NEXT DIGITAL

STOCK CODE : 00282 INTERIM REPORT 2019 / 20

STAND FOR HK

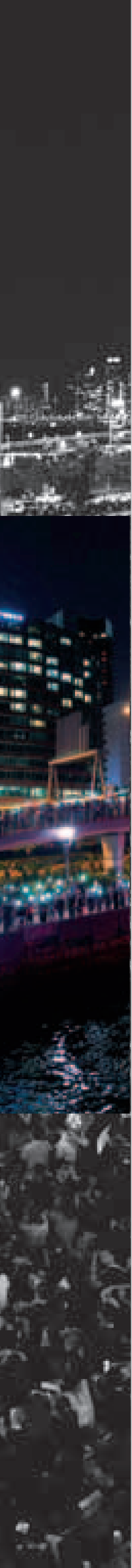

C O N
N T
VANS

T E S 目錄

連繫我城

LINK US


同
TOGETHER
行



FINANCIAL HIGHLIGHTS

Financial Results	Six months ended 30 September 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Revenue	556,294	661,435
Loss for the period	(313,302)	(287,490)
Basic loss per Share	HK(11.8 cents)	HK(11.3 cents)
Diluted loss per Share	HK(11.8 cents)	HK(11.3 cents)

Statement of Financial Position	As at 30 September 2019 HK$'000 (Unaudited)	As at 31 March 2019 HK$'000 (Audited)
Non-current assets	1,526,242	1,473,961
Current assets	531,406	638,443
Total assets	2,057,648	2,112,404
Current liabilities	816,283	777,049
Non-current liabilities	532,299	340,600
Total liabilities	1,348,582	1,117,649
Net assets	709,066	994,755

Ratio Analysis		
Current ratio	65.1%	82.2%
Gearing ratio	22.9%	16.0%
Debt to equity ratio	66.6%	34.0%


守
GUARD
護
五大訴求
缺一不可

MANAGEMENT DISCUSSION AND ANALYSIS

On behalf of the Board of Next Digital, I would like to present the unaudited consolidated results of the Group for the six months ended 30 September 2019.

FINANCIAL RESULTS

For the six months ended 30 September 2019, the Group's overall revenue decreased by 15.9% to HK$556.3 million (six months ended 30 September 2018: HK$661.4 million) of which HK$225.2 million and HK$331.1 million (six months ended 30 September 2018: HK$291.4 million and HK$370.0 million) were attributable to the Digital Business Division and Print Business Division respectively.

The Group recorded an unaudited consolidated loss of HK$313.3 million for the period, compared with a loss of HK$287.5 million recorded for same period of 2018, representing an increase in loss amount of 9.0% or HK$25.8 million.

This was primarily due to increasingly cautious spending by advertisers, driven by economic slowdown and uncertainty in the Group's core markets of Hong Kong and Taiwan. In addition, the Group's digital business faced stiff competition from programmatic advertising, while a drop in newspaper circulations reduced the revenue-generating potential of the Group's print operations.

As a result of this, the Company recorded a basic loss per share of HK11.8 cents for the period, as compared to a basic loss per share of HK11.3 cents in the same period of the previous year.

OPERATIONAL REVIEW

The Group's operations in Hong Kong and elsewhere accounted for approximately 70.4% of total revenue during the six months ended 30 September 2019, compared with 65.7% in last corresponding period, while its Taiwan operations contributed 29.6% of its total revenue, compared with 34.3% in the same period of the previous year.

During the period under review, the Group launched and implemented a paid subscription service for its digital content, a landmark achievement that marks a significant evolution of its business model. Performance exceeded expectations, with the service rapidly accumulating over 1 million paid subscribers across Hong Kong, Taiwan and overseas markets.

The Group's print business faced challenging conditions during the reporting period, as reader habits continued to move away from print and towards digital. This led to declining print circulations and a subsequent reallocation of advertiser budgets. Despite this, however, the Group's newspapers retain a loyal following of mainstream readers.

MANAGEMENT DISCUSSION AND ANALYSIS

Excellent content remains the backbone of the Group's business, and it continued to make strategic investments in both its print and digital content capabilities. This included increasing payroll for editorial staff and hiring more columnists and reporters.

Eat & Travel Weekly was consolidated under the *Apple Daily* brand on 1 June 2019. *Ketchup* ceased operations with effect from 1 September 2019.

DIGITAL BUSINESS DIVISION

In order to take advantage of emerging commercial opportunities in the digital space, the Group launched and implemented a paid subscription model for its digital content during the period under review. Since launch, both subscriber and revenue growth have recorded satisfactory performance while demonstrating significant upside potential.

The paid subscription service was rolled out in three stages. First, readers were invited to register for free membership on 10 April. This attracted over 7 million members in Hong Kong, Taiwan and overseas. Second, low trial prices were introduced for the period of 17 June to 1 September. The Group retained over 1 million paying members following the introduction of the paywall, in line with expectations. Finally, standard pricing was introduced on 2 September, with the related increase in price resulting in only a moderate decrease in paid subscribers.

In order to drive subscription and advertising revenues, the Group continued to invest in high-quality content creation, offering seminars, talks and films on subjects of reader interest. A Customer Growth and Retention team was created with the aim of growing the subscriber base by continually improving the subscription process and experience. This led to higher investment costs, but is expected to yield positive returns in terms of subscriber attraction and retention.

The membership model, combined with the Group's data management platform ("DMP"), gives the Group data-driven insight into individual readers' online browsing habits and revealed preferences. This allows it to create increasingly personalised content and tailored advertising opportunities, thus generating a strong competitive advantage in terms of offering added value to advertisers. The Group's Business Development Department has made early progress in using personalisation to enhance revenue from digital assets, and this capacity is expected to increase as the DMP system continues to learn and generate more precise reports on audience behaviour.

The Group's digital versions of *Apple Daily*, featuring video and animation, are branded as *Apple Daily Digital* in Hong Kong and *Apple Online* in Taiwan. The integrated *Apple Daily* platform allows readers to access all of the Group's magazines. During the reporting period, the Group continued to migrate its online titles to its new ARC content management system, which will offer superior operational capabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, the combined platforms for Hong Kong and Taiwan together have attracted an average monthly page view count of approximately 1.3 billion*, making it one of the leading news sites in the world. *Apple Daily* had a user base of approximately 12.8 million* monthly unique visitors in Hong Kong, approximately 13.9 million* monthly unique visitors in Taiwan, approximately 910,000* monthly unique visitors in the USA and approximately 322,000* monthly unique visitors in Canada. This broad readership allowed the Group to take advantage of a variety of advertising revenue generation opportunities.

The Group's online games business continues to be profitable, and now adds value to the subscription offer by making more virtual products available to paying members. In addition, the Group continued to improve its innovative virtual reality ("VR") products.

Apple Daily's digital platform remains the market leader in Hong Kong. Despite this, however, the Division's external revenue, which consists of subscription fees, online advertising revenue, content licensing payments, games and content sponsorship and in-app purchase of virtual products, decreased by 22.7% or HK$66.2 million to HK$225.2 million during the period, compared to HK$291.4 million for the same period last year. This was mainly the result of falling advertising revenues.

The Digital Business Division's segment loss amounted to HK$65.0 million during the period under review, compared with a segment loss of HK$49.6 million in the last corresponding period, representing an increase in loss amount of 31.0% or HK$15.4 million. This was primarily owing to advertising revenues declining for the reasons described above.

PRINT BUSINESS DIVISION

During the six months ended 30 September 2019, the total revenue of the Print Business Division was HK$331.1 million, representing a decline of 10.5% or HK$38.9 million against the figure of HK$370.0 million for the same period of the previous year. The Division's revenue accounted for 59.5% of the Group's total revenue, and *Apple Daily* and *Taiwan Apple Daily* remained the largest contributors to the Division.

The Division's segment loss was HK$245.3 million during the reporting period, an increase in loss amount of 3.0% or HK$7.2 million compared with the segment loss of HK$238.1 million recorded in the same period of 2018. This was mainly attributable to the decline in advertising revenue of the Group's newspapers during the period, alongside increased investment in content.

Newspaper Publications

Apple Daily, known for its signature features of openness, liberalism, vibrancy and the quest for truth, maintained its position as one of Hong Kong's best-selling newspapers. Its average net circulation averaged 91,288 copies per day between April and September 2019, compared with 103,380 copies per day in the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Apple Daily's total revenue stood at HK$120.7 million during the reporting period, representing an increase of 3.2% or HK$3.7 million against the figure of HK$117.0 million recorded in the same period last year. Of this, advertising revenue accounted for HK$21.4 million and circulation income for HK$99.3 million, representing a decrease of 34.2% or HK$11.1 million and an increase of 17.5% or HK$14.8 million as compared to the respective figures of HK$32.5 million and HK$84.5 million for the same period last year. The advertising categories that made the largest revenue contributions were property, pharmaceuticals, health products, loans and miscellaneous items.

Taiwan Apple Daily is known for its dynamic style of reporting and emphasis on layout design. Its average net circulation was 101,776 copies per day during the period under review, compared with 169,989 copies per day in the same period of 2018.

Its total revenue amounted to HK$118.1 million during the period under review, a decrease of 15.2% or HK$21.2 million compared to the HK$139.3 million recorded in the last corresponding period. Of this, advertising revenue accounted for HK$69.4 million and circulation income for HK$47.5 million, representing a decrease of 20.8% or HK$18.2 million and 6.1% or HK$3.1 million as compared to the respective figures of HK$87.6 million and HK$50.6 million for the same period last year. The main contributing advertising categories included property, government and party political communications, decoration and furnishing, and lifestyle stores.

Printing

ADPL, the Group's newspaper printing operation, continued to make contributions to the Group despite a steady sector-wide drop in the circulations of print newspapers. Its revenue during the period under review amounted to HK$56.5 million, a decrease of 14.5% or HK$9.6 million compared to the figure of HK$66.1 million achieved in the corresponding period last year.

ADPL realised HK$27.1 million in revenue from external customers (total revenue minus transactions related to printing the Group's own publications), including printing assignments from local and overseas newspapers, during the period under review. This represents a decrease of 24.7% or HK$8.9 million from the figure of HK$36.0 million recorded in the last corresponding period.

The Group's commercial printing operation faced keen price competition from peers on the Chinese mainland and continued to be affected by reader migration from print to digital. Nevertheless, the Group continues to print the lion's share of Hong Kong's major weekly magazines and standard textbooks. It recorded revenue of HK$48.4 million for the six months ended 30 September 2019, which was 26.0% or HK$17.0 million less than the HK$65.4 million recorded in the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS AND OUTLOOK

The digital media landscape continues to develop and mature, unlocking new commercial opportunities as well as disrupting old certainties. By courageously committing to a radical shift in its business model, the Group has put the foundations in place to sharpen its competitive advantages over its local peers.

In the second half of the year, the Group's main strategic focus will be to consolidate and grow the subscriber base of its new paid digital subscription service and enhance its online advertising offer, based on the twin pillars of content excellence and data-driven insight.

The paid subscription model offers unprecedented opportunities to capture reader interests, preferences and behaviour at granular detail, and produce tailored and responsive content to match. To take full advantage, the Group will continue to invest in its capacity to use video, animation, VR, online games and other new technologies to create eye-catching content, as well as offering high-quality member experiences such as seminars and hiking trips. It has already developed a strong pipeline of new content and products that will be introduced in the coming months, including mini-sites and special supplement sections. This will attract more and more paid subscribers over time, allowing the Group to cultivate a steady and reliable new revenue stream and diversify its income base.

The Group will also hone its edge over its rivals by generating increasingly hyper-personalised placement opportunities that offer unparalleled value to advertisers, by leveraging the data analysis and insight capabilities of its state-of-the-art DMP.

Traditional print is still a vital component of the Group's business. The Group will continue to invest in high-quality print content, with an emphasis on investigative journalism, commentary, insight and in-depth analysis, as well as special projects and supplements.

Looking ahead to the second half of the year, the Hong Kong and Taiwan economies will continue to face uncertainty and downside risk. In Hong Kong, social unrest has caused many advertisers to delay promotional activities and rein in spending. In Taiwan, the economy faces downward pressure both from the US-China trade war and tensions in the ruling party's relationship with Beijing, which has in turn depressed advertising spend. All of these factors will continue to weigh on the Group's top line.

While external conditions are challenging, however, the fundamental evolution of the Group's business strategy has made it well positioned to capture the upside from any future positive shift in market sentiment and advertiser confidence.

* *Source from Google Analytics*

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Financial Position

The Group finances its operations principally with cash flow generated by its continuing operating activities and, to a lesser extent, bank facilities by its principal bankers. As at 30 September 2019, the Group recorded net cash of approximately HK$206.1 million, included in the balance are restricted bank balances amounted to HK$1.5 million (31 March 2019: HK$1.5 million).

As at 30 September 2019, the Group had available banking facilities of a total of HK$348.8 million, of which HK$340.1 million had been utilised. The Group's bank borrowings amounted to HK$299.9 million, with a maturity profile spread over a period of four years and approximately HK$255.0 million repayable within three years. There was no seasonality in the Group's bank borrowing requirements, and all the monies borrowed bore interest at floating rates. The Group's bank borrowings are denominated in NT$.

As at 30 September 2019, the Group had available facility for Shareholder's Loan of HK$550.0 million, of which HK$200.0 million had been utilised.

As at 30 September 2019, the Group's current ratio on the same date was 65.1%, compared to 82.2% as at 31 March 2019. On the same date, its gearing ratio amounted to 22.9%, compared to 16.0% as at 31 March 2019. These figures were calculated by dividing its long-term liabilities, including current portions, by total asset value.

Assets Pledged

As at 30 September 2019, the Group had pledged its properties situated in Taiwan with an aggregate carrying value of HK$358.4 million to various banks as security for banking facilities granted to it.

Share Capital

As at 30 September 2019, the Company's total amount of issued and fully paid share capital was HK$2,486.6 million (31 March 2019: HK$2,486.6 million) and the total number of issued Shares with no par value was 2,636,211,725 Shares (31 March 2019: 2,636,211,725 Shares).

Exchange Exposure and Capital Expenditure

The Group's assets and liabilities are mainly denominated in HK$ or NT$. Its exchange exposure to NT$ is due to its existing digital and print businesses in Taiwan. It reduces this exposure by arranging bank loans in NT$.

As at 30 September 2019, the Group's net currency exposure stood at NT$706.9 million (equivalent to HK$178.7 million), a decrease of 34.9% on the figure of NT$1,085.2 million (equivalent to HK$276.4 million) as at 31 March 2019.

The Group's capital expenditure for the six months ended 30 September 2019 totalled HK$23.8 million (six months ended 30 September 2018: HK$17.0 million). As at 30 September 2019, the Group's outstanding capital commitments were HK$14.6 million (31 March 2019: HK$23.3 million).

Contingent Liabilities

(a) Pending Litigations

As at 30 September 2019, the Group had contingent liabilities in respect of a number of legal proceedings in Hong Kong and Taiwan arising in the normal course of its publishing business.

The Group has accrued HK$57.1 million (31 March 2019: HK$50.9 million) as provisions. These provisions were recognised in respect of the outstanding legal proceedings based on advice obtained from the Company's legal counsel.

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

On 5 February 2018, Gossip Daily Limited ("GDL") as Plaintiff issued a Writ of Summons under High Court Action No. 305 of 2018 (the "Litigation Proceedings") 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 share and asset sales and purchase agreement dated 25 August 2017 ("SPA").

On 10 April 2018, GDL amended the Writ of Summons to claim against the Defendants for, among other things, (i) return of deposits paid of HK$88.0 million; (ii) an additional amount of HK$88.0 million as liquidated damages; (iii) consequential losses of NT$900.0 million (equivalent to approximately HK$240.0 million); and (iv) unspecified damages for loss caused by other torts.

As the SPA specifically provides that any dispute arising out of or in connection with the SPA shall be dealt with by way of arbitration instead of court proceedings, the Defendants therefore commenced arbitration proceedings against GDL at the Hong Kong International Arbitration Centre on 9 April 2018 under case number HKIAC/A18068 (the "Arbitration Proceedings") and also applied for a stay of the Litigation Proceedings wrongfully initiated by GDL. On 27 August 2018, a Judge of the High Court of Hong Kong stayed all the GDL's claims (contractual and tortious) to arbitration and ordered GDL to pay punitive costs. The Arbitral Tribunal made a directions order on 16 October 2018 and provisionally fixed a substantive hearing to be held in February 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

On 8 November 2019, GDL and the Defendants entered into a deed of settlement (the "Deed") pursuant to which the parties to the Deed have agreed for full and final settlement of (1) any claims whether actual, prospective or contractual or non-contractual, which any party has or may have or has brought or may bring against the other party arising out of and/or in connection with the SPA including the claims made in the Litigation Proceedings and Arbitration Proceedings (collectively, the "Claims"); and (2) any costs incurred in relation to the Claims. The parties also agreed to promptly and jointly take all reasonable and necessary steps to terminate the arbitration proceedings

(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 30 September 2019, these contingent liabilities amounted to HK$348.8 million (31 March 2019: HK$387.1 million), HK$340.1 million (31 March 2019: HK$373.1 million) of which has been utilised by certain of its subsidiaries.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2019, the Group employed a total of 2,517 employees, of whom 1,331 were in Hong Kong and 1,186 were in Taiwan.

As well as a pioneering employee share award scheme, the Group continues to offer a number of employee wellbeing initiatives in order to attract and retain talent. We have increased annual leave allowances, and offer training, seminars and exercise activities to staff. Employees also enjoy free office refreshments as well as gifts such as moon cakes and fresh seasonal fruits for festivals and holidays. The Hong Kong staff canteen has been renovated, while the Taiwan staff canteen is currently undergoing renovation. Overall, employees are happier and feel a greater sense of belonging than ever before.

Save for the above, there were no material changes to the policies regarding employee remuneration, bonuses, share incentive schemes and staff development disclosed in the 2018/19 annual report of the Company.

During the period under review, the total staff costs of the Group amounted to HK$466.4 million, compared to HK$540.4 million incurred for the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The Directors have resolved not to declare an interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: nil).

FORWARD-LOOKING STATEMENTS

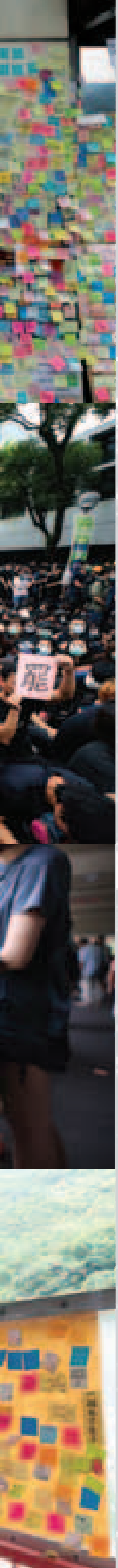
This interim report contains several statements that are "forward-looking", or which use various "forward-looking" terminologies. Such statements are based on the current beliefs, assumptions, expectations and projections of the Directors regarding the industry and markets in which the Group is active.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


香港
實行真雙普選
HONG KONG
COME ON
加油


真
TRUTH
相


炮台山連儂牆


沒有暴徒
中大藝術
放心罷我們一起



DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 30 September 2019, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company (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, were as follows:

Long positions in Shares and underlying Shares of the Company

	Number of Shares held				Number of underlying Shares held		
Name of Directors	Personal interests	Family interests	Corporate interests	Other interests	under equity derivatives	Total Shares	Percentage of issued Shares
Lai Chee Ying	1,720,594,935	–	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	–	–	–	–	1,117,699	0.04
Chow Tat Kuen, Royston	1,224,539	–	–	–	1,500,000 *(Note)*	2,724,539	0.10

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

Save as disclosed above, no Director or chief executive of the Company or their associates had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 September 2019.

DISCLOSURE OF INTERESTS

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 30 September 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 the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO as at 30 September 2019.

SHARE INCENTIVE SCHEMES

(a) Share Option Scheme of the Company

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 21 to the financial statements. Movements in the share options granted under the 2014 Share Option Scheme during the six months ended 30 September 2019 were as follows:

					Number of Share options				
Name of Director	Date of grant	Exercise price per Share	Vesting date (%)	Exercise period	At 01.04.2019	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	At 30.09.2019
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

DISCLOSURE OF INTERESTS

(b) Subsidiary Share Option Schemes

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

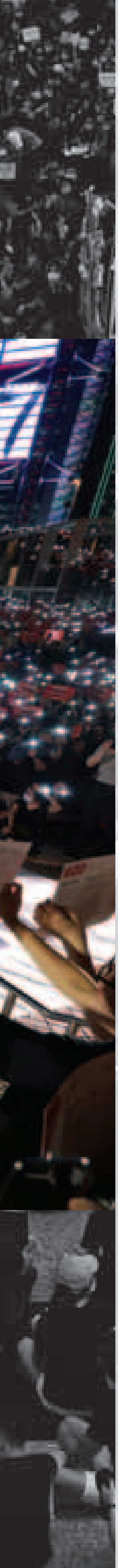
Name of subsidiaries	Adoption date	Share option scheme title
Aim High Investments Limited (AHIL)	12 June 2009	2009 AHIL Share Option Scheme
Anyplex Company Limited (Anyplex)	20 March 2012	2012 Anyplex Share Option Scheme
Next E-Shopping Limited (Next E-Shopping)	20 March 2012	2012 Next E-Shopping Share Option Scheme
Next Mobile International Limited (NMIL)	20 March 2012	2012 NMIL Share Option Scheme
Sharp Daily Limited (Sharp Daily)	20 March 2012	2012 Sharp Daily Share Option Scheme
nxTomo Ltd. (nxTomo)	14 June 2013	2013 nxTomo Share Option Scheme
Apple Daily E-Classified Limited (ADEC)	28 August 2015	2015 ADEC Share Option Scheme

Details of the Subsidiary Share Option Schemes are set out in note 21 to the financial statements. Movements in the share options granted under the 2013 nxTomo Share Option Scheme during the six months ended 30 September 2019 were as follows:

					Number of shares options				
Category of participant	Date of grant	Exercise price per share	Vesting date (%)	Exercise period	At 01.04.2019	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	At 30.09.2019
Employee	03.10.2014	HK$0.01	03.10.2015 (100%)	04.10.2015 – 14.06.2023	8,000	–	–	–	8,000

Apart from the movements as stated above, no options were granted, exercised, lapsed or cancelled under the Subsidiary Share Option Schemes during the six months ended 30 September 2019.


自
FREEDOM
FREE HONG KONG
DEMOCRACY
G20
由



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 and COO)

Independent Non-executive Directors

Louis Gordon Crovitz
Mark Lambert Clifford
Lam Chung Yan, Elic

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

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

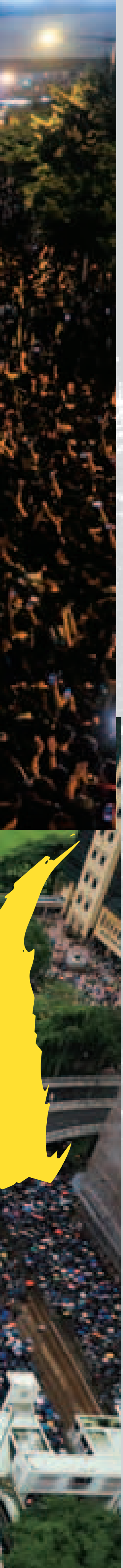
SHAREHOLDERS' ENQUIRIES

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


公
JUSTICE
義



SHARE INFORMATION

As at 30 September 2019

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

Issued Shares	2,636,211,725 Shares

Market Capitalisation	
at HK$0.285 per Share (closing price on 30 September 2019)	HK$0.75 billion

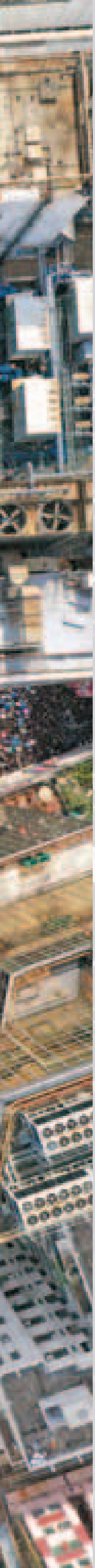
Stock Code	
The Stock Exchange of Hong Kong Limited (Main Board)	00282

Board Lot Size	10,000 Shares

Outstanding Share Options granted under the 2014 Share Option Scheme	
Exercise price per Share	HK$0.42
Number of Shares	1,500,000


希望
Hope


撐下去！
HANG ON



OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the applicable provisions of the CG Code throughout the six months ended 30 September 2019, save for a minor deviation from Code Provisions A.6.7 and E.1.2.

Under the Code Provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Under the 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, Non-executive Chairman of the Group was unable to attend the 2019 AGM. Mr. Cheung Kim Hung, the CEO, chaired the 2019 AGM on his behalf in accordance with the provisions of the Company's Articles of Association.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by Directors. Specific enquiries have been made on all Directors who have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 September 2019.

UPDATE ON DIRECTORS' INFORMATION

In addition to Mr. Chow Tat Kuen, Royston's current positions, he also serves as the Group Chief Operating Officer with effect from 4 October 2019.

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 six months ended 30 September 2019.

REVIEW OF INTERIM RESULTS

The Audit Committee has discussed with the management and independent auditor the accounting policies and practices adopted by the Group, and has reviewed the Group's unaudited interim condensed consolidated financial statements for the six months ended 30 September 2019.

OTHER INFORMATION

APPRECIATION

On behalf of the Board, I would like to express our sincere appreciation to the Group's management and staff for their invaluable service and contribution. We are also grateful to our customers, shareholders, strategic partners and bankers for their support and trust which have contributed towards the Group's success.

By order of the Board
Lai Chee Ying
Non-executive Chairman

Hong Kong, 18 November 2019

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Next Digital Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 74, which comprise the condensed consolidated statement of financial position as of 30 September 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
18 November 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	NOTES	Six months ended 30 September 2019 HK$'000 (unaudited)	2018 HK$'000 (unaudited)
Revenue	3A	556,294	661,435
Production costs			
Cost of raw materials consumed		(92,162)	(120,002)
Other overheads		(176,614)	(156,317)
Staff costs		(256,504)	(284,421)
Personnel costs excluding direct production staff costs		(209,859)	(256,001)
Other income	3B	12,966	13,314
Net exchange (loss) gain		(491)	4,017
Depreciation of property, plant and equipment		(30,211)	(30,630)
Depreciation of right-of-use assets		(4,785)	–
Release of prepaid lease payments		–	(900)
Other expenses		(103,932)	(105,759)
Impairment loss on trade receivables, net		(3,073)	(3,880)
Gain (loss) on disposal of property, plant and equipment		4,105	(702)
Finance costs	5	(5,545)	(5,724)
Loss before tax		(309,811)	(285,570)
Income tax expense	6	(3,491)	(1,920)
Loss for the period	7	(313,302)	(287,490)
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(2,064)	(37,549)
Total comprehensive expense for the period		(315,366)	(325,039)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

		Six months ended 30 September	
	NOTE	**2019**	2018
		HK$'000	HK$'000
		(unaudited)	(unaudited)
Loss for the period attributable to:			
Owners of the Company		**(312,389)**	(286,934)
Non-controlling interests		**(913)**	(556)
		(313,302)	(287,490)
Total comprehensive expense attributable to:			
Owners of the Company		**(314,442)**	(324,433)
Non-controlling interests		**(924)**	(606)
		(315,366)	(325,039)
Loss per share	9		
Basic		**HK(11.8 cents)**	HK(11.3 cents)
Diluted		**HK(11.8 cents)**	HK(11.3 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2019

	NOTES	30 September 2019 HK$'000 (unaudited)	31 March 2019 HK$'000 (audited)
NON-CURRENT ASSETS			
Intangible assets	10	658,039	658,039
Property, plant and equipment	11	742,972	754,067
Right-of-use assets		101,595	–
Prepaid lease payments		–	48,974
Deposit for acquisition of property, plant and equipment		23,636	12,881
		1,526,242	1,473,961
CURRENT ASSETS			
Inventories		53,758	62,822
Trade and other receivables	13	261,650	268,336
Prepaid lease payments		–	1,797
Tax recoverable		3,412	12,269
Restricted bank balances	15	1,500	1,500
Pledged bank deposits	15	38,162	33,485
Amounts due from related parties		6,527	6,532
Time deposits with original maturity over three months	15	2,856	2,878
Bank balances and cash		163,541	175,566
		531,406	565,185
Assets classified as held for sale	12	–	73,258
		531,406	638,443
CURRENT LIABILITIES			
Trade and other payables	16	543,585	523,233
Contract liabilities		43,553	23,768
Borrowings	17	165,128	179,125
Provisions	18	57,139	50,884
Lease liabilities		6,869	–
Tax liabilities		9	39
		816,283	777,049
NET CURRENT LIABILITIES		(284,877)	(138,606)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,241,365	1,335,355

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2019

	NOTES	30 September 2019 HK$'000 (unaudited)	31 March 2019 HK$'000 (audited)
NON-CURRENT LIABILITIES			
Borrowings	17	134,816	158,489
Loan from a shareholder	19	171,645	–
Retirement benefits plans		29,717	31,339
Lease liabilities		45,314	–
Deferred tax liabilities		150,807	150,772
		532,299	340,600
NET ASSETS		709,066	994,755
CAPITAL AND RESERVES			
Share capital	20	2,486,621	2,486,621
Reserves		(1,778,357)	(1,493,592)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		708,264	993,029
NON-CONTROLLING INTERESTS		802	1,726
TOTAL EQUITY		709,066	994,755

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 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$'000	Capital contribution reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Share-based payment reserve of subsidiaries HK$'000	Share of net assets of subsidiaries HK$'000	Sub-total HK$'000	Total HK$'000
At 31 March 2018 (audited)	2,435,582	(42,354)	486	–	(1,073,888)	1,319,826	651	3,324	3,975	1,323,801
Exchange differences on translating foreign operations	–	(37,499)	–	–	–	(37,499)	–	(50)	(50)	(37,549)
Loss for the period	–	–	–	–	(286,934)	(286,934)	–	(556)	(556)	(287,490)
Total comprehensive expense for the period	–	(37,499)	–	–	(286,934)	(324,433)	–	(606)	(606)	(325,039)
Recognition of equity-settled share-based payments	–	–	50,531	–	–	50,531	–	–	–	50,531
Issue of ordinary shares in relation to award of new shares *(notes 21(c) to 21(e))*	50,575	–	(50,575)	–	–	–	–	–	–	–
Lapse of share options	–	–	(178)	–	667	489	(489)	–	(489)	–
At 30 September 2018 (unaudited)	2,486,157	(79,853)	264	–	(1,360,155)	1,046,413	162	2,718	2,880	1,049,293
At 31 March 2019 (audited)	2,486,621	(82,794)	277	–	(1,411,075)	993,029	162	1,564	1,726	994,755
Exchange differences on translating foreign operations	–	(2,053)	–	–	–	(2,053)	–	(11)	(11)	(2,064)
Loss for the period	–	–	–	–	(312,389)	(312,389)	–	(913)	(913)	(313,302)
Total comprehensive expense for the period	–	(2,053)	–	–	(312,389)	(314,442)	–	(924)	(924)	(315,366)
Imputed interest on loan from a shareholder *(Note)*	–	–	–	29,677	–	29,677	–	–	–	29,677
At 30 September 2019 (unaudited)	2,486,621	(84,847)	277	29,677	(1,723,464)	708,264	162	640	802	709,066

Note: *As set out in note 19, the loan from a shareholder is non-interest bearing. Imputed interest is computed using the prevailing market interest rate of 5.5% per annum for comparable long term borrowings. The discount amounted to approximately HK$29,677,000 is recorded as a capital contribution in the condensed consolidated statement of changes in equity.*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	Six months ended 30 September	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(207,498)	(182,611)
INVESTING ACTIVITIES		
Deposit for acquisition of property, plant and equipment	(23,640)	(9,166)
Purchases of property, plant and equipment	(9,948)	(8,129)
Placement of pledged bank deposits	(3,792)	–
Interest received	294	189
Transaction costs on disposal of property, plant and equipment	(1,584)	–
Proceeds from disposal of property, plant and equipment	77,208	412
NET CASH FROM (USED IN) INVESTING ACTIVITIES	38,538	(16,694)
FINANCING ACTIVITIES		
Interest paid	(4,223)	(5,724)
Payment of lease liabilities	(3,476)	–
Repayment of bank loans	(245,220)	–
Repayment of loan from a shareholder	(100,000)	–
Drawdown of loan from a shareholder	300,000	–
New bank loans raised	210,111	112,791
NET CASH FROM FINANCING ACTIVITIES	157,192	107,067
NET DECREASE IN CASH AND CASH EQUIVALENTS	(11,768)	(92,238)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	175,566	303,506
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(257)	(9,087)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	163,541	202,181

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

1. BASIS OF PREPARATION

The condensed consolidated financial statements of Next Digital Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The financial information relating to the year ended 31 March 2019 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31 March 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration of the Group in light of its net current liabilities of approximately HK$284,877,000 as at 30 September 2019. Having considered the facility for unsecured shareholder's loan of an aggregate maximum amount of HK$550,000,000 for a period of 36 months obtained on 8 November 2018 and 15 November 2019 with an aggregate unutilised amount of HK$350,000,000 at the date of approval of the condensed consolidated financial statements, the directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the condensed consolidated financial statements for the six months ended 30 September 2019 have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standard ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2019.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and an interpretation issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

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

Impacts and changes in accounting policies of application on HKFRS 16 *Leases*

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Impacts and changes in accounting policies of application on HKFRS 16 *Leases* (Continued)

2.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the condensed consolidated financial statements would not differ materially from individual leases within the portfolio.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of motor vehicles and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases are recognised as expense on a straightline basis over the lease term.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Impacts and changes in accounting policies of application on HKFRS 16 *Leases* (Continued)

2.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Right-of-use assets

Except for short-term leases and lease of low-value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* ("HKFRS 9") and initially measured at fair value. No adjustments to fair value at initial recognition are considered necessary as the amounts are insignificant.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Impacts and changes in accounting policies of application on HKFRS 16 *Leases* (Continued)

2.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable. After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) when the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment; or

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Allocation of consideration to components of a contract

Effective on 1 April 2019, the Group applies HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Impacts and changes in accounting policies of application on HKFRS 16 *Leases* (Continued)

2.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessor (Continued)

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Sale and leaseback transactions

The Group acts as a seller-lessee

The Group applies the requirements of HKFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group as a seller-lessee. For a transfer that does not satisfy the requirements as a sale, the Group accounts for the transfer proceeds as borrowing within the scope of HKFRS 9.

2.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected 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* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Impacts and changes in accounting policies of application on HKFRS 16 *Leases* (Continued)

2.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iii. applied a single discount rate to a portfolio of leases with similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong and Taiwan was determined on a portfolio basis.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Impacts and changes in accounting policies of application on HKFRS 16 *Leases* (Continued)

2.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities range from 3% to 5.5%.

	At 1 April 2019 HK$'000
Operating lease commitments disclosed as at 31 March 2019	69,525
Lease liabilities discounted at relevant incremental borrowing rates	61,483
Less: Recognition exemption – short-term leases	(2,646)
Recognition exemption – low-value assets	(2,163)
Exclusion of non-lease components	(1,552)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 April 2019	55,122
Analysed as	
Current	6,692
Non-current	48,430
	55,122

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Impacts and changes in accounting policies of application on HKFRS 16 *Leases* (Continued)

2.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	Note	Right-of-use assets HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		55,122
Reclassified from prepaid lease payments	(a)	50,771
		105,893
By class:		
Leasehold land		50,771
Buildings		51,257
Furniture, fixture and equipment		1,515
Motor vehicles		2,350
		105,893

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Impacts and changes in accounting policies of application on HKFRS 16 *Leases* (Continued)

2.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

i. Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 April 2019. The application has had no impact on the Group's condensed consolidated statement of financial position at 1 April 2019. However, effective 1 April 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

ii. Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. No adjustment is recorded to refundable rental deposits received as the impact is insignificant.

iii. Effective on 1 April 2019, the Group has applied HKFRS 15 to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the condensed consolidated financial statements of the Group for the current period.

There is no impact of transition to HKFRS 16 on accumulated losses at 1 April 2019.

Sales and leaseback transactions

The Group acts as a seller-lessee

In accordance with the transition provisions of HKFRS 16, sale and leaseback transactions entered into before the date of initial application were not reassessed. Upon application of HKFRS 16, the Group applies the requirements of HKFRS 15 to assess whether sales and leaseback transaction constitutes a sale. No new sale and leaseback transaction was entered during current interim period.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Impacts and changes in accounting policies of application on HKFRS 16 *Leases* (Continued)

2.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 March 2019 HK$'000	Adjustments HK$'000	Carrying amounts under HKFRS 16 at 1 April 2019 HK$'000
Non-current Assets				
Prepaid lease payments	(a)	48,974	(48,974)	–
Right-of-use assets		–	105,893	105,893
Current Assets				
Prepaid lease payments	(a)	1,797	(1,797)	–
Current Liabilities				
Lease liabilities		–	6,692	6,692
Non-current Liabilities				
Lease liabilities		–	48,430	48,430

Notes:

(a) Upfront payments for leasehold lands in Hong Kong were classified as prepaid lease payments as at 31 March 2019. Upon application of HKFRS 16, the non-current and current portion of prepaid lease payments, amounting to HK$48,974,000 and HK$1,797,000 respectively, were reclassified to right-of-use assets.

(b) For the purpose of reporting cash flows under indirect method for the six months ended 30 September 2019, movements and cash flows have been computed based on opening statement of financial position as at 1 April 2019 as disclosed above.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

3A. REVENUE

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

	Six months ended 30 September 2019 (unaudited)		
Segments	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	177,763	–	177,763
Online subscription income	47,470	–	47,470
Sales of newspapers	–	163,510	163,510
Newspapers advertising income	–	91,787	91,787
Printing and reprographic services income	–	75,764	75,764
	225,233	331,061	556,294
Geographic markets			
Hong Kong			372,790
Taiwan			164,472
Others			19,032
			556,294
Timing of revenue recognition			
At a point in time			508,505
Overtime			47,789
			556,294

3A. REVENUE (Continued)

	Six months ended 30 September 2018 (unaudited)		
Segments	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	291,373	–	291,373
Sales of newspapers	–	139,320	139,320
Newspapers advertising income	–	125,650	125,650
Books and magazines advertising income	–	3,039	3,039
Printing and reprographic services income	–	102,053	102,053
	291,373	370,062	661,435
Geographic markets			
Hong Kong			409,887
Taiwan			226,647
Others			24,901
			661,435
Timing of revenue recognition			
At a point in time			660,340
Overtime			1,095
			661,435

3B. OTHER INCOME

	Six months ended 30 September 2019 HK$'000 (unaudited)	2018 HK$'000 (unaudited)
Sales of waste materials	3,993	2,960
Interest income on bank deposits	294	189
Rental income	5,337	8,864
Others	3,342	1,301
	12,966	13,314

4. SEGMENT INFORMATION

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

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

Operating segments	Principal activities
Digital business	Internet advertising, online subscription and development of mobile games and apps in Hong Kong, Taiwan and North America
Print business	Sales of newspapers 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.

4. SEGMENT INFORMATION (Continued)

Segment revenue and results

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

Six months ended 30 September 2019 (unaudited)

	Digital business HK$'000	Print business HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE				
External sales	225,233	331,061	–	556,294
Inter-segment sales	65	59,667	(59,732)	–
Total	225,298	390,728	(59,732)	556,294
Segment results	(65,000)	(245,314)	–	(310,314)
Unallocated expenses				(2,925)
Unallocated income				8,973
Finance costs				(5,545)
Loss before tax				(309,811)

4. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

Six months ended 30 September 2018 (unaudited)

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

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

4. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

As at 30 September 2019 (unaudited)

	Digital business HK$'000	Print business HK$'000	Eliminations HK$'000	Consolidated HK$'000
Segment assets	918,023	927,156	–	1,845,179
Unallocated assets				212,469
Total assets				2,057,648
Segment liabilities	(113,277)	(607,995)	–	(721,272)
Unallocated liabilities				(627,310)
Total liabilities				(1,348,582)

As at 31 March 2019 (audited)

	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)

4. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

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

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

- all liabilities are allocated to operating segments other than certain other payables, tax liabilities, bank borrowings, loan from a shareholder, deferred tax liabilities and corporate liabilities that are not attributable to segments.

Other segment information

For the six months ended 30 September 2019 (unaudited)

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

	Digital business HK$'000	Print business HK$'000	Corporate HK$'000	Consolidated HK$'000
Addition to non-current assets	10,047	13,708	–	23,755
Depreciation of property, plant and equipment	12,085	18,126	–	30,211
Depreciation of right-of-use assets	52	4,733	–	4,785
Impairment loss on trade receivables, net	758	2,315	–	3,073
Loss (gain) on disposal of property, plant and equipment	108	(4,213)	–	(4,105)
Provision for litigation expense	1,655	9,020	–	10,675
Legal and professional fee	3,107	3,729	–	6,836
Redundancy payment	518	3,064	–	3,582

4. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the six months ended 30 September 2018 (unaudited)

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

	Digital business HK$'000	Print business HK$'000	Corporate HK$'000	Consolidated HK$'000
Addition to non-current assets	2,392	14,633	–	17,025
Depreciation of property, plant and equipment	12,773	17,767	90	30,630
Release of prepaid lease payments	403	497	–	900
Allowance for bad and doubtful debts	1,255	2,625	–	3,880
Share-based payment expense	7,068	43,443	20	50,531
Loss (gain) on disposal of property, plant and equipment	707	(5)	–	702
Provision for litigation expense	1,683	9,134	–	10,817
Legal and professional fee	3,275	7,395	–	10,670
Redundancy payment	10,387	17,465	–	27,852

5. FINANCE COSTS

	Six months ended 30 September 2019 HK$'000 (unaudited)	2018 HK$'000 (unaudited)
Interest expenses on bank borrowings	3,406	5,724
Interest expenses on lease liabilities	817	–
Imputed interest expenses on loan from a shareholder	1,322	–
	5,545	5,724

6. INCOME TAX EXPENSE

	Six months ended 30 September	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current tax:		
Hong Kong	1,449	1,980
Other jurisdictions	36	(60)
	1,485	1,920
Underprovision in prior years:		
Other jurisdictions	2,006	–
	3,491	1,920

Hong Kong Profits Tax is recognised based on management's best estimate of the average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 16.5% (2018: 16.5%) for the six months ended 30 September 2019.

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

7. LOSS FOR THE PERIOD

	Six months ended 30 September	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging:		
Auditor's remuneration	795	695
Provision for litigation expenses, net of reversal *(note 18)* (included in other expenses)	10,675	10,817
Share-based payment expense (included in personnel costs)	–	50,531
Redundancy payment (included in personnel costs)	3,582	27,852

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

8. DIVIDENDS

No interim dividend was proposed for the six months ended 30 September 2019 (six months ended 30 September 2018: nil), nor has any dividend been proposed since the end of the reporting period.

9. LOSS PER SHARE

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

Loss

	Six months ended 30 September	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Loss for the purposes of basic and diluted loss per share for the period attributable to the owners of the Company	**(312,389)**	(286,934)

Number of shares

	Six months ended 30 September	
	2019	2018
	No. of shares	No. of shares
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,636,211,725**	2,534,797,714

The computation of diluted loss per share for the six months ended 30 September 2019 and 30 September 2018 does not assume the exercise of outstanding share options and award of new shares of the Company and its subsidiaries since these would result in a decrease in loss per share for both periods.

10. INTANGIBLE ASSETS

	Masthead and publishing rights HK$'000
COST	
At 1 April 2019 (audited) and 30 September 2019 (unaudited)	1,482,799
ACCUMULATED IMPAIRMENT	
At 1 April 2019 (audited) and 30 September 2019 (unaudited)	824,760
CARRYING VALUES	
At 30 September 2019 (unaudited)	658,039
At 31 March 2019 (audited)	658,039

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

11. PROPERTY, PLANT AND EQUIPMENT

	HK$'000
COST	
At 1 April 2019 (audited)	2,425,034
Exchange difference	(7,992)
Additions	22,829
Disposals	(19,990)
At 30 September 2019 (unaudited)	2,419,881
ACCUMULATED DEPRECIATION AND IMPAIRMENT	
At 1 April 2019 (audited)	1,670,967
Exchange difference	(4,760)
Charge for the period	30,211
Eliminated on disposals	(19,509)
At 30 September 2019 (unaudited)	1,676,909
CARRYING VALUES	
At 30 September 2019 (unaudited)	742,972
At 31 March 2019 (audited)	754,067

12. ASSETS CLASSIFIED AS HELD FOR SALE

On 28 February 2019, Apple Daily Publication Development Limited ("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 for a consideration of NT$310.0 million (equivalent to approximately HK$78.9 million).

The major classes of assets classified as held for sale as at 31 March 2019 are as follows:

	HK$'000
Total assets classified as held for sale	
Property, plant and equipment	73,258

The disposal was completed in June 2019, and the Group recognised a gain on disposal amounting to HK$4,483,000 in the current interim period.

13. TRADE AND OTHER RECEIVABLES

	30 September 2019 HK$'000 (unaudited)	31 March 2019 HK$'000 (audited)
Trade receivables	**341,466**	355,210
Less: impairment loss	**(161,054)**	(158,538)
	180,412	196,672
Prepayments *(Note)*	**50,741**	41,384
Rental and other deposits	**18,209**	12,525
Others	**12,288**	17,755
Trade and other receivables	**261,650**	268,336

Note: *Included in the balance are mainly value-added tax receivables of HK$16,947,000 (31 March 2019: HK$17,082,000) and other prepayments of HK$33,794,000 (31 March 2019: HK$24,302,000).*

13. TRADE AND OTHER RECEIVABLES (Continued)

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:

	30 September 2019 HK$'000 (unaudited)	31 March 2019 HK$'000 (audited)
0 – 30 days	**96,024**	83,502
31 – 90 days	**51,587**	70,744
91 – 120 days	**11,140**	20,948
Over 120 days	**21,661**	21,478
	180,412	196,672

14. IMPAIRMENT ASSESSMENT OF FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO EXPECTED CREDIT LOSS MODEL

The basis of determining the inputs and assumptions and the estimation techniques used in the unaudited condensed interim consolidated financial statements for the six months ended 30 September 2019 for assessment of expected credit loss are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2019.

15. RESTRICTED BANK BALANCES/PLEDGED BANK DEPOSITS/TIME DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS

As at 30 September 2019, bank balances amounting to HK$1,500,000 (31 March 2019: 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 of 1.6% per annum for the period (31 March 2019: 1.08% 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$38,162,000 (31 March 2019: HK$33,485,000) have been pledged mainly to secure bank facilities. The pledged deposits carry fixed interest rate of 0.3% to 1.01% per annum for the period (31 March 2019: 0.3% to 1.01% per annum for the year). The pledged bank deposits will be released upon the maturity of relevant bank facilities.

15. RESTRICTED BANK BALANCES/PLEDGED BANK DEPOSITS/TIME DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS (Continued)

Time deposits with original maturity over three months of approximately HK$2,856,000 (31 March 2019: HK$2,878,000) bear fixed interest rate of 0.7% per annum for the period (31 March 2019: 0.7% per annum for the year).

16. TRADE AND OTHER PAYABLES

	30 September 2019 HK$'000 (unaudited)	31 March 2019 HK$'000 (audited)
Trade payables	39,358	53,494
Accrued staff costs	230,586	219,570
Accrued charges	145,642	126,318
Deposits received	88,000	88,000
Other payables	39,999	35,851
Trade and other payables	543,585	523,233

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

	30 September 2019 HK$'000 (unaudited)	31 March 2019 HK$'000 (audited)
0 – 30 days	23,898	35,211
31 – 90 days	8,011	10,948
Over 90 days	7,449	7,335
	39,358	53,494

17. BORROWINGS

	30 September 2019 HK$'000 (unaudited)	31 March 2019 HK$'000 (audited)
Carrying amount repayable		
– within one year	165,128	179,125
– in the second year	44,939	45,282
– in the third year	44,939	45,282
– in the fourth year	44,938	45,282
– in the fifth year	–	22,643
	299,944	337,614
Less: Amounts due within one year shown under current liabilities	(165,128)	(179,125)
Amounts shown under non-current liabilities	134,816	158,489

As at 30 September 2019, bank loans comprise balances of HK$179,755,000 carrying interests at 3 months Taipei Interbank Offered Rate plus 1.55% per annum, HK$31,716,000 carrying interests at 1 month Taipei Interbank Offered Rate plus 1% per annum, HK$70,779,000 carrying interests at Taichung Commercial Bank's monthly deposit rate plus 0.89% per annum, HK$10,111,000 carrying interests at adjustable rates for consumer loans plus 0.73% per annum and HK$7,583,000 carrying interests at Taichung Commercial Bank's monthly deposit rate plus 1.94% per annum.

As at 31 March 2019, bank loans comprise balances of HK$203,770,000 carrying interests at 3 months Taipei Interbank Offered Rate plus 1.55% per annum, HK$31,958,000 carrying interests at 1 month Taipei Interbank Offered Rate plus 1% per annum and HK$101,886,000 carrying interests at 1.6% per annum.

The ranges of effective interest rates (which are equal to contractual interest rates) of borrowings are 1.76% to 3% per annum for the period (31 March 2019: 1.6% to 2.33% per annum for the year).

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

As at 30 September 2019, the Group had total unutilised bank loan facilities of HK$8,690,000 (31 March 2019: HK$13,967,000).

18. PROVISIONS

	Litigations HK$'000
At 1 April 2019 (audited)	50,884
Additional provision during the period	10,675
Payment during the period	(4,405)
Exchange difference	(15)
At 30 September 2019 (unaudited)	57,139

As at 30 September 2019, 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 share and asset 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 Next Magazine Advertising Limited and Next Media Publishing Limited (including the Taiwan Branch) (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.

18. PROVISIONS (Continued)

As disclosed in the Company's announcement dated 8 December 2017, the Sellers expected to proceed to final completion on or before 28 February 2018. However, as of 2 February 2018, 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 under case number HKIAC/A18068 (the "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, "Litigation Proceedings") wrongfully initiated by the Buyer in the Court of First Instance of the High Court of Hong Kong.

A hearing for such application took place on 7 August 2018 and judgement was delivered on 27 August 2018. The court has found in favour of the Sellers and the Company and stayed all Buyer's claims to arbitration and ordered the Buyer to pay the Sellers' and the Company's costs of the stay application on an indemnity basis. The Arbitral Tribunal made a directions order on 16 October 2018 and provisionally fixed a substantive hearing to be held in February 2020.

On 8 November 2019, the Buyer, the Sellers and the Company entered into a deed of settlement (the "Deed") pursuant to which the parties to the Deed have agreed full and final settlement of (1) any claims whether actual, prospective or contractual or non-contractual, which any party has or may have or has brought or may bring against the other party arising out of and/or in connection with the SPA including the claims made in the Litigation Proceedings and Arbitration Proceedings (collectively, the "Claims"); and (2) any costs incurred in relation to the Claims. The parties also agreed to promptly and jointly take all reasonable and necessary steps to terminate the arbitration proceedings.

18. PROVISIONS (Continued)

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, 16 April 2018 and 8 November 2019, 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.

19. LOAN FROM A SHAREHOLDER

The amount is unsecured and non-interest bearing. HK$86,419,000 is repayable on 24 June 2022 and HK$85,226,000 is repayable on 25 September 2022. The loan is repayable when the shareholder gives not less than twelve months' notice in advance. As at 30 September 2019, no repayment notice from the shareholder is received and the whole amount is shown under non-current liabilities.

20. SHARE CAPITAL

	Number of shares		Share capital	
	30 September 2019	31 March 2019	**30 September 2019 HK$'000 (unaudited)**	31 March 2019 HK$'000 (audited)
Issued and fully paid:				
At beginning of period/year	**2,636,211,725**	2,432,026,881	**2,486,621**	2,435,582
Issue of ordinary shares in relation to award of new shares *(notes 21(c) to 21(e))*	**–**	204,184,844	**–**	51,039
At end of the period/year	**2,636,211,725**	2,636,211,725	**2,486,621**	2,486,621

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

21. SHARE INCENTIVE SCHEMES

(a) 2014 Share Option Scheme adopted by the Company

The Company's share option scheme (the "2014 Share Option Scheme") was adopted pursuant to resolutions passed on 31 July 2014 for the purpose of providing incentives to the participants (i.e. directors and full-time employees of the Group, as well as any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint-venture business partners, promoters and service providers of any members of the Group). Under the 2014 Share Option Scheme, the Board of Directors may grant options to the participants to subscribe for shares in the Company.

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

The number of options outstanding pursuant to the 2014 Share Option Scheme are as follows:

	Number of options
At 1 April 2019 and 30 September 2019	1,500,000

During the current interim period, no options were granted, exercised, lapsed or cancelled under the 2014 Share Option Scheme.

21. SHARE INCENTIVE SCHEMES (Continued)

(b) Share Option Schemes adopted by certain subsidiaries

On 12 June 2009, Aim High Investments Limited ("AHIL") adopted a share option scheme (the "2009 AHIL Share Option Scheme"). On 20 March 2012, each of Anyplex Company Limited ("Anyplex"), Next E-Shopping Limited ("Next E-Shopping"), Next Mobile International Limited ("NMIL") and Sharp Daily Limited ("Sharp Daily") adopted share option schemes (the "2012 Subsidiary Share Option Schemes"). On 14 June 2013, nxTomo Ltd. ("nxTomo") adopted a share option scheme (the "2013 nxTomo Share Option Scheme"). On 28 August 2015, Apple Daily E-Classified Limited ("ADEC") adopted a share option scheme (the "2015 ADEC Share Option Scheme"). ADEC together with AHIL, Anyplex, Next E-Shopping, NMIL, Sharp Daily and nxTomo are, collectively referred to as the "Subsidiaries".

Under the 2009 AHIL Share Option Scheme, the 2012 Subsidiary Share Option Schemes, the 2013 nxTomo Share Option Scheme and the 2015 ADEC Share Option Scheme, the Subsidiaries may grant options to any of their full-time employees and directors or employees and directors of any of their subsidiaries and any eligible persons as defined therein to subscribe for the respective ordinary shares of AHIL, Anyplex, Next E-Shopping, NMIL, Sharp Daily, nxTomo and ADEC before expiry of respective share option schemes. The number of shares which may be issued upon exercise of all outstanding options granted under the 2009 AHIL Share Option Scheme, the 2012 Subsidiary Share Option Schemes, the 2013 nxTomo Share Option Scheme, the 2015 ADEC Share Option Scheme and any other share option schemes of the Subsidiaries is limited to 30% of the respective Subsidiaries' shares in issue from time to time.

2013 nxTomo Share Option Scheme

	Number of options
At 1 April 2019 and 30 September 2019	8,000

During the current interim period, no options were granted, exercised, lapsed or cancelled under the share option schemes adopted by the Subsidiaries.

21. SHARE INCENTIVE SCHEMES (Continued)

(c) Award of new shares to independent non-executive director ("INED") of the Company

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

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

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

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

21. SHARE INCENTIVE SCHEMES (Continued)

(d) Employee Share Award Scheme adopted by the Company

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

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

(e) Award of new shares to executive directors ("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 (the closing price of the Company's shares on the award date) 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.

No expenses were recognised by the Group for the six months ended 30 September 2019 (30 September 2018: HK$50,531,000) in relation to options granted under the share option schemes and the award shares of the Group.

22. COMMITMENTS

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

	30 September 2019 HK$'000 (unaudited)	31 March 2019 HK$'000 (audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	14,585	23,253

23. RELATED PARTY DISCLOSURES

(a) Compensation of key management personnel

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

	Six months ended 30 September 2019 HK$'000 (unaudited)	2018 HK$'000 (unaudited)
Short-term benefits	6,305	6,631
Retirement benefits	259	259
Share-based payments	–	20
	6,564	6,910

23. RELATED PARTY DISCLOSURES (Continued)

(b) Related party transactions

Nature of transaction	Name of related company	Relationship with the Group	Six months ended 30 September 2019 HK$'000 (unaudited)	2018 HK$'000 (unaudited)
Animation production service charge paid by the Group *(Note)*	Next Animation Studio Limited ("NASL")	100% beneficially owned by Mr. Lai Chee Ying, the controlling shareholder of the Company	19,589	19,618

Note: *On 31 March 2017, the Company and NASL entered into (i) a new Business Framework Agreement 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 and (ii) a new NASL Intellectual Properties Revenue Sharing Agreement for a term of three years with effect from 1 April 2017 with an updated annual cap.*

The extent of continuing connected transaction did not exceed the limit as set out in the announcement of the Company dated 31 March 2017.

23. RELATED PARTY DISCLOSURES (Continued)

(b) Related party transactions (Continued)

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

24. EVENT AFTER THE REPORTING PERIOD

On 8 November 2019, the Buyer, the Sellers and the Company entered into the Deed in relation to the settlement of litigation and arbitration arising from the proposed but terminated disposal of the Target Companies. Details of the litigation and the Deed are set out in note 18.

GLOSSARY

2014 Share Option Scheme	the share option scheme adopted by the Company on 31 July 2014
2019 AGM	the Company's Annual General Meeting held on 16 August 2019
ADPL	Apple Daily Printing Limited, an indirect wholly-owned subsidiary of the Company
Board	the board of Directors
CEO	the Chief Executive Officer of the Group
CFO	the Chief Financial Officer of the Group
CG Code	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
Company or Next Digital	Next Digital Limited
COO	the Chief Operating Officer of the Group
Director(s)	Director(s) of the Company
Group	Next Digital together with its subsidiaries
HK$	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administration Region of the People's Republic of China
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Appendix 10 to the Listing Rules
Mr. Lai	Mr. Lai Chee Ying, the controlling shareholder and Non-executive Chairman 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)

GLOSSARY

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

NEXT DIGITAL