:

Name	Place of incorporation	Issued and paid up share capital	Proportion of nominal value of issued capital held by the Company		Proportion of voting power held by the Company		Principal activities
			2019	2018	2019	2018	
			%	%	%	%	
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 b)*
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**	99.10 *(Note a)*	**99.10**	99.10	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)*
FACE Magazine Marketing Limited	Hong Kong	HK$60,000,000.00	**95.17**	95.17	**99.63**	99.63	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**	100 *(Note e)*	**100**	100	Publication and selling of magazines and selling of magazines advertising space *(Note c)*
Next Media 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)*

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

(a) Particulars of the principal subsidiaries of the Company as at 31 March 2019 and 2018 are as follows: (continued)

The above table includes the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities during the year.

Notes:

(a) The Group acquired additional interest of 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 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:

Principal activities	Principal place of business	Number of subsidiaries 2019	2018
Digital Business	Hong Kong	**20**	18
	Hong Kong & Taiwan	**2**	2
	Taiwan	**5**	5
	Netherlands	**2**	2
	USA	**1**	1
		30	28
Print Business	Hong Kong	**17**	17
	Hong Kong & Taiwan	**8**	8
	Taiwan	**2**	2
	Canada	**2**	2
		29	29
Supporting and Others	Hong Kong	**7**	7

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

(c) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		(Loss) profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2019	2018	**2019**	2018	**2019**	2018
		%	%	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ADPDL	Hong Kong	**0.9**	0.9	**(1,966)**	(932)	**1,826**	4,402
Individually immaterial subsidiaries with non-controlling interests				**259**	4	**(100)**	(427)
				(1,707)	(928)	**1,726**	3,975

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.

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

(c) Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

ADPDL

	2019 HK$'000	2018 HK$'000
Current assets	**282,336**	353,629
Non-current assets	**190,152**	216,450
Current liabilities	**(274,693)**	(130,042)
Non-current liabilities	**(31,764)**	(41,354)
Equity attributable to owners of ADPDL	**164,205**	394,281
Equity attributable to owners of non-controlling interests	**1,826**	4,402
Revenue	**430,152**	523,321
Expenses	**(648,600)**	(611,726)
Loss for the year attributable to owners of ADPDL	**(216,482)**	(87,473)
Loss for the year attributable to non-controlling interests	**(1,966)**	(932)
Loss for the year	**(218,448)**	(88,405)
Other comprehensive (expense) income attributable to owners of ADPDL	**(13,594)**	17,063
Other comprehensive (expense) income attributable to non-controlling interests	**(610)**	182
Other comprehensive (expense) income for the year	**(14,204)**	17,245
Total comprehensive expense attributable to owners of ADPDL	**(230,076)**	(70,410)
Total comprehensive expense attributable to non-controlling interests	**(2,576)**	(750)
Total comprehensive expense for the year	**(232,652)**	(71,160)
Net cash outflow from operating activities	**(137,411)**	(31,210)
Net cash outflow from investing activities	**(6,915)**	(6,827)
Net cash inflow (outflow) from financing activities	**133,410**	(60,298)
Net cash outflow	**(10,916)**	(98,335)

41. EVENT AFTER THE REPORTING PERIOD

On 17 May 2019, ADPDL has entered into a bank facility arrangement (the "Facility") with Taichung Commercial Bank Co., Ltd. (the "Bank"). Pursuant to the terms of the Facility, the Bank granted a loan facility with amount up to NT$280 million (equivalent to approximately HK$71.3 million) to ADPDL. The Facility was secured by the charge of certain properties held by ADPDL located in Taiwan.

FIVE-YEAR FINANCIAL SUMMARY

For the year ended 31 March 2019

	Year ended 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**1,304,275**	1,495,521	1,783,757	2,327,730	2,956,934
(Loss) profit for the year	**(340,185)**	(476,919)	(393,998)	(324,244)	168,638
(Loss) profit attributable to owners of the Company	**(338,478)**	(475,991)	(392,777)	(324,688)	164,300
Non-controlling interests	**(1,707)**	(928)	(1,221)	444	4,338
(Loss) profit for the year	**(340,185)**	(476,919)	(393,998)	(324,244)	168,638

	As at 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**2,112,404**	2,600,264	3,016,502	3,294,739	3,824,650
Total liabilities	**(1,117,649)**	(1,276,463)	(1,243,082)	(1,178,762)	(1,310,419)
	994,755	1,323,801	1,773,420	2,115,977	2,514,231
Equity attributable to owners of the Company	**993,029**	1,319,826	1,757,067	2,076,898	2,467,999
Non-controlling interests	**1,726**	3,975	16,353	39,079	46,232
	994,755	1,323,801	1,773,420	2,115,977	2,514,231

GLOSSARY

2014 Share Option Scheme	the share option scheme adopted by the Company on 31 July 2014
2018 AGM	the Company's annual general meeting was held on 27 July 2018
2019 AGM	the Company's annual general meeting to be held on 16 August 2019
ADPL	Apple Daily Printing Limited, an indirect wholly-owned subsidiary of the Company
Articles of Association	the Company's Articles of Association
Board	the board of Directors
CEO	the Chief Executive Officer of the Group
CFO	the Chief Financial Officer of the Group
CG Code	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
Deloitte	Deloitte Touche Tohmatsu, the independent 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 Group for the year ended 31 March 2019
GDP	gross domestic product
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
Hong Kong	the Hong Kong Special Administration Region of the People's Republic of China
INED(s)	independent non-executive director(s) of the Company
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

Mr. Lai	Mr. Lai Chee Ying, the controlling shareholder and Non-executive Chairman of the Company
NASL	Next Animation Studio Limited, a company incorporated in Hong Kong with limited liability and 100% beneficially owned by Mr. Lai
NASL Group	NASL and its subsidiaries
NED(s)	non-executive Director(s) 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
Taiwan	Republic of China

* *for identification purpose only*

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