NEXT DIGITAL

Stock Code : 00282

Witness History

2020 2010 2000 1990

2019 ANNUAL REPORT 2020

1997/07

Transfer of government over Hong Kong

1997/10

1997 Asian financial crisis

2003/02

Severe acute respiratory syndrome

2005/12

World Trade Organization Ministerial Conference of 2005

2014/09

Umbrella Revolution

2019/06

Anti-Extradition Law
Amendment Bill Movement

NOW

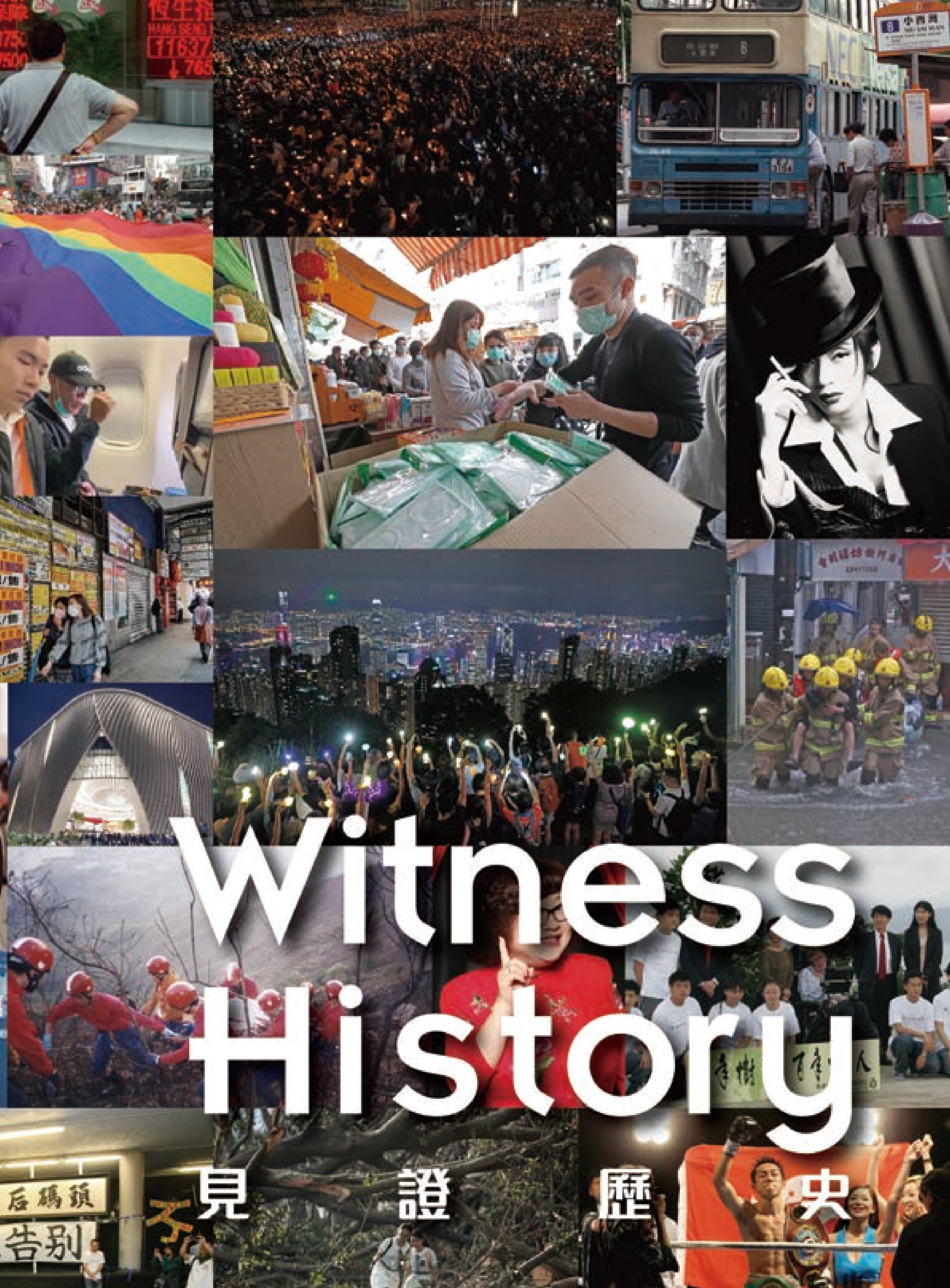
This moment will be
the next chapter of
our history


RECORD
記錄
HONG KONG
香港
95立法局選舉
24-105mm 1:4
LENS
Φ77mm


Tseung Kwan O Line Op
CHINA
曾蔭權參選行政長

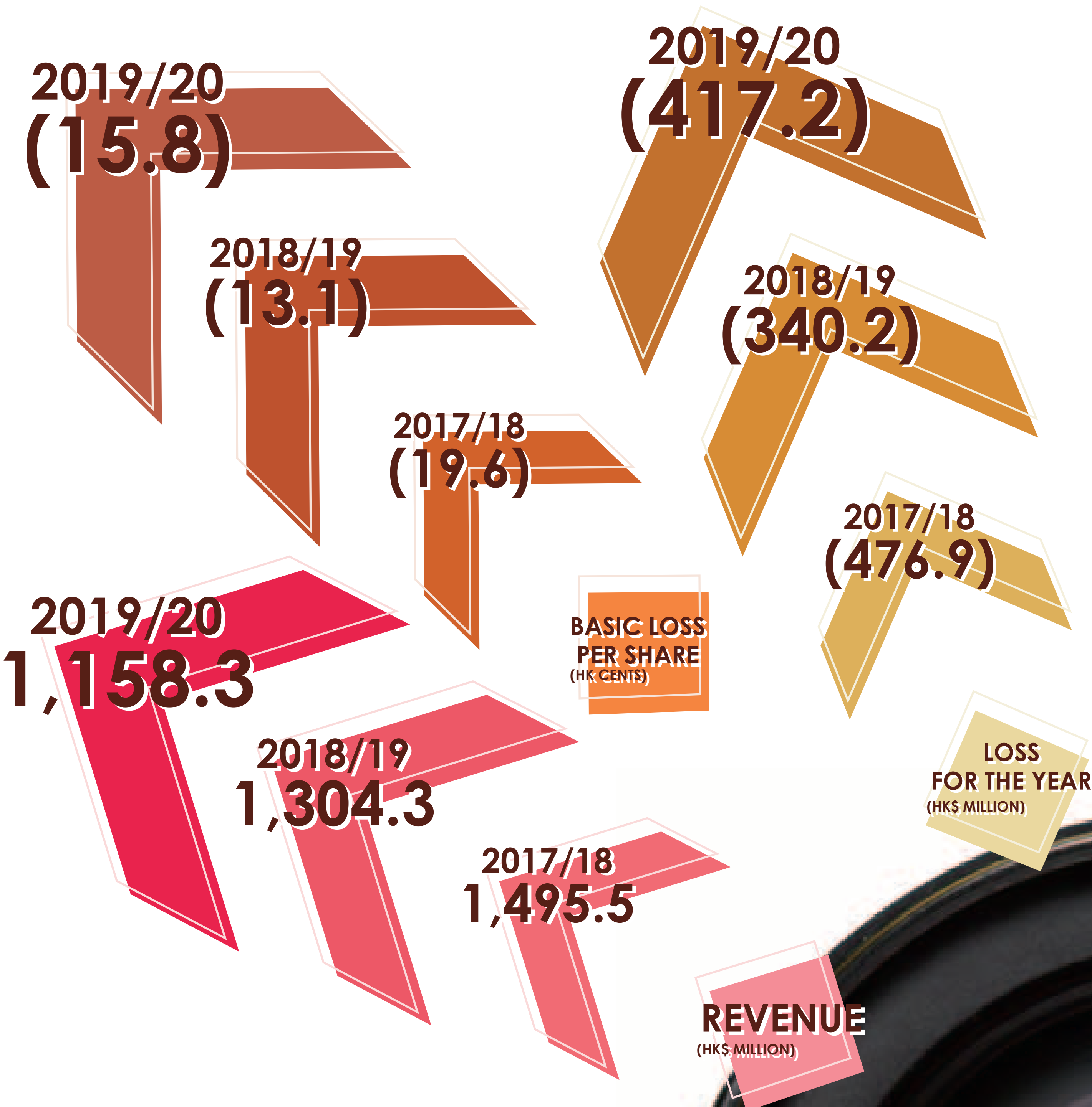
Witness History

見 證 歷 史



CONTENT

FINANCIAL REPORT


BASIC LOSS PER SHARE
(HK CENTS)
2019/20
(15.8)
2018/19
(13.1)
2017/18
(19.6)
LOSS FOR THE YEAR
(HK$ MILLION)
2019/20
(417.2)
2018/19
(340.2)
2017/18
(476.9)
REVENUE
(HK$ MILLION)
2019/20
1,158.3
2018/19
1,304.3
2017/18
1,495.5

GEARING RATIO (%)

2019/20
31.5

2018/19
16.0

2017/18
18.7

CURRENT RATIO (%)

2019/20
67.5

2018/19
82.2

2017/18
133.6

DEBT TO EQUITY RATIO (%)

2019/20
96.9

2018/19
34.0

2017/18
36.8

CHAIRMAN'S STATEMENT

2019 was a watershed year for Next Digital. We ushered in a new chapter in our company history by launching and implementing a paid digital subscription model for *Apple Daily* and *Taiwan Apple Daily*, demonstrating once again how our bold and pioneering spirit has consistently made us a leading force in Chinese-language media. Through this transformational strategic pivot, we joined an elite cohort of forward-thinking global media organisations, including *The Washington Post* and *The New York Times*, in radically reinventing the fundamentals of the contemporary media business.

The early performance of our membership model has been very encouraging in Hong Kong, although there is still ground to make up in Taiwan. The rapid market penetration we have achieved with an entirely new model of digital news consumption has been remarkable, and we will press on into 2020 with confidence and resolve.

In one sense, our timing was uncanny. The sudden collapse in advertising expenditure owing to the sluggish economy has vindicated, in stark fashion, our strategic decision to rebalance our income base towards more steady and reliable subscription revenues. That said, the events of the past year have clearly represented a baptism of fire for our new strategic direction.

Having taken our first steps at the dawn of the digital era, however, we have always known that the future will belong to those media companies who demonstrate the greatest agility in the face of disruption. We have always been proactive in embracing societal and technological change, challenging norms and staying close to our readers as their habits and preferences have evolved over time. Now as before, we will commit decisively to making the strategic investments required to give full play to our core strengths and to hone our competitive edge over local peers.

Our future success now depends on readers choosing to pay for high-quality editorial amidst a sea of free online information. As such, staying true to our guiding mission of editorial excellence has never been more important to our business. By getting ever closer to the pulse of our readers, we will redouble our efforts to offer editorial content that meets their needs, informing and inspiring them as they navigate the challenges ahead. To achieve this, we will continue to invest in attracting and cultivating the region's best journalistic and storytelling talent.

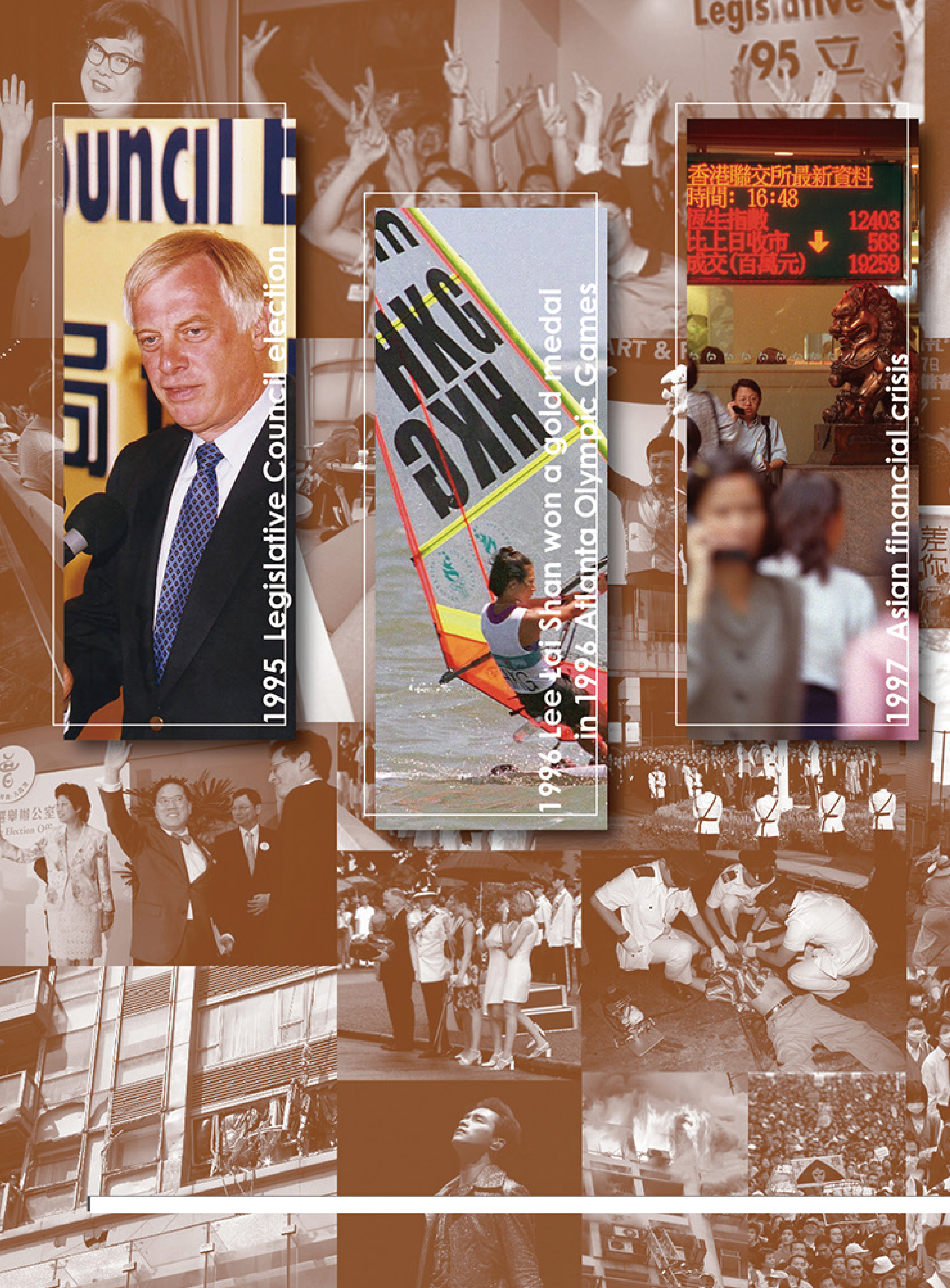
Personalisation is the core principle underpinning our business transformation. The new membership model, combined with our always-learning data management platform, gives us unprecedented real-time insight into the personal preferences, interests and concerns of our readers. This will make our content creation more responsive than ever, and provide our advertisers with unmatched tools to hyper-personalise how they communicate with potential customers.

At the same time, our award-winning print publications remain a characteristic feature of daily life in Hong Kong and Taiwan. Print media continues to adapt and transform with the times, finding a new role in response to digital media developments. We will continue to invest in first-rate print editorial, with an emphasis on investigative journalism, in-depth features and high-profile interview exclusives.

On behalf of the Board, I would like to take this opportunity to thank our shareholders, advertisers, business partners and readers for their longstanding support. I would also like to express my deep and sincere gratitude to all employees of Next Digital for the effort, flexibility and commitment they have demonstrated again and again throughout the past year.

We will face a great test in the year ahead, as will our readers and the communities we serve. It is said that hope is the product of clarity and imagination. In 2020, we will march forward with great clarity of purpose, while always innovatively re-imagining bolder, better ways of fulfilling our abiding mission.

Lai Chee Ying
Chairman
Hong Kong, 22 June 2020

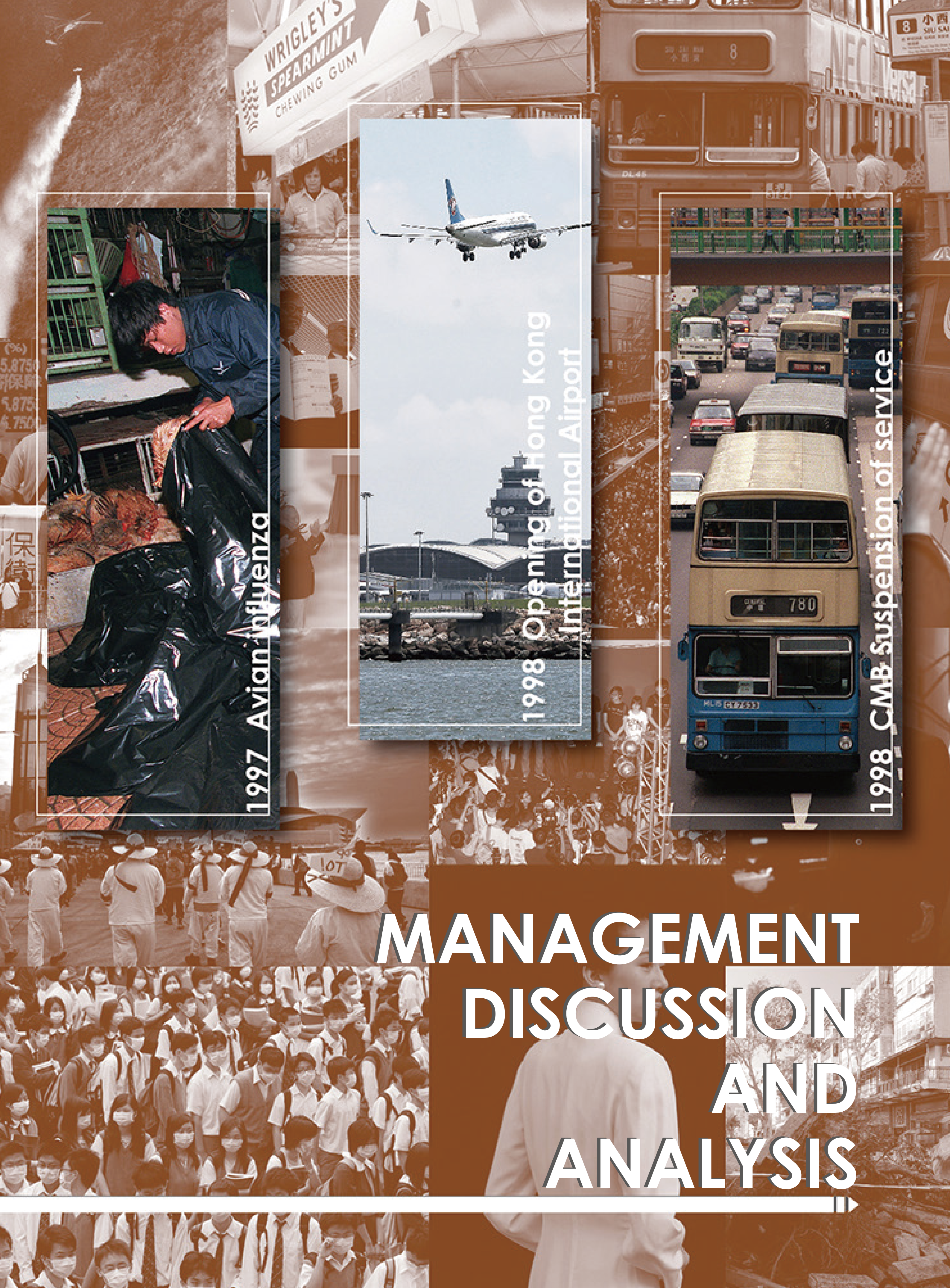


1995 Legislative Council election

1996 Lee Lai Shan won a gold medal in 1996 Atlanta Olympic Games

1997 Asian financial crisis

MANAGEMENT DISCUSSION AND ANALYSIS



OVERVIEW OF MAJOR MARKETS

Hong Kong

Hong Kong's GDP contracted by 1.2% in 2019, its worst annual growth rate since the financial crisis. Rolling social unrest adversely affected consumption and tourism, while China-US trade tensions put pressure on exports. In the first quarter of 2020, the COVID-19 pandemic led to a further economic shock, owing to the impact of travel restrictions and the forced suspension of some business activities. As a result, consumer confidence dropped significantly.

Unsurprisingly, this had a pronounced effect on advertiser sentiment and expenditure. Despite recording a sluggish 1.4% uptick across the whole of 2019, advertising spending dipped dramatically in the second half of the year and continued to drop sharply in the first quarter of 2020, as advertisers postponed promotional activities. Meanwhile, reader migration from print to digital continued apace, with advertisers splitting their spending broadly 50/50 between online and offline for the second consecutive year.

Taiwan

Taiwan's economy faced persistent challenges in 2019, with restrictions on cross-strait traffic and investment continuing to damage the tourism sector and put downward pressure on the property and retail markets. That said, GDP growth held steady at 2.7%, outperforming expectations. Positive factors included stronger investment, exports and private consumption, driven in part by a cyclical upturn in electronics demand, combined with the decision of several major Taiwanese firms to reshore production facilities from mainland China in order to avoid US tariffs. Consumer prices rose 0.56% in 2019, compared to the previous year's increase of 1.35%, while the housing market slowly regained a degree of upward momentum. Taiwan's well-organised response to the COVID-19 virus partially mitigated economic fallout from the outbreak, although the impact was severe nonetheless.

FINANCIAL RESULTS

Revenue

For the year ended 31 March 2020, the Group's overall revenue decreased by 11.2% to HK$1,158.3 million (2018/19: HK$1,304.3 million). Of this, HK$546.3 million was attributable to the Digital Business Division (2018/19: HK$576.8 million) and HK$612.0 million to the Print Business Division (2018/19: HK$727.5 million).

The majority of the Group's revenue derived from its Hong Kong operations, which accounted for HK$820.4 million (2018/19: HK$827.2 million) or 70.8% (2018/19: 63.4%) of total revenue. Revenue from its Taiwan operations reached HK$290.8 million (2018/19: HK$440.7 million), accounting for 25.1% (2018/19: 33.8%) of total revenue.

Segment Results

The Group recorded a segment loss of HK$410.1 million during the year under review, compared with a segment loss of HK$342.3 million in the previous year, representing an increase in loss amount of 19.8% or HK$67.8 million.

The Digital Business Division made a segment loss of HK$124.9 million, compared to a loss of HK$211.8 million in the previous year.

The segment loss of the Print Business Division amounted to HK$285.2 million, compared to the previous year's loss of HK$130.5 million.

This was mainly attributable to a steep decline in both print and digital advertising revenues, caused by the economic "perfect storm" of US-China trade tensions, social unrest in Hong Kong and the COVID-19 pandemic, all of which led advertisers to delay promotional projects and cancel campaigns.

Online programmatic advertising continued to provide fierce competition, while the Group's introduction of a digital paywall resulted in a decrease in total page views, which temporarily limited its online advertising revenue potential. At the same time, the steady long-term decline in print circulation income caused by changes in reader preferences was exacerbated by the COVID-19 outbreak, with people less able to leave their homes to buy newspapers.

In addition, the Group carried out a restructuring of its operations, resulting in employee layoffs that incurred payments in lieu of notice of HK$23.9 million (2018/19: HK$29.7 million).

As a result of the above factors, the Company recorded a basic loss per share of HK15.8 cents for the year (2018/19: HK13.1 cents).

OPERATIONAL REVIEW

In 2019, the Group successfully implemented a major strategic pivot by launching a paid subscription service for its digital content, reinforcing its reputation as a pioneer within the Hong Kong and Taiwan media sector. This innovative membership model outperformed expectations during the initial launch period, swiftly achieved promising market penetration and demonstrated strong upside potential. To ensure the model's future growth and success, the Group has made key resource investments including a Customer Growth and Retention ("CGR") team, a powerful new data management platform ("DMP") and a world-class content management system ("CMS").

Overall, however, the Group experienced acute challenges in the market environment during the year under review, all of which negatively affected its revenue performance. A series of economic shocks depressed advertising spending across the board, while the online programmatic advertising offer of global tech giants continued to present keen competition, despite the Group's progress towards generating more personalised, data-driven advertising opportunities.

The Group's print operations also faced difficult conditions during the year for the abovementioned reasons. Despite a long-term trend of declining circulations, however, the Group's print publications still boast a dedicated mainstream readership.

Content is the lifeblood of any media company, and the Group remained staunchly committed to investing in excellent print and digital content. During the year under review, it continued to develop new platforms for special-interest digital content and dedicated appropriate resources to attracting and retaining skilled and expert editorial staff. The Group won a number of awards for editorial excellence during the year, including awards from the Society of Publishers in Asia, the Hong Kong Press Photographers Association and the World Association of Newspapers and News Publisher.

At the same time, the Group took measured and appropriate action to reallocate resources and cut costs during the year as required, which included some restructuring and consolidation of its portfolio. *Eat & Travel Weekly* was consolidated under the *Apple Daily* brand on 1 June 2019; *Ketchup* ceased operations with effect from 1 September 2019; and *Taiwan Next Magazine* ceased operations with effect from 29 February 2020. In addition, the Group's film and video production arm, ND Incubation, was closed in February 2020. Finally, the sales teams of *Apple Daily*'s print and digital divisions were consolidated and merged in February 2020.

Digital Business Division

The Digital Business Division's external revenues, which mainly consist of online subscription income, online advertising revenue, content licensing payments, games and content sponsorship, and in-app purchases of virtual products, stood at HK$546.3 million during the year under review. This represents a decrease of 5.3% from the HK$576.8 million achieved in the previous year. Around 80.4% of the Division's external revenues derived from Hong Kong, while the remainder came from Taiwan and other regions. The Division made a segment loss of HK$124.9 million during the year (2018/19: HK$211.8 million).

During the reporting year, the Group boldly transformed its core digital business model and revenue strategy by trialling and launching a membership model based on paid subscriptions for its digital content, with the aim of capturing more stable and reliable sources of income. Free membership was introduced in April, followed by a trial subscription price in June and the full launch of standard pricing on 2 September.

The new membership model received a positive response from the Hong Kong market, where both subscriber and revenue growth met expectations. In Taiwan, however, subscription figures have lagged behind projections. Both markets experienced an initially high churn rate as readers became accustomed to the new model, whereupon subscriber numbers stabilised and began to consolidate, positioning the platform for future growth.

Despite this promising development, however, the Division's overall revenue performance continued to be negatively impacted by competition from online programmatic advertising as well as free online content available from rival titles and mobile platforms. Online advertising revenue was also adversely affected by the Group's strategic shift from free content to a hard paywall, which caused a drop in page views and thus reduced the near-term monetisation potential of its digital assets.

This initial trade-off between subscription revenue and advertising revenue was anticipated, however, based on the experiences of major global media brands with similar revenue models, such as *The Wall Street Journal* and *The Washington Post*. However, a key competitive advantage of the new subscription model is the exceptional degree of personalisation it offers. The Group's DMP continues to produce ever-more differentiated and powerful behavioural insights, allowing the Group to both fine-tune reader content and create bespoke, precision-targeted advertising opportunities for brands, thus giving the Group a significant edge over its competitors. Informed by the insights generated by the DMP system, the Group's Business Development Department continued to develop more channels and opportunities for online advertising, including private market placements.

Compelling content and additional services are especially important for subscription-driven media business models. With the aim of growing its subscription and advertising revenues, the Group stepped up investment in cutting-edge digital content creation capabilities throughout the year under review, increasing editorial headcount and rolling out a series of specialist mini-sites for topics of subscriber interest, such as investment, pets, health and fitness, cooking, family, horse racing and so on.

The Group also created a CGR team to drive the expansion of the subscriber base. This multi-functional team continually optimised the subscription process and subscriber experience by learning from international best practices and adopting an agile and responsive approach. It built and maintained relationships with subscribers through a variety of channels including short message service (SMS), electronic direct mail, Facebook live chat and a telephone customer service line, while using renowned customer relationship management solutions to maximise retention and attract lapsed subscribers. The Group also created more sales channels for subscriptions, for example by offering in-app purchasing options that allow for seamless and convenient sign-up without the manual input of credit card details.

These investments in innovative content creation and an improved subscriber experience led to higher costs during the year under review, but the Group expects this to contribute to a stronger retention rate for subscribers in the year ahead. However, it continues to carefully weigh the costs and benefits of its resource investments, leading to the closure of its film production arm in February 2020.

During the year under review, Hong Kong and Taiwan *Apple Daily* had a large user base of approximately 10.3 million* monthly unique visitors in Hong Kong, approximately 12.0 million* monthly unique visitors in Taiwan, approximately 10.0 million* in the USA and 285,088* in Canada. Together, this represents impressive market penetration for a subscription-based news service, achieved within a relatively short period of time. The size of this user base, combined with the Group's burgeoning capacity for data-driven insight, provides a dynamic basis for generating attractive and tailored opportunities for advertisers.

Apple Daily's signature online video and animated platforms, known as *Apple Daily Digital* in Hong Kong and *Apple Online* in Taiwan, remained one of the most popular news sources for mobile devices in both markets. Readers can also access all of the Group's magazines via the integrated *Apple Daily* platform. During the year, the Group continued to move its online titles over to the state-of-the-art ARC content management system, which will greatly enhance its operational capabilities.

Online gaming continues to be a profit centre for the Group, with flagship titles including the Barcode Footballer series remaining popular in Hong Kong. With a variety of game content, online gaming also enhances the subscription proposition by making more virtual products available to paying members.

* *Source: Google Analytics*

Print Business Division

During the year under review, the total revenue of the Print Business Division amounted to HK$612.0 million, a decrease of 15.9% or HK$115.5 million compared to the HK$727.5 million recorded in the previous year. The Division's revenue accounted for 52.8% of the Group's total revenue, with *Apple Daily* and *Taiwan Apple Daily* retaining their position as the Division's largest contributors.

This was mainly attributable to a sharp fall in print advertising revenues, which dropped by almost two-thirds, as well as a worse-than-expected decline in circulation income. Beyond the shock of COVID-19, Hong Kong advertising revenues dropped partly as a result of local social unrest combined with *Apple Daily*'s political stance, while in Taiwan ongoing economic difficulties contributed to the decline. Meanwhile, the secular downward trend in circulation income was accelerated by the disruptions to everyday life caused by COVID-19 and Hong Kong social unrest, which saw fewer people buying print newspapers.

Newspaper Publications

Apple Daily, known for its signature features of openness, liberalism, vibrancy and the quest for truth, is one of Hong Kong's most widely read paid-for daily newspapers as well as one of the city's best-selling newspapers. Its average sales were 88,685 copies per day during the year, compared with 102,500 copies per day in the previous year.

Apple Daily recorded revenue of HK$234.4 million during the year, a decline of 4.3% or HK$10.6 million compared with the HK$245.0 million achieved in the previous year. Advertising revenue accounted for HK$42.6 million of its total revenue, a decrease of 31.6 % or HK$19.7 million compared to the previous year's figure of HK$62.3 million. Circulation income stood at HK$191.8 million, an increase of 5.0% or HK$9.1 million as compared to the HK$182.7 million recorded in the previous year. The advertising categories with the largest revenue contributions were the miscellaneous items, property, loan, pharmaceutical and health product sectors.

Taiwan Apple Daily, known for its dynamic style of reporting and emphasis on layout design, is one of Taiwan's most widely read paid-for daily newspapers. Its sales averaged 96,471 copies per day during the year, compared with 154,426 copies per day in the previous year. Its revenue amounted to HK$212.4 million during the reporting year, a decline of 22.9% or HK$63.1 million compared to the HK$275.5 million recorded in the previous year. Advertising revenue accounted for HK$118.9 million of its total revenue, a drop of 31.5% or HK$54.6 million compared to the previous year's figure of HK$173.5 million. Its circulation income was HK$91.5 million, a decrease of 8.1% or HK$8.1 million compared to the HK$99.6 million earned in the previous year. Its main sources of advertising revenue were the property, government, miscellaneous items, decoration and furnishing as well as travel sectors.

With combined revenues of HK$446.8 million, *Apple Daily* and *Taiwan Apple Daily* remained the largest contributors to the Division's revenue and accounted for 38.6% of the Group's total revenue. However, the titles' combined revenues during the year under review declined by 14.2% or HK$73.7 million compared to the previous year's combined total of HK$520.5 million.

Printing

ADPL is the Group's newspaper printing subsidiary. During the year under review, its revenue amounted to HK$95.9 million, a decrease of 15.6% or HK$17.7 million compared to the HK$113.6 million achieved in the previous year.

ADPL's printing operations recorded HK$44.9 million in revenue (total revenue minus transactions related to printing the Group's own publications) from external customers during the year under review. This was 33.9% or HK$23.0 million less than the figure of HK$67.9 million achieved in the previous year, as key media sector customers faced challenges in terms of declining circulations and advertising income. However, the Group's outstanding printing capabilities were recognised by the industry through awards from International Newspaper Color Quality Club and NewsMediaWorks.

During the year, the Group's commercial printing operation recorded revenue of HK$86.4 million, which was 21.8% or HK$24.1 million less than its revenue of HK$110.5 million in the previous year. This was partly attributable to projects being delayed or cancelled because of the COVID-19 outbreak.

PROSPECTS AND OUTLOOK

2020 promises to be a tumultuous year that will test the strength and character of the entire media industry. Having taken decisive action to embrace a radical new business model, however, the Group has positioned itself well to consolidate emerging income streams, ride out the storm and sharpen its competitive edges with an unwavering eye on future growth.

The launch of our paid membership model heralds a fresh strategic approach for the Group. By further diversifying our income base to include more stable and reliable subscription revenues, we have laid the cornerstone of a more sustainable and future-fit foundation for our business. In the coming year, our main strategic focus will be to consolidate and retain our existing subscriber base in Hong Kong while acting rapidly to address the disappointing initial performance of subscriber acquisition in Taiwan.

Personalisation will serve as the lynchpin of our success. Our new membership model, combined with our groundbreaking DMP system, allows us to get closer to our readers than ever before: using big data techniques to understand readers' needs, interests and habits with ever-increasing precision and clarity, and crafting creative and compelling content in response. With such penetrating insights at our fingertips, we will be able to continually improve our retention rate by offering constantly evolving products and services.

In addition, the Group's Business Development Department will combine its cutting-edge market intelligence with the DMP's data-driven insights in order to tailor increasingly bespoke and fine-grained private market ad placement opportunities, creating superior value for advertisers and meeting the competitive threat of online programmatic advertising head-on.

Content excellence will continue to act as the beating heart of the Group's strategy as we seek to build a loyal and dedicated membership. We will continue to invest appropriately to attract, retain and nurture the right talent and creative capabilities, constantly enhance our portfolio of distinguished, world-class content, and use data-driven feedback to track the relative performance of different content categories and reallocate resources accordingly. In addition, the migration to the ARC content management system is expected to complete this year, opening up new operational advantages.

Print is still a mainstay of the Group's business and continues to make a significant contribution to its overall revenues, despite the gradual decline in the popularity of printed media in both Hong Kong and Taiwan. The Group's core print publications retain a dedicated mainstream readership. We will continue to repay their loyalty with editorial excellence, in the form of investigative journalism, insightful feature stories, special supplements, agenda-setting commentary and in-depth analysis. Cost control and efficiency will be the watchword for managing the print business through mounting challenges.

While the Group is cautiously optimistic about our own medium-term prospects, the wider outlook is undoubtedly highly complex and will require great watchfulness and agility. The COVID-19 pandemic will continue to pose stark challenges to the economies of Hong Kong and Taiwan over the coming months, severely affecting advertiser expenditure and putting further pressure on the Group's top line. That said, the outbreak must eventually end, and the economy will recover in time. Future consumer confidence will determine whether the two economies bounce back with strong growth momentum, or whether recovery will be slow and painstaking. Both the Taiwanese and Hong Kong SAR governments are committing substantial resources to fiscal stimulus and support. Even in a post-virus scenario, however, the uncertain fate of US-China trade negotiations and the social unrest in Hong Kong will also be critical factors.

There are choppy waters ahead for the media sector and the economy as a whole, but the Group is well equipped to navigate them. With a steadfast commitment to innovation and agility, we will cultivate ever-closer bonds with our readers through our passion for editorial excellence and our smart use of cutting-edge data technologies, thus ensuring that we are ready to sail confidently ahead and seize new growth opportunities when the fog of uncertainty eventually clears.

FINANCIAL REVIEW

Financial Position

The Group's primary source of financing for its operations during 2019/20 was the cash flow generated by its operating activities, loan from a shareholder and the banking facilities provided by its principal bankers.

The Group's net cash outflow from operating activities during the year ended 31 March 2020 amounted to HK$374.9 million, compared with a net cash outflow from operating activities of HK$356.0 million in the previous year. The inflow of investment-related cash during 2019/20 was a total of HK$7.3 million, compared to a cash inflow from investment-related activities of HK$364.8 million recorded in the previous year. The Group realised HK$446.4 million during the year ended 31 March 2019 in disposal proceeds net of transaction costs, mainly from the disposal of two blocks of office buildings in Taiwan.

The Group's net cash inflow for financing activities during the year amounted to HK$319.7 million, compared to the previous year's net cash outflow of HK$132.0 million. During the reporting year, the Group repaid bank borrowings of HK$180.4 million, raised new loan of HK$115.8 million and drew down a new shareholder's loan of HK$400.0 million. As at 31 March 2020, the Group recorded net cash of approximately HK$137.7 million.

As at 31 March 2020, the Group's available banking facilities amounted to a total of HK$328.8 million, of which HK$310.0 million had been utilised. The Group had bank borrowings amounting to HK$275.4 million. The maturity profile of the Group's bank borrowings was spread over a period of four years, with approximately HK$252.6 million repayable within three years. There was no seasonality in the Group's bank borrowing requirements, and all the monies borrowed bear interest at floating rates.

As at 31 March 2020, the Group's aggregate bank balances and cash reserves, including restricted bank balances, pledged banks deposits and final deposits with original maturity over three months, amounted to HK$171.8 million. The Group's current ratio on the same date was 67.5%, compared to 82.2% as at 31 March 2019. As at 31 March 2020, its gearing ratio amounted to 31.5%, compared to 16.0% as at 31 March 2019. These figures were calculated by dividing its bank borrowings, including long-term and current portions and loan from a shareholder, by total asset value.

Assets Pledged

As at 31 March 2020, the Group had pledged properties situated in Taiwan with an aggregate carrying value of HK$361.1 million to various banks as security for banking facilities granted to it.

Share Capital

As at 31 March 2020, 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$. Its exchange exposure to NT$ arises from its existing print and digital publishing businesses in Taiwan. The Group has reduced this exposure by arranging bank borrowings in NT$.

As at 31 March 2020, the Group's net currency exposure stood at NT$825.4 million (equivalent to HK$211.7 million), a decrease of 23.9% compared to 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 year ended 31 March 2020 totalled HK$77.4 million (2018/19: HK$48.7 million). As at 31 March 2020, the Group's outstanding capital commitments amounted to HK$2.8 million (31 March 2019: HK$23.3 million).

Contingent Liabilities

(a) Pending Litigations

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

The Group has accrued for HK$37.0 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 the Proposed Disposal of *Hong Kong Next Magazine* and *Taiwan Next Magazine*

On 5 February 2018, Gossip Daily Limited ("GDL") as Plaintiff issued a Writ 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.

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 the full and final settlement of (i) 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 (ii) any costs incurred in relation to the Claims. All outstanding matters between GDL and the Defendants have been dealt with by the Deed and the dispute is now at an end.

(c) Guarantee

Next Digital and its subsidiaries also maintain contingent liabilities that are related to various corporate guarantees the Group has provided to financial institutions for facilities utilised by certain of its subsidiaries and fellow subsidiaries. As at 31 March 2020, these contingent liabilities amounted to HK$328.8 million (31 March 2019: HK$387.1 million), HK$310.0 million (31 March 2019: HK$373.1 million) of which has been utilised by certain subsidiaries.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2020, the Group had a total of 2,323 employees, of which 1,275 were in Hong Kong and 1,047 were in Taiwan, with one in the USA.

The remuneration policy of the Group is to ensure that pay levels of its employees are competitive to the market and that employees are rewarded according to their merit, qualifications, performance and level of responsibility.

In order to attract, develop and retain the best talent in the market, the Group offered a pioneering employee share award scheme as well as a variety of wellbeing and career development initiatives. For instance, the Group provided opportunities for staff to attend training, seminars and exercise activities. In addition, renovated staff canteens in Hong Kong and Taiwan provided comfortable environments for staff to rest. To further promote our culture of openness, communication between staff and management has also been strengthened through digital collaboration tools.

During the year under review, total staff costs of the Group amounted to HK$920.2 million, compared to the HK$1,001.6 million incurred during the previous year. The decrease was primarily due to a further restructuring of the Group's operations during the year.

During the year, share options were granted to two executive directors under the 2014 Share Option Scheme. This entitles them to subscribe for a total of 28,467,152 Shares.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2020 (2018/19: nil).

BOOK CLOSURE PERIOD

The Register of Members of the Company will be closed from Tuesday, 11 August 2020 to Friday, 14 August 2020, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2020 AGM scheduled to be held on Friday, 14 August 2020 at 3:00 p.m., all transfer documents accompanied by relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 10 August 2020.

FORWARD-LOOKING STATEMENTS

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

2002 Opening of Tseung Kwan O Line

2003 Severe Acute Respiratory Syndrome

2005 Donald Tsang participated in 2005
Hong Kong Chief Executive Election

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORTING SCOPE

This Environmental, Social, and Governance ("ESG") report was prepared by the Group, highlighting its ESG performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 27 to the Listing Rules and Guidance set out by the Stock Exchange.

This ESG report covers the Group's overall performance in two subject areas, namely Environmental and Social aspects of the business operations in its 8 premises in Hong Kong and Taiwan, with a total floor area coverage of 101,493 m^2 (Hong Kong: 64,599 m^2; Taiwan: 36,894 m^2), from 1 April 2019 to 31 March 2020, unless otherwise stated. Operation in the United States is not part of the reporting scope as it makes up approximately 0.04% of the Group's total workforce and constitutes insignificant environmental and social impacts. For details of the Group's corporate governance practices, please refer to the "Corporate Governance Report" Section of this annual report.

In recent years, the Group has devoted considerable resources to developing its digital business to capture new market opportunities and strengthen its position as the market leader. In Taiwan, printing works are now centralised at the printing house in Northern Taiwan in a bid to maximise equipment utilisation and overall production capacity, as well as to lower production costs. With adjusted schedule for printing production and delivery arrangement, the impacts on business services in Southern Taiwan are minimal.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

Stakeholder Engagement

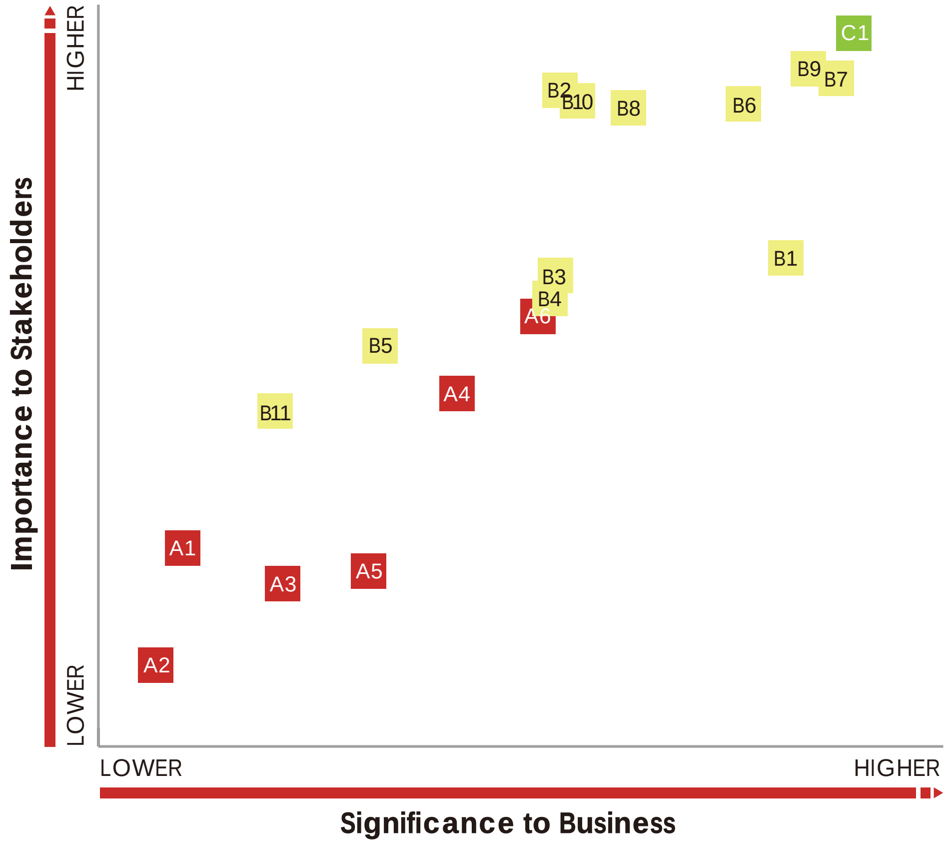
As a leading multimedia company in Hong Kong and Taiwan, the Group values input and feedback from its stakeholders as they provide invaluable insights for continuous development of the Group. Internal and external stakeholders have been involved in regular engagement activities to better understand their expectations and views on the Group's operations and ESG performance.

Materiality Assessment

During the year, the Group specifically engaged a wide range of stakeholders, namely the Board, Shareholders, senior management, frontline and contract workers, readers, advertising clients, suppliers and consultants to gain insights into ESG material topics and challenges of the Group's operation. In the materiality assessment, 253 stakeholders were asked to rate a list of 18 ESG topics in terms of their relevance and importance to the Group's business development and sustainability, as well as to the wider community.

Results of the materiality assessment and the consolidated list of material aspects with respective management are presented in the following matrix, table and section respectively.

Materiality Matrix



Environmental		**B4**	Labour Standards
A1	Energy	**B5**	Supply Chain Management
A2	Water	**B6**	Intellectual Property Rights
A3	Air Emissions	**B7**	Data Protection
A4	Waste and Effluent	**B8**	Customer Service
A5	Other Raw Materials Consumption	**B9**	Product/Service Quality
A6	Environmental Protection Policies	**B10**	Anti-corruption
Social		**B11**	Community Investment
B1	Employment	**Others**	
B2	Occupational Health and Safety	**C1**	Freedom of Expression
B3	Staff Development and Training		

Through meetings and surveys, the Group and its stakeholders have identified the following top material aspects:

1. Freedom of Expression;
2. Data Protection;
3. Product/Service Quality;
4. Intellectual Property Rights; and
5. Customer Service.

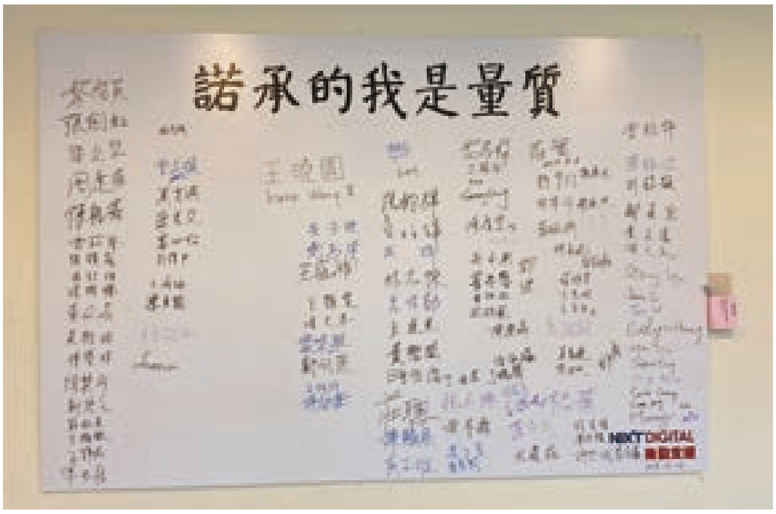
The above aspects have been closely managed through the Group's policies and guidelines. Management of the aspects is described in separate sections below. With respect to the top concerned aspect of freedom of expression, the Group's commitment to safeguarding freedom of expression has been set out in the Editorial Charter.

STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on its ESG performance for continuous improvement by giving their suggestions via email at ir@nextdigital.com.hk or by post to the Company Secretary at Next Digital's registered office.

MISSION AND VISION ON SUSTAINABILITY COMMITMENT

The Group undertakes to maintain the highest standards of journalistic quality. Led by the Board, the staff members have pledged to deliver quality journalism.



Aside from quality assurance, the Group pays considerable attention to environmental protection and strives to improve its environmental performance with continued supports from its staff members, suppliers, customers and the wider community. All its operations have implemented with sound environmental management systems, further reducing pollution through better approaches and technology advancement.

The Group has always been people-centric, which is reflected in its non-discriminatory human resources ("HR") policies. Diverse training opportunities are offered to employees of all working levels. Not only does the Group listen to employees' concerns and expectations, it also shows dedication to promoting workplace health and well-being among all the operations.

As a socially responsible corporate, the Group has long been committed to supporting the community through strategic use of resources and networks. The Group engages and supports the less privileged through the Apple Daily Charitable Foundation in Hong Kong and Apple Daily Charity Fund in Taiwan. It will continue to respond to the needs of the community through donations, bursaries and partnerships with charities.

PERFORMANCE HIGHLIGHTS

The Environment

- 26.5% reduction in total greenhouse gas ("GHG") emission compared with 2018/19 levels
- 49.4% saving in packaging material consumption compared with 2018/19 levels
- 25.6% saving in paper consumption compared with 2018/19 levels
- 3,965 tonnes of paper recycled, representing 16% of total paper consumption

The People

- Total training hours: 2,420 hours, mainly focusing on health and safety, and technology

The Community

- The Apple Daily Charitable Foundation proudly received the 2019 Asia Responsible Entrepreneurship Award
- Annual donation to community: HK$18.34 million and NT$327 million worth of community investment in cash and in-kind donations
- Established connections with 279 charity partners

A. ENVIRONMENTAL

A1. Emissions

The Group did not note any cases of material non-compliance relating to air and GHG emissions, discharge into water and land, and the generation of hazardous and non-hazardous waste for the year ended 31 March 2020. The Group has adopted an environmental management system and strictly complies with laws and regulations related to environmental protection and pollution control, including but not limited to:

Hong Kong:

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

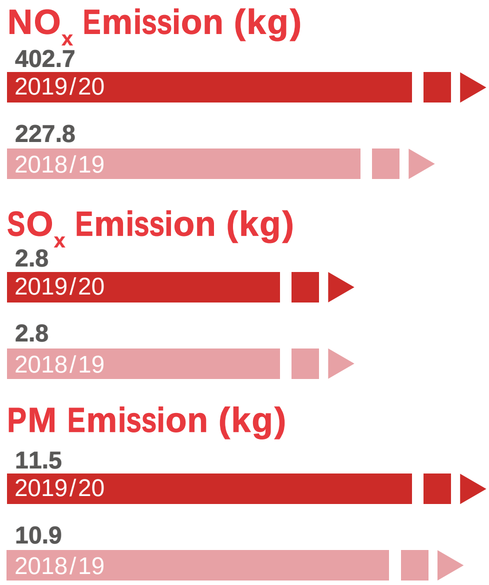
Taiwan:

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

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

A1.1 Air Emissions

During the year, nitrogen oxides ("NO_x"), sulphur oxides ("SO_x") and respiratory suspended particles ("PM") were emitted from fuel consumption of company vehicles and printing operations.



Vehicle Operation

Vehicles operated on petrol, diesel and liquefied petroleum gas ("LPG") were used for printing houses and business operations during the year, which contributed to the emission of 366.3 kg of NO_x, 2.7 kg of SO_x and 11.5 kg of PM. During the year, an in-house truck fleet was set up especially for delivering newspapers to downstream distributors in Hong Kong. The trucks operated on petrol and therefore led to a slight increase in air emissions.

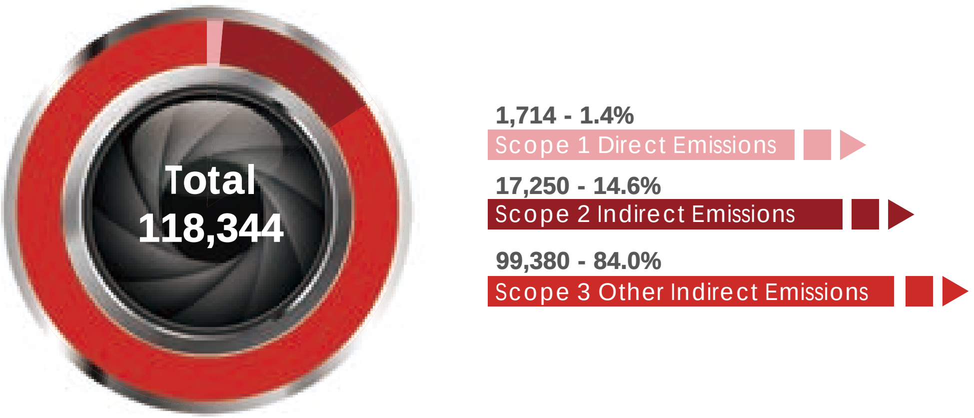
Gaseous Fuel Consumption

During the year, town gas was used for ink drying process at the printing operations. The consumption remained stable, which contributed to the emission of 36.4 kg of NO_x and 0.1 kg of SO_x.

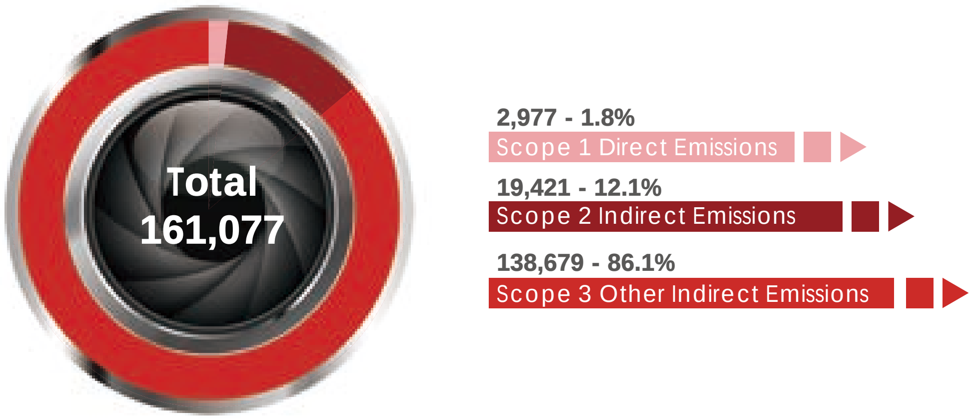
A1.2 Greenhouse Gas Emissions

During the year, the Group's business operations resulted in GHG emission of 118,344 tonnes of carbon dioxide equivalent ("$tCO_2eq.$") (mainly carbon dioxide, methane, nitrous oxide and hydrofluorocarbons), with a 26.5% drop from last year. The GHG emission intensities of operations in Hong Kong and Taiwan were 1,176.08 $tCO_2eq./m^2$ and 1,148.45 $tCO_2eq./m^2$ respectively.

Total GHG Emissions in 2019/20 ($tCO_2eq.$)



Total GHG Emissions in 2018/19 ($tCO_2eq.$)

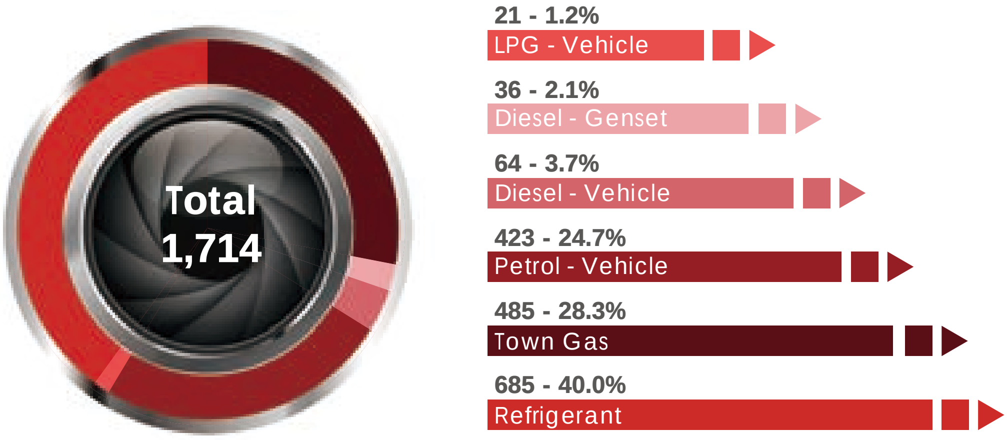


GHG Removals from Planted Trees

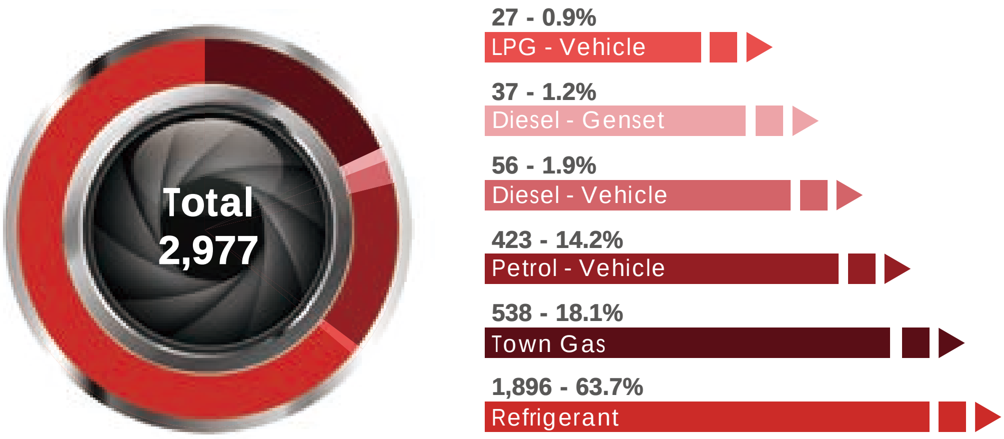
There were 42 trees of over 5 meters tall planted at the printing house in Taiwan for better air quality while reducing greenhouse effect. This contributed to a removal of 1 $tCO_2eq.$ of GHG emission in Scope 1. The Group's GHG emission after direct GHG removals from planted trees resulted in 118,343 $tCO_2eq.$

a. Scope 1 – Direct Emissions

Scope 1 Direct Emissions in 2019/20 ($tCO_2eq.$)



Scope 1 Direct Emissions in 2018/19 ($tCO_2eq.$)



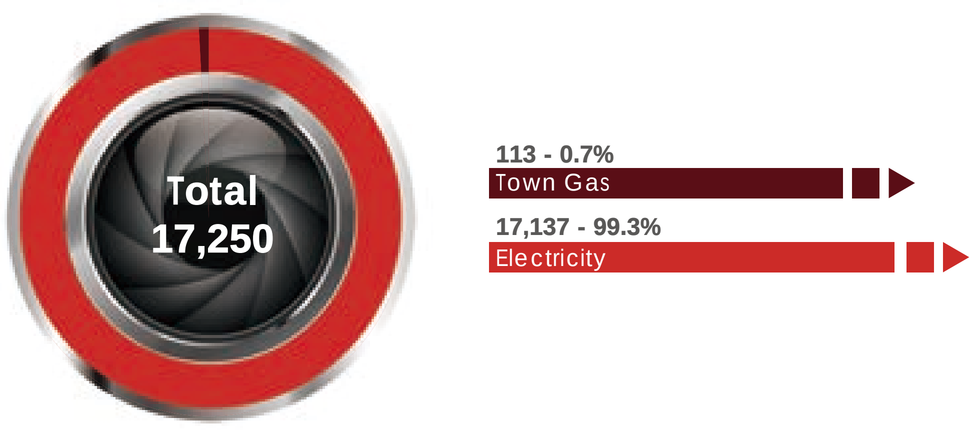
During the year, a total of 1,714 $tCO_2eq.$ direct (Scope 1) GHG emissions were emitted from both stationary and mobile sources, resulting from the combustion of towngas, petrol, diesel, LPG and release of refrigerants.

Refrigerant

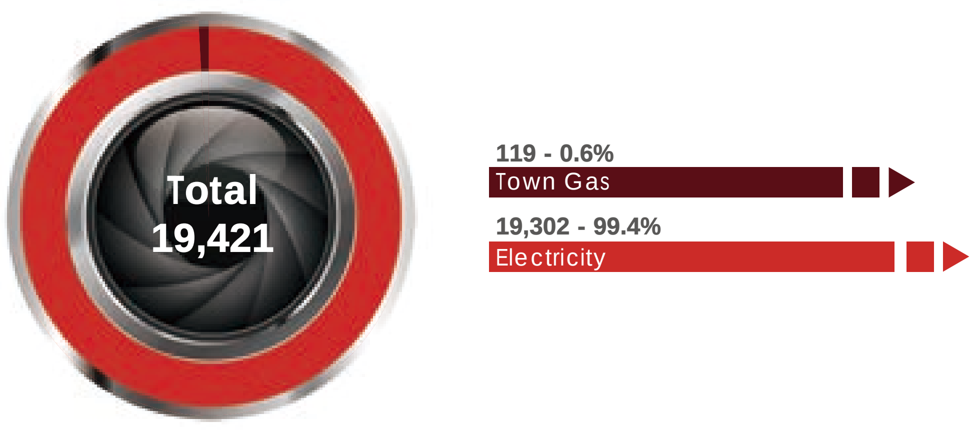
A total of 401 kg of refrigerants were used in air conditioning system in the premises during the year, contributing to 685 $tCO_2eq.$ GHG emissions, significantly reduced by 63.9% compared with last year. The reduced consumption level was related to the proper overhauling of air conditioning system in the last year. The air conditioning and refrigeration equipment was properly maintained and protected to avoid potential refrigerant leaks.

b. Scope 2 – Indirect Emissions

Scope 2 Indirect Emissions in 2019/20 ($tCO_2eq.$)



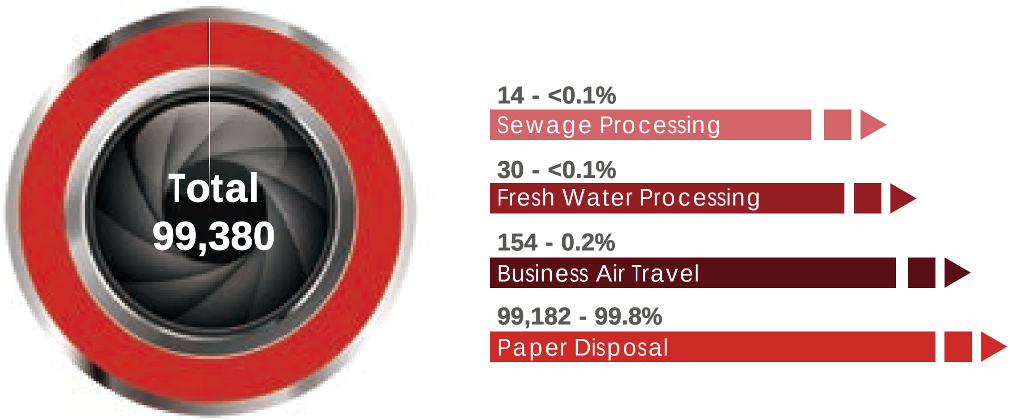
Scope 2 Indirect Emissions in 2018/19 ($tCO_2eq.$)



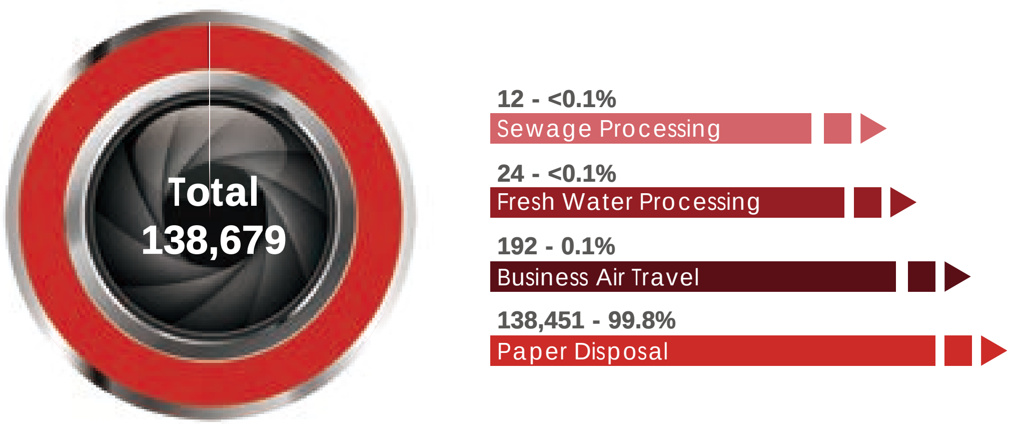
During the year, a total of 17,250 $tCO_2eq.$ indirect (Scope 2) GHG emissions were resulted from purchased electricity and towngas. The main source of Scope 2 emission was electricity consumed for daily business operations, details of which are presented in sections A2.1 and A2.3.

c. Scope 3 – Other Indirect Emissions

Scope 3 Other Indirect Emissions in 2019/20 ($tCO_2eq.$)



Scope 3 Other Indirect Emissions in 2018/19 ($tCO_2eq.$)



During the year, a total of 99,380 $tCO_2eq.$ other indirect (Scope 3) GHG emissions were resulted from business air travel, municipal freshwater and sewage processing, and paper waste disposal at landfills. For Scope 3 emission, the largest source was paper disposal, followed by employees' business air travel.

Paper Disposal

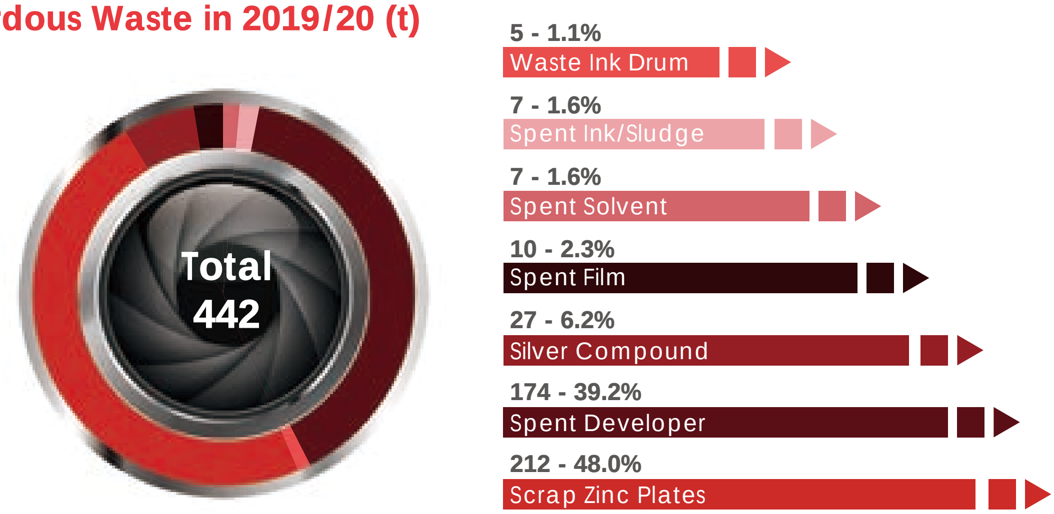
Despite the largest contributor to Scope 3 GHG emission, the GHG emission due to paper disposal reduced by 28.4% compared with last year.

It is noteworthy that the GHG emissions were estimated under the assumption that all sold paper products from the Group were disposed of in the landfills. The actual GHG emissions could be significantly lower with the rise in environmental awareness of the society and better paper recycling infrastructures in place for end-users.

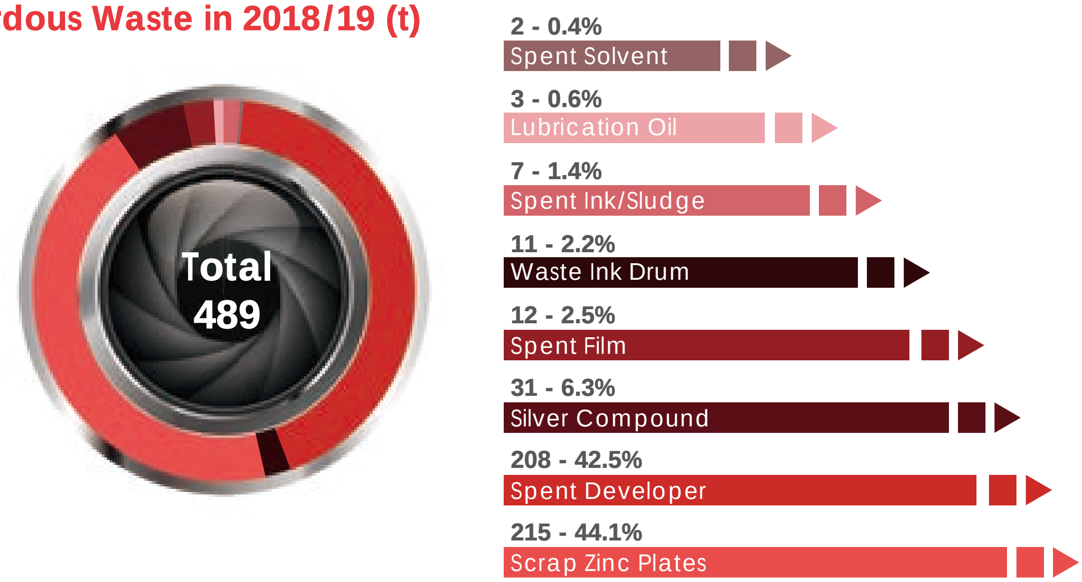
A1.3 Hazardous Waste

During the year, the Group generated a total of 442 tonnes of hazardous waste in various processes during printing activities (Hong Kong: 2.66 kg/m^2; Taiwan: 7.33 kg/m^2), mainly scrap zinc plates, spent developer, silver compound and spent film.

Hazardous Waste in 2019/20 (t)



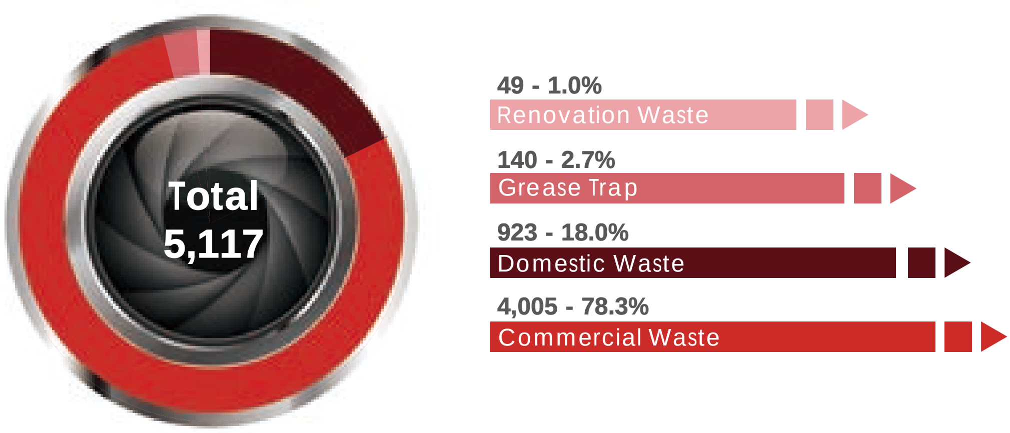
Hazardous Waste in 2018/19 (t)



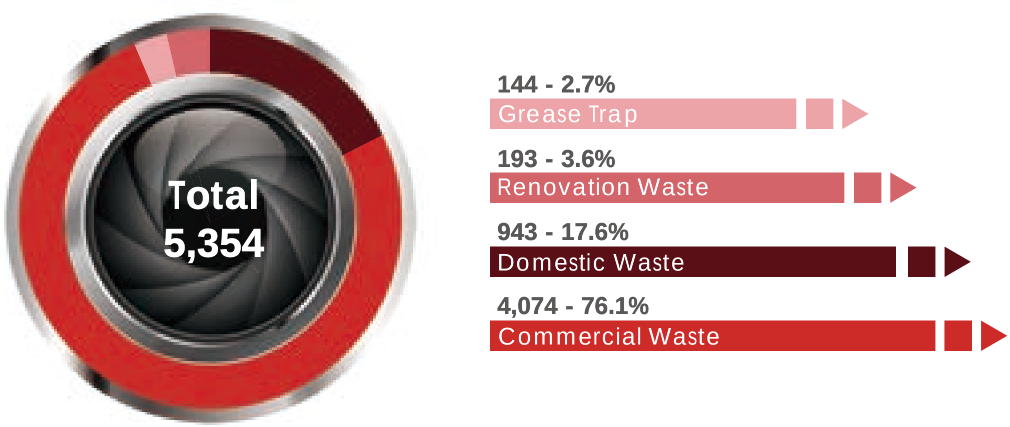
A1.4 Non-hazardous Waste

A total of 5,117 tonnes of non-hazardous waste were generated by the Group during the year (Hong Kong: 54.0 kg/m^2; Taiwan: 44.2 kg/m^2), involving commercial waste, domestic waste, grease trap waste and renovation waste.

Non-Hazardous Waste in 2019/20 (t)



Non-Hazardous Waste in 2018/19 (t)



A1.5 Measures to Mitigate Emissions

When selecting company fleet, the Group takes into account factors such as fuel efficiency and engine size in order to reduce the fuel consumption of vehicles in Hong Kong. The operation in Hong Kong has employed electric shuttle buses for the daily commuting of employees to reduce air pollution levels and promote environmental practices among employees.

The Group kept track of employees' business travelling and their relative carbon emission throughout the year. Administrative approval procedures have been implemented to tighten control over business travel plans. The Group actively encourages the use of teleconferencing and videoconferencing for meetings with colleagues and suppliers to reduce the need for business travel. As a result, the GHG emissions due to business air travelling reduced by 19.8% compared with last year.

A1.6 Waste Handling and Reduction Initiatives

Hazardous Waste

Overall, there was 9.6% less hazardous waste generated compared with last year. Hazardous waste was handled by registered and licensed collectors regulated by the governments. Spent ink, solvent and developer were incinerated. Scrap zinc plates, waste ink drums, silver compound and spent films were recycled. The printing house in Taiwan is equipped with an on-site sludge treatment facility to remove pollutants and facilitate on-site reuse of treated effluent.

During the year, the printing house in Taiwan was in the process of upgrading and replacing existing machinery by computer-to-plate ("CTP") printing machines. They are scheduled to be in service in the next year. Compared with conventional film-based platemaking, the use of CTP technology will generate zero harmful solvent.

Non-hazardous Waste

In Hong Kong, among the non-hazardous waste collected, domestic waste and some types of commercial waste were sent to landfills for disposal. Nevertheless, recyclable waste of high commercial value, such as paper and renovation waste, was sold or transferred to local registered recycling companies whenever possible. Grease trap waste was collected by licensed collector for either incineration or recycled for biodiesel production. The rest of commercial waste and renovation waste were sent to the government-owned public fill reception facilities.

With the presence of the well-established recycling industry in Taiwan, non-hazardous waste was separated at the point of disposal for recycling. All commercial wastes were collected and sold for recycling purposes, with domestic waste sent for incineration.

To facilitate responsible waste management, recycling bins or containers for separate collection of recyclable waste have been strategically installed in all pantries. Old electronic products or furniture will be kept for future use, donated for reuse or sold to employees or external parties in order to divert as much waste from landfills as possible. Overall, there was 4.4% less waste generated compared with last year. The intensity of non-hazardous waste generation declined by 18.5% in Hong Kong's operation, and rose by 96% in Taiwan's operation. The increased intensity was associated with the disposal of unwanted machinery and waste owing to factory and office clearance for the sale of premises in Taiwan.

Paper

	2019/20 (tonnes)	2018/19 (tonnes)
Paper Consumption (Production)	24,603	33,084
Paper Consumption (Non-production)	25	23
Paper Collected for Recycle	(3,965)	(4,263)
Total Disposal at Landfills	**20,663**	**28,844**

A total of 24,603 tonnes of production paper and 25 tonnes of non-production paper were consumed in the year. During the year, the Group implemented a Paperless Policy in Hong Kong office. The Group encourages the use of electronic documentation for reducing paper consumption. All general-purpose copiers are preloaded with one-side-printed recycled paper for internal use. Reminders are provided at every printing station to encourage employees to reduce paper usage and to make full use of paper.

The Group has further reinforced recycling and source separation of waste. During the year, the Group recycled a total of 3,965 tonnes of waste paper (from both production and non-production) to approved recyclers, accounting for 16% of total paper consumption, and a total GHG reduction of 19,034 tCO_2eq. With decreased demand for printed newspapers, the paper consumption has been steadily declining over the years, with a 25.6% drop from last year. Nevertheless, a total of 20,663 tonnes of paper was estimated to be disposed of at landfills, under the assumption that all papers, whether is stored or purchased within the organisation boundary, will eventually be disposed of at landfills unless collected and recycled[1].

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

A2. Use of Resources

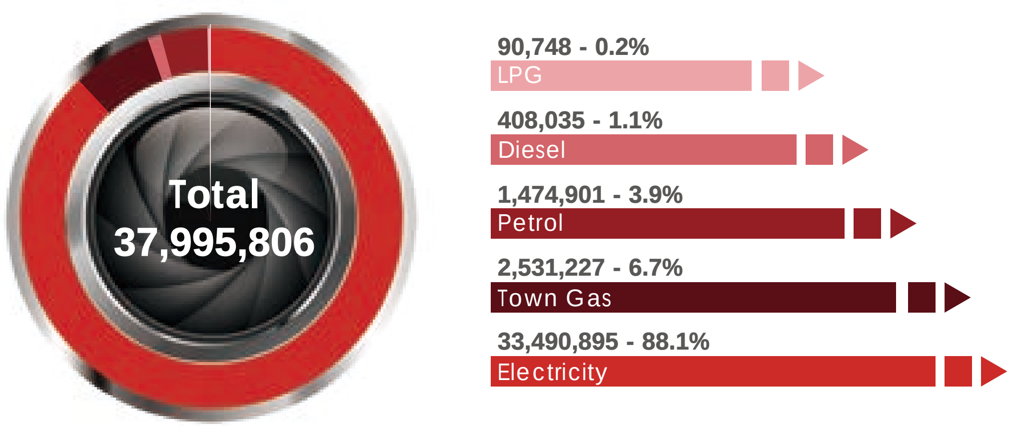
The Group has been developing a wide variety of management measures to promote the wise and efficient use of resources at both printing houses and offices.

A2.1 Energy Consumption

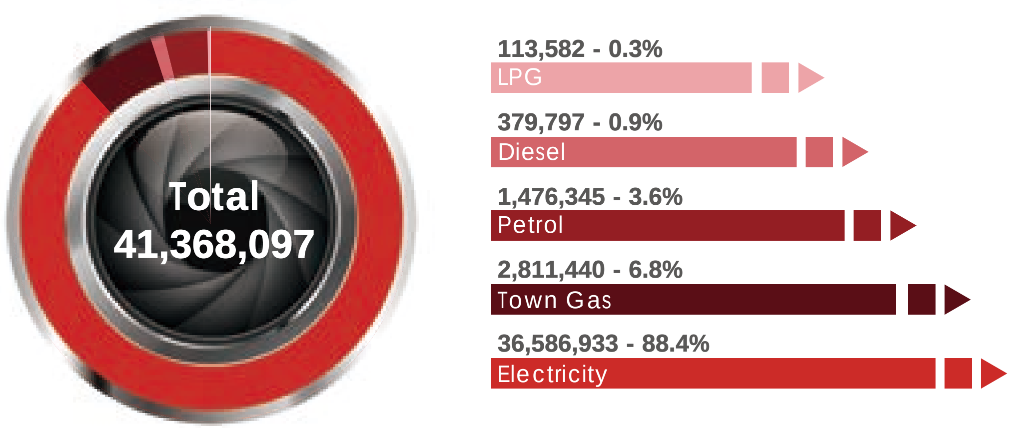
A total of 37,995,806 kilowatt-hour ("kWh") of energy was consumed by the Group for its operations during the year, with an energy intensity of 393.0 kWh/m^2 for Hong Kong and 341.8 kWh/m^2 for Taiwan. Electricity was the major source of energy for the Group, generating 33,490,895 kWh of energy mainly for its printing business segment.

Overall, there was slight reduction in the Group's consumption of electricity, towngas, petrol and LPG due to the change in production volume, the type of paper used and the printing process. Diesel was consumed for periodic testing of the emergency power system. Given that the maintenance work of stand-by generators had been completed in last year, the diesel consumption level of stand-by generators has resumed to normal in the year.

Energy Consumption in 2019/20 (kWh)



Energy Consumption in 2018/19 (kWh)



A2.2 Water Consumption

During the year, a total of 109,794 m^3 of fresh water was consumed by the Group's operations (Hong Kong: 1.0 m^3/m^2; Taiwan: 1.3 m^3/m^2). A slight increase in the water consumption intensity was recorded as compared with last year. To ensure a steady supply of reliable and clean water for printing production, water was supplied by Water Supplies Department in Hong Kong. For Taiwan's operations, water was mainly supplied by the state-owned water utility company, Taiwan Water Corporation, except for the operations in Taipei in which water was supplied by Taipei Water Department.

A total of 102,767 m^3 of wastewater was generated from the Group during the year (Hong Kong: 0.8 m^3/m^2; Taiwan: 1.3 m^3/m^2). Wastewater generated from premises in Hong Kong was discharged to and treated by Drainage Services Department. For Taiwan's operations, wastewater generated from offices was discharged to and treated by municipal wastewater treatment plants. For printing house in Taiwan, wastewater was either discharged to municipal wastewater treatment facility or pre-treated on site to meet the permitted standards prior to discharging to open water. No exceedances were reported during the year.

A2.3 Energy Use Efficiency Initiatives

With electricity being the major energy consumption, the Group has established policies and adopted a wide range of measures to improve energy efficiency across all of its operations. During the year, the Group consumed 8.5% less electricity than last year. The consumption intensity of electricity in Hong Kong reduced from 340.41 kWh/m^2 to 334.89 kWh/m^2.

Computers in offices shall be switched off after office hours. Chiller systems are operated in phases to cope with different thermal needs by manual or building management system. Water-cooled chiller systems with higher energy efficiency have been installed in Taiwan and some Hong Kong premises. Thermostats have been installed along with all air-conditioners, which enable smarter control of room temperature in all premises. Energy saving labels are displayed next to light switches and air-conditioners to remind employees to turn off equipment before leaving work.

Energy-intensive lighting systems have been gradually replaced and upgraded by LED lighting systems across the premises. Modification of the pipeline system has reduced the number of reserve units and increased the overall utilisation efficiency of the chiller system.

In the next year, the Group will adopt the leading CTP imaging technology in the plate-making processes. Designed with a higher processing speed, the printing capacity is expected to be greatly increased, resulting in significant energy consumption reduction.

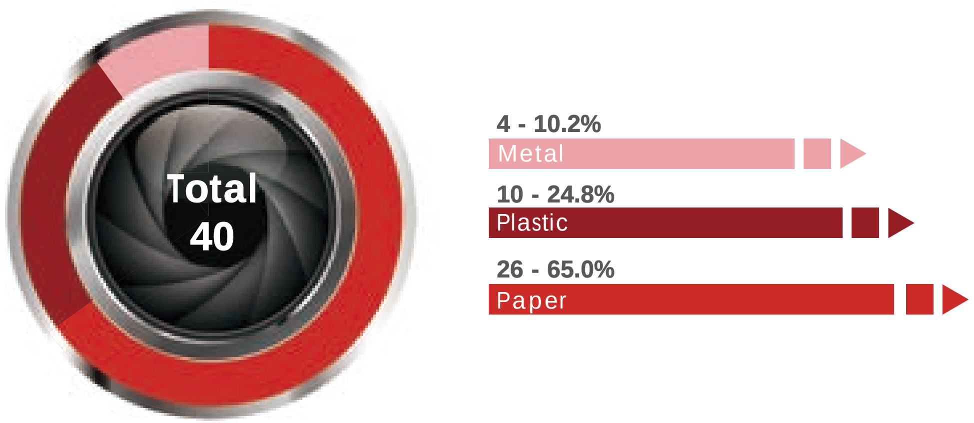
A2.4 Water Use Efficiency Initiatives

During the year, the Group did not encounter any issues in sourcing water for its daily operations. Although the majority of the Group's business operations are not water intensive, it continues with efforts to improve the water performance. In Hong Kong's printing houses, bleed-off water generated from cooling system is collected and reused as flushing water, adhering to the requirement set out by the Electrical and Mechanical Services Department. At all premises, sensor controls have been installed, whenever possible, at all hand wash basins and urinals to reduce water consumption.

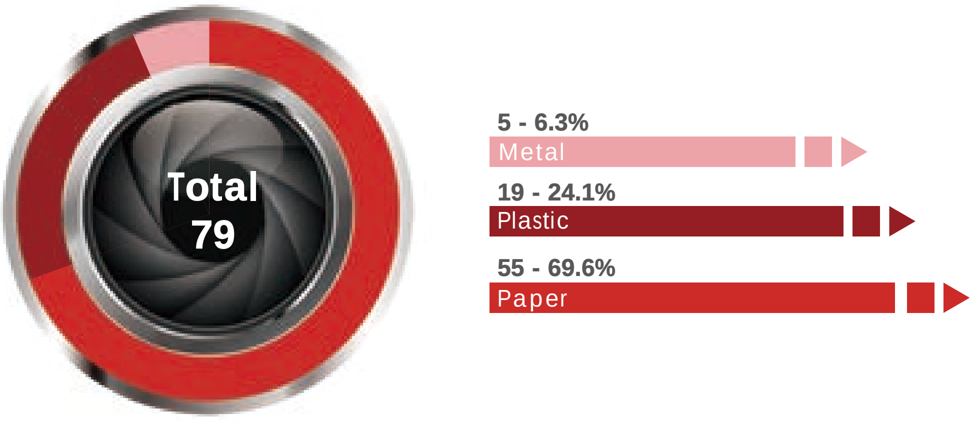
To optimise water use, an automatic rainwater harvesting system is installed in Taipei Office to harvest stormwater for landscape irrigation purpose. During the year, the printing operation in Taiwan initiated to reuse the treated greywater for plant irrigation and general cleansing, further reducing freshwater consumption. Compared with last year, water consumption intensities of operations in Hong Kong and Taiwan increased by 51% and 2% respectively.

A2.5 Packaging Materials

Packaging Materials Consumed in 2019/20 (t)



Packaging Materials Consumed in 2018/19 (t)



Packaging materials consumed by the Group were mainly paper, plastic and metal, with some packaging papers containing high percentage of recycled content. During the year, a total of 40 tonnes of packaging materials were consumed for protecting the finished products during distribution (Hong Kong: 0.37 kg/m^2; Taiwan: 0.44 kg/m^2). Because of the change in business model, as well as in production volume, there has been a gradual decline in packaging material consumption, a reduction by 49.4% as compared with last year. The Group will continue optimising the use of packaging materials in terms of quantity and type while ensuring adequate product protection.

A3. The Environment and Natural Resources

A3.1. Significant Impacts of Activities on the Environment

Given the business nature, the Group recognises its daily operation has posed impacts on the environment and natural resources, particularly in terms of electricity and paper consumption. The Group is highly committed to making continuous efforts on efficient use of natural resources, promotion of energy conservation in its printing and office operations, as well as minimisation of its overall emissions on the environment. The Group has continued using plant-based printing ink, whenever possible, for newspaper and magazine publication, echoing the Group's commitment to resource conservation and pollution prevention.

Going with the market trend, the corporate business is naturally shifting towards a digital operating model, hence the overall consumption of natural resources will be further reduced.

KEY STATISTIC TABLE – ENVIRONMENTAL PERFORMANCE

	2019/20[1, 2]	2018/19[1]	2017/18[1]	2016/17[1]	Unit
Area	**101,493**	**112,202**	**112,239**	**112,523**	**m^2**
Air Pollutant Emissions					
Nitrogen Oxides	402.7	227.8	341.7	390.7	kg
Sulphur Oxides	2.8	2.8	3.2	3.5	kg
Respiratory Suspended Particles	11.5	10.9	27.2	31.6	kg
Greenhouse Gas Emissions					
Direct GHG emissions (Scope 1)	1,714	2,977	1,316	2,216	$tCO_2eq.$
– intensity	16.9	26.5	11.7	19.7	$kgCO_2eq./m^2$
Indirect GHG emissions (Scope 2)	17,250	19,421	20,486	22,421	$tCO_2eq.$
– intensity	170.0	173.1	182.5	199.3	$kgCO_2eq./m^2$
Other indirect GHG emissions (Scope 3)	99,380	138,679	164,092	209,007	$tCO_2eq.$
– intensity	979.2	1,236.0	1,462.0	1,857.5	$kgCO_2eq./m^2$
Total GHG Emissions (before removal)	118,344	161,077	185,894	223,644	$tCO_2eq.$
Total GHG Emissions (after removal)	118,343	161,076	185,893	223,643	$tCO_2eq.$
– intensity	1,166.0	1,435.6	1,656.2	2,076.4	$kgCO_2eq./m^2$
Waste					
Total Hazardous Waste Generated	442	489	495	640	t
– intensity	4.4	4.4	4.4	5.7	kg/m^2
Total Non-hazardous Waste Generated	5,117	5,354	5,211	5,592	t
– intensity	50.4	47.7	46.4	49.7	kg/m^2
Energy Consumption					
Electricity[3]	33,490,895	36,586,933	39,404,879	41,787,032	kWh
Town Gas	2,531,227	2,811,440	2,024,773	1,689,480	kWh
– unit consumed	189,842	210,858	151,858	126,711	unit
Diesel	408,035	379,797	364,924	434,623	kWh
– unit consumed	36,760	34,216	32,876	39,155	litre
Petrol	1,474,901	1,476,345	1,665,980	1,853,821	kWh
– unit consumed	156,904	157,058	177,232	197,216	litre
LPG	90,748	113,582	128,302	165,038	kWh
– unit consumed	7,102	8,889	10,041	12,916	kg
Total Energy Consumed	37,995,806	41,368,097	43,588,858	45,929,994	kWh
– intensity	374.4	368.7	388.4	408.2	kWh/m^2

	2019/20[1,2]	2018/19[1]	2017/18[1]	2016/17[1]	Unit
Water Consumption					
Total Fresh Water Consumed[4]	109,794	102,231	119,157	122,922	m^3
– intensity	1.1	0.9	1.1	1.1	m^3/m^2
Packaging Material					
Total Packaging Material Consumed	40	79	116	156	t
– intensity	0.4	0.7	1.0	1.4	kg/m^2
Paper					
Total Paper Consumed	24,628	33,107	38,145	48,188	t
– GHG emissions	118,216	158,913	183,096	231,300	$tCO_2eq.$
Total Paper Recycled	(3,965)	(4,263)	(4,005)	(4,710)	t
– GHG emissions	(19,034)	(20,462)	(19,224)	(22,607)	$tCO_2eq.$
Total Paper Disposed at Landfills	20,663	28,844	34,140	43,478	t
– GHG emissions	99,183	138,451	163,872	208,693	$tCO_2eq.$

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

Note 2: Emission data in 2019/20 was calculated with updated emission factors available at the time of report preparation.

Note 3: Emission factor of 0.533 kg CO_2eq./kWh for purchased electricity in Taiwan was obtained from 2018 Energy Environment Indicators from Bureau of Energy, Ministry of Economic Affairs.

Note 4: The 2019 emission factor of 0.0644 kg CO_2eq./unit for processing wastewater in Taiwan is obtained from website of Taipei Water Department.

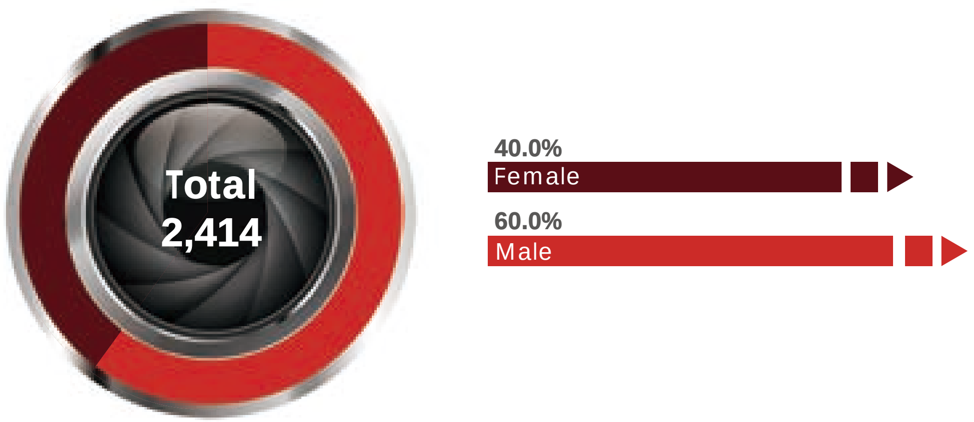
B. SOCIAL

1. Employment and Labour Practices

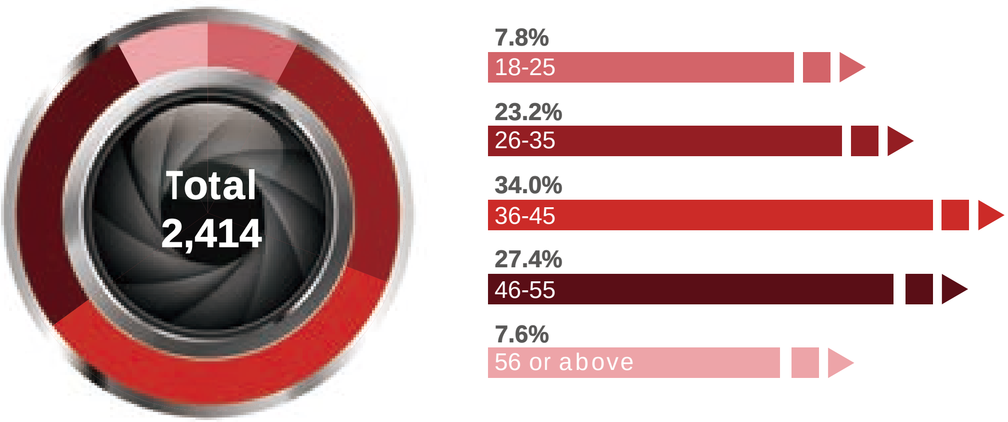
B1. Employment

As of 31 March 2020, the Group had a total number of 2,414 employees, including 91 part-time employees. The employees were mainly from Hong Kong (55.5%), Taiwan (43.8%) and other geographical regions, including Philippines, Singapore, the United States, Malaysia and the United Kingdom that made up 0.7% of total workforce. The total workforce sorted by gender and age group are shown below.

Workforce by Gender



Workforce by Age Group



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

Hong Kong:

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

Taiwan:

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

Employee Handbook is prepared based on the Group's HR policies. Conditions of employment, employee benefits, expected disciplines and penalty on malpractice or misconduct are clearly stated. Procedures and guidelines for the process of recruitment, internal transfer, salary review, promotion, retirement, termination and dismissal have been standardised.

Equal Opportunity

The Group strives to create and maintain an inclusive and collaborative workplace culture in which all can thrive. Principle of equal opportunity is upheld by maintaining non-discriminatory recruitment policies. Employees are not discriminated on the basis of race, religion, political party, gender, sexual orientation, age, appearance, family status, disability, or past trade union. A whistle-blowing mechanism is also in place for employees to report any incidents of misconduct or mistreatment. The Group has adopted mother-friendly practices in the workplace, including the breastfeeding facilities provided in Taipei Office.

Appraisal System

An appraisal system is in place for annual assessment of the employees' work performance. The Group reviews employees' salaries based on business growth and market norm. The pay, compensation and benefits are generally above market rates.

Share Incentive Schemes

To motivate members of senior and middle management, the Group has adopted a discretionary share option scheme that gives them options to subscribe for shares in the Company and its operating subsidiaries. To align the interests of the employees with the Group, share award schemes are also adopted to recognise the employees' efforts and contributions. These schemes serve as incentives to attract and retain talented employees for the continual operation and development of the Group.

Employee Relations

Human resources are the Group's most valuable asset. The Group has been putting a lot of efforts into engagement amongst all levels of employees.

On-boarding Process

New hires are engaged with a 30-60-90 robust plan to familiarise them with the corporate cultures during the pre-employment stage. Through the engagement process, they are able to build a strong working relationship with their colleagues and to develop a sense of belonging in the workplace.

Workplace Welfare

A wide range of leisure facilities are provided at workplace to promote healthy lifestyles and for relaxation, including staff canteen, basketball court, swimming pool and gym room. Accommodation and shuttle bus are provided for employees working at remote plant locations.

Staff Engagement

The Group stresses heavily on creating a favourable working environment for its employees. Annual dinner, flea market and basketball tournament were organised to boost employees' morale during the year.

Employee Self Services ("ESS")

ESS Pay Slip and Personal Information Modules are implemented to enhance workplace productivity and efficiency. ESS is particularly beneficial to managers and HR personnel by saving their time in the day-in-day-out paper and manual-based process approval.

Employee Communication

The Group maintains two-way communication with employees through the Slack channel, networking activities and feedback sessions to enhance workplace productivity and for continuous improvement. During the year, mini surveys in relation to specific staff facilities enhancement were conducted and served as pulse checks. The average response rate was 6% and the overall satisfaction rate was 80%.

Turnover

During the year, the overall annual turnover rate was 24.3%, with a total of 587 employees left the Group in the restructuring process. The turnover rates of male and female employees were 19.6% and 31.3% respectively.

B2. Employee Health and Safety

The Group recognises the importance of maintaining high levels of occupational safety and health ("OSH") in all its operations. During the year, the Group did not note any cases of material non-compliance in relation to OSH laws and regulations. The Group strictly complies with national and local laws and regulations, including but not limited to the following:

Hong Kong:

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

Taiwan:

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

Effective OSH Management Approach

The Group has systems and policies in place to manage OSH issues across its entire business operations. The Safety Management Policy stipulates that the Group has the sole responsibility for maintaining a high standard of health and safety at workplace with sufficient resources and proper training. Employees at all levels are encouraged to monitor and report any hazards or potential threats, if any. The Group has adopted the Journalist Health and Safety Guide which applies to all reporters working in high risk or hostile environments.

Acknowledgement on Occupational Health Hazard

The Group makes every effort to provide a healthy and safe working environment. Training is arranged to raise new employees' awareness of OSH issues. Personal protective equipment is widely distributed to workers to provide protection in the workplace. Commonly used equipment and ventilation systems are regularly cleaned and maintained. High-efficiency particular air filter systems for improving indoor air quality in major meeting rooms have been installed in offices in Hong Kong.

In response to the social unrest during the year, the Group arranged seminars and workshops on personal protection and personal legal rights. To tackle the novel coronavirus pandemic, the Group has also taken a series of measures and established a special Slack channel for publishing latest information and arrangement to protect the health of employees and guests.

Severe Weather and Fire Emergency Response

Arrangement and Code of Practice in times of typhoons and rainstorms, and emergency escape in case of fire have been included in Employee Handbook. Regular fire drills are conducted to ensure greater safety consciousness among the employees.

Regular Health Check-up and Monthly Doctor Visit

All employees are entitled to health check-up at least once a year. In Taiwan, nurses are hired to station at offices and they pay visits to printing house three times a month. Monthly doctor visits to office and printing house are arranged for providing on-site medical counselling and regular seminars related to OSH. If the employees' hearing problems are found deteriorating during re-examination, the Group shall transfer the concerned employees to other departments with less noisy working environment.

On-site Qualified First Aider (Hong Kong)

Automated external defibrillators ("AEDs") are installed in the offices and printing houses. Designated employees are provided with regular first-aid training and AEDs user-instructions to cope with emergency issues. As of 31 March 2020, there were 11 security guards trained to use AEDs and qualified as first aiders.

During the year, there were no work-related fatalities. A total of 228.5 working days were lost due to 30 work-related injury cases, including injuries during production and commuting accidents.

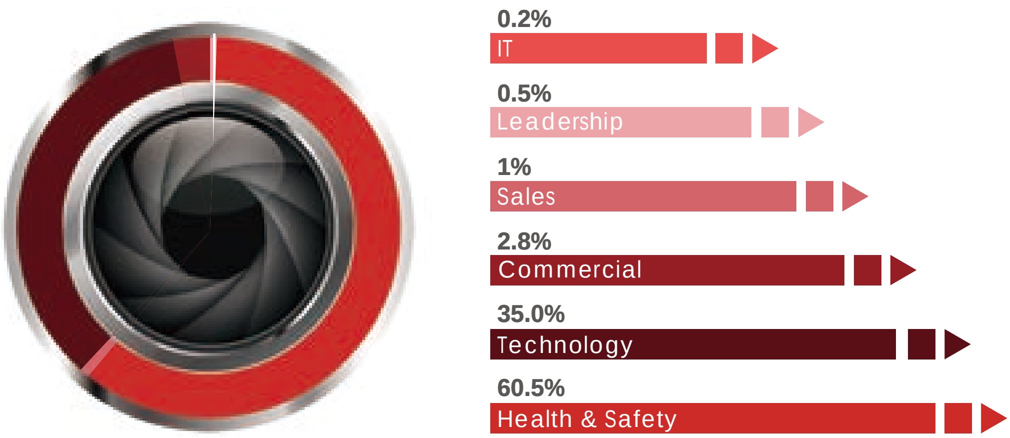
Number of Work-related Injury Cases

B3. Staff Development and Training

The Group provides diverse training sessions and learning activities to employees of all levels to keep them abreast of latest industry trends, knowledge and work skills. Based on business needs and regular internal appraisals, department heads identify individual training needs and arrange suitable training to respective staff. During the year, 96% of training sessions were conducted externally, and employees were supported through education allowances.

OSH-related e-learning sessions have been extended to employees in office operations. Moreover, big data and artificial intelligence learning programmes were organised to empower its employees during the year.

Percentage of Training carried out by Category



B4. Labour Standards

During the year, the Group did not note any cases of material non-compliance relating to preventing child and forced labour. Background and information checks are conducted for new employees by HR Department to ensure compliance with the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) in Hong Kong, as well as Employment Services Act and Labour Standards Act in Taiwan. In case of violation, immediate corrective actions shall be taken. The management shall conduct review on the work procedures of the concerned employees and provide training if necessary. No related incidents were reported during the year.

2. Operating Practices

B5. Supply Chain Management

The Group engaged a total of 1,034 suppliers during the year. Over 90% of the suppliers were from Asia, the rest were from America, Europe and Australia. As the Group's business has evolved to become more digital, the Group has engaged more suppliers related to information and communication technology. For non-digital operation, raw materials such as paper are sourced internationally to ensure steady supply and to safeguard paper quality. All of them strictly adhere to manufacturing processes that pose minimal impact on the environment and comply with ISO 14000 Environmental Management System Standard or equivalent international accreditation.

The Procurement Policy aims at setting directions and regulating procedures. Each supplier shall be assessed and selected based on various parameters such as service, quality, reputation and compliance with health and safety, environmental laws and regulations, as well as annual appraisal on suppliers' performance. The Group regularly reviews and updates the Material Safety Data Sheets of the chemicals used in printing houses.

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

B6. Product Responsibility

The Group did not note any cases of material non-compliance regarding product responsibility during the year. It strictly complies with the related laws and regulations, including but not limited to the Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong), Copyright Ordinance (Chapter 528 of the Laws of Hong Kong), Competition Ordinance (Chapter 619 of the Laws of Hong Kong) and the Editorial Charter.

Upholding Freedom of Expression

Freedom of expression was considered by stakeholders to be the most material topic. The Group persists in effective exercise of the right to freedom of press despite threats to freedom of expression and restricted free flow of information in Hong Kong.

The Editorial Charter reaffirms the Group's unwavering commitment to the pursuit of truth, fairness, accuracy, and to editorial independence. The Group will continue to safeguard these vital core values and to maintain its credibility without compromising editorial integrity for commercial purposes.

Data Protection

Considered as the second most material topic, data protection is emphasised in all of the Group's operations. In accordance with the Personal Data (Privacy) Ordinance as well as all relevant laws and regulations, the Group has stringent privacy and data security standards, policies and procedures in place to govern the collection, use and storage of customer data in order to ensure secure personal information handling and to reduce business risks.

Employee Handbook and the employment contract clearly state that employees are not allowed selling or using the Group's property, including editorial property and customer information without authorisation. To further address stakeholders' concerns, the Group has privacy protection control systems in place for domain and computer access to regulate the use of personal data, and reviews the effectiveness of the system to ensure continuous improvement. During the year, frontline employees and Information & Communication Technology Department personnel were trained on managing sensitive customer and corporate information.

Printing Quality

The Group is notable for its sustainable quality printing and the broad array of printing services it offers to publishers from all over the world. During the year, the Group's newspapers, *Taiwan Apple Daily* and *Apple Daily*, were awarded with the Best in Print Award in Asian Media Awards 2019 by World Association of Newspapers and News Publisher for its excellence in standardised printing. Apple Daily Printing Limited and Apple Daily Publication Development Limited also received the Star Club Membership Award from the 2018 to 2020 International Newspaper Color Quality Club.

Intellectual Property ("IP") Rights

Apart from compliance, the Group's approach to protection of IP rights is highlighted in the Code of Practice and various guidelines for its employees and business partners, aiming to ensure the proper use of computing resources and prohibit the use of illegal or pirated software within the business. Additionally, regular training is provided to raise journalists and editors' consciousness of IP right protection, and to familiarise them with various topics related to IP rights and copyrights.

Customer Service

The Group considers opinions of the readers and customers are vital for improving business development and is committed to listening to their concerns through different channels. A dedicated Customer Growth and Retention Team has been established to increase customer retention and customer satisfaction, with aims to grow subscriber base by constantly improving the subscription process and experience. Readers and customers are kept informed of the latest updates and features regarding their subscription services.

Respond to Readers' Concerns

In pursuit of higher standard of excellence, the Group has a dedicated 24-hour customer service and complaint hotline and a mailbox to address reader's comments or concerns on the media content in a timely manner. In the event of misreporting of news information, the Group undertakes to review and correct it immediately and, if necessary, to issue public letters of apology. A Children and Youth Disciplinary Committee has also been set up by the business operation in Taiwan and regular meetings have been convened to review complaints or opinions from the public and concerned authorities particularly on child-related published contents.

B7. Anti-corruption

The Group strives to maintain high governance standards for the interests of its shareholders and the overall effective management of the Group. The Anti-Corruption Policy, Code of Conduct and the conflict of interest declaration standardised procedure are in place to ensure zero corruption in its business operations and throughout the supply chain.

Due to the job nature, staff in the Procurement Department are subject to more stringent requirements for the sake of effective internal control and avoidance of integrity breaches. The anti-corruption policies are clearly stated in the Employee Handbook, which was signed by employees during recruitment process, as well as in Procurement Policy when engaging suppliers.

The Editorial Charter ensures the journalists and editors observe professional ethics, uphold fairness and editorial integrity. No exchange of interests or collection of improper interests are allowed. The Group takes a zero-tolerance approach to bribery and corruption. The resignation policy clearly stipulates that an employee shall be dismissed if he/she commits any violation of employment contract or work ethics.

A whistle-blowing system is established for reporting any suspected cases of misconduct, malpractice, impropriety, unethical or unfair treatment. All reported cases shall be handled promptly and confidentially to protect the whistle-blowers from retribution or reprisals. The Group strictly adheres to the following local laws and regulations relating to anti-corruption and bribery:

Hong Kong:

- Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong); and
- Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of the Laws of Hong Kong).

Taiwan:

- Criminal Code of the Republic of China; and
- Anti-Corruption Act.

During the year, there were no concluded legal cases regarding corrupt practices. No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to corruption, bribery, fraud and money laundering had been identified during the year.

B8. Community Investment

The Group is keenly aware of its responsibilities to be a good corporate citizen that benefits the community. In 1995, the Group founded the Apple Daily Charitable Foundation (the "Foundation") in Hong Kong. Funded by *Apple Daily*, the principal objective of the Foundation is to provide support for the less privileged members of the community and to give back to the society through various means. *Apple Daily* acts as a main communication portal to gather financial support from the general public. Sharing the same philosophy as the Foundation, Apple Daily Charity Fund (the "Fund") was established in 2003 by *Taiwan Apple Daily* with an initial endowment of NT$15 million.

Hong Kong – Apple Daily Charitable Foundation

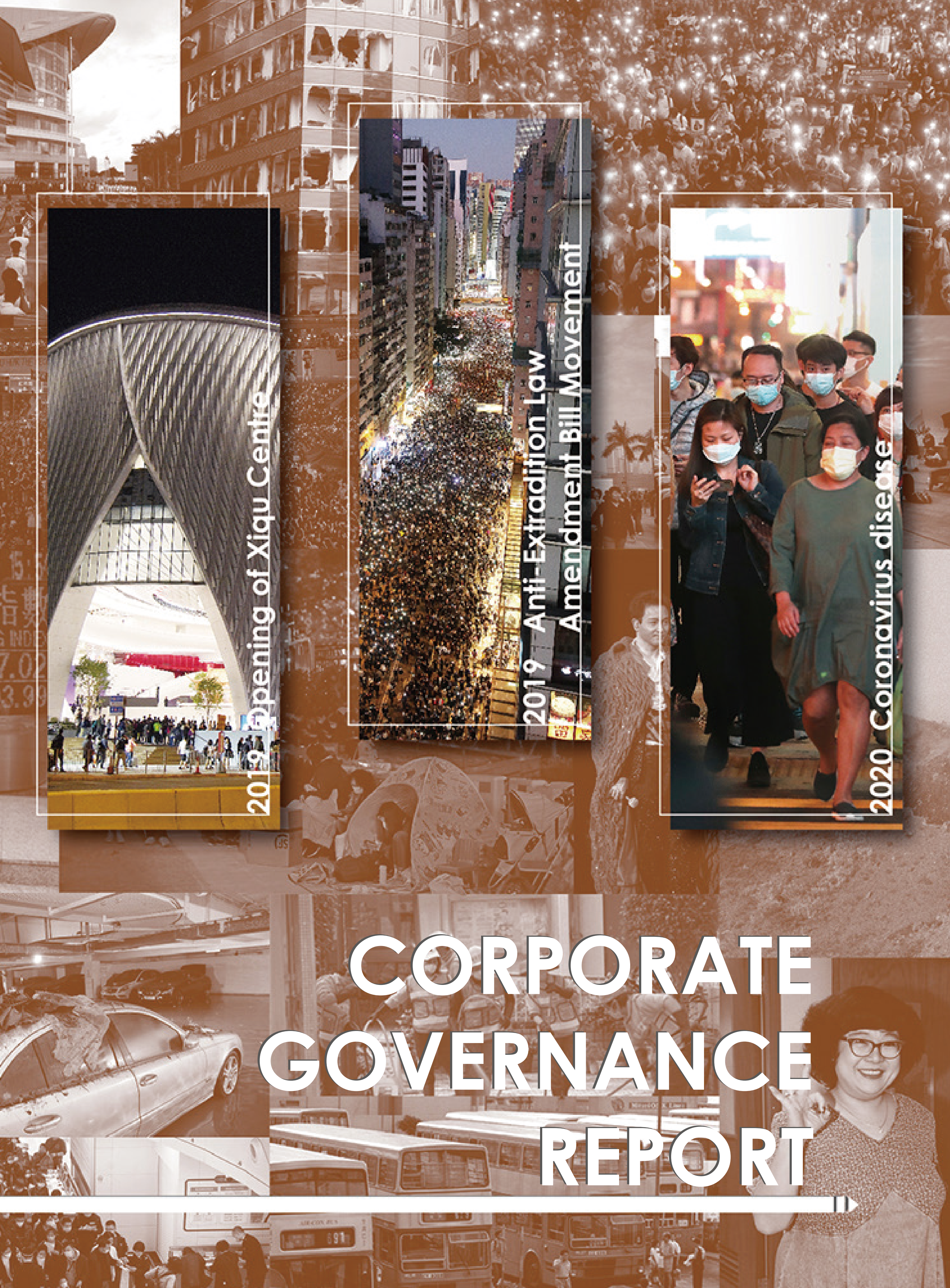
The Foundation's mission is to assist vulnerable people encountering misfortune or calamity to overcome hardship. Apple Grant, the Foundation's bursary scheme, was awarded with the 2019 Asia Responsible Entrepreneurship Award by Enterprise Asia, in recognition of its continuous corporate social responsibility efforts and commitment in assisting local students who experienced financial hardship. During the year, the Foundation donated a total of HK$17.68 million to 225 beneficiaries suffering from serious illness that required immediate or special medical treatment. The Foundation also worked with 109 charities to organise various services to meet the different needs of communities and to fill in the service gaps of existing welfare service provision. The Foundation's Apple Bursaries Scheme also offered bursaries totalling HK$0.66 million to 214 primary and secondary school students as well as undergraduates.

Led by the Foundation, the "Next Digital Volunteer Team", comprising employees from Next Digital, their families and the general public, has proactively reached out and served the community. During the year, the Foundation organised 24 voluntary activities, including large-scale fundraising events and home visits for the underprivileged families.

Taiwan – Apple Daily Charity Fund

During the year, the Fund engaged 42,863 readers in charitable activities with 364,167 times of participation. The total donation amounted to over NT$322 million, which helped supporting 941 impoverished families to overcome difficulties. The Fund also partnered with 170 social welfare groups to assist the underprivileged groups, as well as provide scholarships for 370 students to complete their education. Furthermore, the Fund allocated a total of NT$5 million to 2,209 underprivileged families for enjoying festivals by providing emergency funds, giving away rice dumplings and boxes of mooncakes from non-profit organisations.

2014 Umbrella Revolution
2017 Tso Sing Yu won the WBO International Junior Bantamweight title
2018 Lee Wai Sze won a gold medal in the 18th Asian Games
不告別



CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the applicable provisions of the CG Code throughout the year ended 31 March 2020, 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, the then 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 Articles of Association.

BOARD OF DIRECTORS

As of 31 March 2020, the Board consisted of seven members: two EDs, two NEDs and three INEDs (as of 25 May 2020: three EDs, one NED and three INEDs). Names and other biographical details of the current members of the Board are set out in the "Directors and Senior Management" section on pages 68 to 70 of this report. The current structure and composition of the Board provide it with an appropriate mix of skills, knowledge, experience and diversity. The Board reviews its structure and composition from time to time to ensure that appropriate levels of expertise and independence are maintained.

During the year under review, all INEDs complied with the guidelines for assessing their independence set out in Rule 3.13 of the Listing Rules, and provided the Company with written confirmation regarding their independence. The Nomination Committee also assessed the independence of the INEDs in respect of the year ended 31 March 2020, and opined that all INEDs were independent and that no family, material or other relevant relationships existed between any of them. All NEDs are appointed for a specific term of two years and are subject to retirement by rotation and re-election at the annual general meeting at least once every three years, pursuant to the Articles of Association.

Role of the Board

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

- formulating the Group's strategic objectives;
- directing and monitoring management in pursuit of the Group's strategic objectives;
- ensuring a sound risk management control system; and
- approving the Group's major financial decisions and other significant issues.

The day-to-day management, administration and operation of the Group's business activities and the implementation of its policies are delegated to the Company's Executive Committee and senior management of the Company's subsidiaries. The Board fully supports the management by allowing it to operate and develop the Group's business autonomously within the context of the powers and authorities delegated to it. The management is expected to report back and obtain approval from the Board before any significant decisions or commitments are made. The Board also periodically reviews the authorities delegated to the management to ensure that these remain appropriate.

Chairman and Chief Executive Officer

The posts of Chairman and CEO are distinct and separate, with a clear division of their responsibilities. Mr. Lai acts as Chairman of the Board and is responsible for promoting good corporate governance, providing leadership to the Board and exercising top-level oversight of the management in compliance with the mission and vision of the Group. Mr. Cheung Kim Hung, the CEO of the Group, focuses on implementing the strategies set by the Board, taking charge of the day-to-day management and operation of the Group and leading the management team to ensure that the Group operates in accordance with its strategies.

Board Activities

The Board meets regularly and holds quarterly meetings to review and discuss the Company's operations, financial results and other relevant matters identified by the Directors. Additional meetings may also be arranged at the Directors' request. Through participating in Board meetings and committee meetings, attending general meetings, and participating in continuous professional development, all Directors are able to make their required contributions to the Board and to the development of the Group. The dates of Board meetings for each year are usually proposed by the Company Secretary and agreed by all Directors during the third quarter of the prior year, in order to give all Directors adequate time to plan their schedules in advance.

The Board's proceedings are well defined, pursuant to the CG Code. The draft agendas for regular Board meetings are prepared by the Company Secretary and approved by the Chairman of the Board. The Directors are informed about the draft agenda's contents in advance and consulted about any additional items that they wish to propose for inclusion.

Once the agenda has been finalized, the Company Secretary issues a notice of the Board meeting at least 14 days in advance, and sends to all Directors Board papers containing supporting analysis and related information at least 3 days in advance. During each regular Board meeting, the Chairman of the Board encourages all Directors to make a full and active contribution to the Board's affairs, and takes the lead in ensuring that the Board acts in the best interests of the Company. Directors are encouraged to discuss such matters and express different views at Board meetings, so as to ensure that the Board's decisions fairly reflect the consensus of all Directors. The EDs also report to the Board on their respective business areas, including operations, project progress and financial performance, as well as corporate governance and compliance.

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

Below is an overview of the dates of the various Board/committee/general meetings and the record of member attendance during the year:

	Attendance/Number of Meetings Held					
	Board Meetings	Audit Committee Meetings	Executive Committee Meetings	Nomination Committee Meeting	Remuneration Committee Meeting	Annual General Meeting *(Note 1)*
EDs						
Lai Chee Ying (Chairman) *(Note 2)*	5/7	–	0/0	–	–	0/1
Cheung Kim Hung (CEO)	5/7	–	7/7	1/1	–	1/1
Chow Tat Kuen, Royston (COO and CFO)	7/7	–	7/7	–	*(Note 3)*	1/1
NED						
Ip Yut Kin	6/7	–	–	–	–	1/1
INEDs						
Louis Gordon Crovitz	7/7	2/2	–	*(Note 3)*	1/1	1/1
Mark Lambert Clifford	7/7	2/2	–	1/1	–	1/1
Lam Chung Yan, Elic	7/7	2/2	–	–	1/1	1/1
Attendance Rate:	**90%**	**100%**	**100%**	**100%**	**100%**	**86%**

Notes:

1. *Deloitte Touche Tohmatsu, the then independent auditor of the Company attended the 2019 AGM to answer questions from the Shareholders.*

2. *Mr. Lai was re-designated as an ED with effect from 25 May 2020.*

3. *The Director did not participate in discussions on a business matter in where there was a conflict of interest.*

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

During the year, the INEDs have met once with the Chairman of the Board without the presence of other Directors, to consider and discuss various matters in respect of the management and corporate governance of the Company.

BOARD COMMITTEES

The Board has established the Executive Committee that comprises all executive directors on the Board. Under its terms of reference, the Executive Committee is responsible for overseeing the management and daily operations of the Group and any other matters delegated by the Board. In addition to the Executive Committee, the Board has set up the Audit Committee, the Remuneration Committee, the Nomination Committee and other committee to act as integral elements of good corporate governance and to oversee relevant aspects of the Company's affairs.

Audit Committee

(i) Structure and Membership

The Audit Committee was established in March 1999 and is chaired by Mr. Lam Chung Yan, Elic, who possesses the professional qualifications and financial management expertise required under the Listing Rules, and other members of the Committee are Mr. Louis Gordon Crovitz and Dr. Mark Lambert Clifford. All members are INEDs and are not, or have not been, a member of the Company's current or previous independent auditor.

(ii) Audit Committee's Functions

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

(iii) Audit Committee's Activities

During the year under review, the Audit Committee has considered and/or endorsed the following matters before they were submitted to the Board, where appropriate, for its consideration:

- The Group's audited consolidated financial statements for the year ended 31 March 2019;
- The continuing connected transactions of the Group for the year ended 31 March 2019;
- Valuations of mastheads and publishing rights of the Group and award shares valuation report of the Company for the year ended 31 March 2019;
- The Group's internal control and risk management systems for the year ended 31 March 2019;
- The Group's unaudited consolidated interim results for the six months ended 30 September 2019;
- The engagement of the independent auditor and related fees for the year ended 31 March 2019 and for the six months ended 30 September 2019; and
- The change of independent auditor.

The CFO and the Deputy Chief Financial Officer were invited to attend these meetings to give a full account of the financial statements and answer the Audit Committee's questions. The Audit Committee reviews the service fees and independence of the independent auditor on an annual basis. Working closely with the independent auditor and internal auditor, the Audit Committee also reviews the adequacy and effectiveness of Next Digital's internal control and risk management measures.

Nomination Committee

(i) Structure and Membership

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

(ii) Nomination Committee's Functions

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board and making recommendations to the Board regarding the appropriateness of Board's skills and experience in relation to the requirements of the Group's business, as and when appropriate. Full details of the Nomination Committee and its terms of reference can be found on Next Digital's website at www.nextdigital.com.hk/investor, as well as on the Stock Exchange's website.

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

The Company has also adopted a Board Diversity Policy setting out the Company's approach to achieving Board diversity. The selection of candidates for the Board will be based on a range of diversity perspectives, including, but not limited to, gender, age, cultural and educational background, professional experience, skills, knowledge and other qualifications. The Company will also take into account factors relating to its own business model and specific needs from time to time. The Board may seek to improve one or more aspects of its diversity at any given time and measure its progress accordingly. Further details of this policy can be found on the Company's website.

(iii) Nomination Committee's Activities

During the year under review, the Nomination Committee has reviewed and discussed, among other matters, the following matters:

- Directors' nomination and related matters;
- The additional position of Mr. Chow Tat Kuen, Royston; and
- The renewal of a term of appointment of NED.

Remuneration Committee

(i) Structure and Membership

The Remuneration Committee was established in March 2005 and currently comprises two INEDs, Mr. Louis Gordon Crovitz and Mr. Lam Chung Yan, Elic and one ED, Mr. Chow Tat Kuen, Royston. It is chaired by Mr. Louis Gordon Crovitz.

(ii) Remuneration Committee's Functions

The Remuneration Committee is responsible for reviewing and developing all policies relating to the remuneration of the Company's Directors and senior management. The Remuneration Policy for EDs is determined with reference to the Group's performance, duties and level of responsibility of the EDs and the prevailing market conditions. Compensation for NEDs is determined with reference to their individual duties and level of responsibility with the Company. In order to provide remuneration and compensation packages that are sufficiently competitive to attract, retain and motivate high quality executives to serve the Group, the remuneration of the Company's Directors and senior management is reviewed annually. Full details of the Remuneration Committee and its terms of reference can be found on Next Digital's website at www.nextdigital.com.hk/investor as well as on the Stock Exchange's website.

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

(iii) Remuneration Committee's Activities

During the year under review, the Remuneration Committee considered and/or endorsed the following matters before they were submitted to the Board, where appropriate, for its consideration:

- The issue of share options to EDs;
- The Directors' fee for the year ending 31 March 2021; and
- The 2020/21 Salary Review of the Group.

Other Committee

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

Corporate Governance Function

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

1. To develop and review the Company's policies and practices on corporate governance;
2. To review and monitor the training and continuous professional development of Directors and senior management;
3. To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
4. To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
5. To review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

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

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

TRANSPARENCY AND FAIRNESS

Material Interests

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

Time Commitment

To ensure that every Director can give sufficient time and attention to the Company's affairs, each Board member is required to make a disclosure to Next Digital every six months regarding the number and nature of the offices they hold in other public companies or organisations. They are also required to declare all of their other significant commitments, including the identity of the public companies or organisations concerned. During the year under review, none of the Directors held any directorships or offices in any other public companies or organisations except Mr. Louis Gordon Crovitz, who is also a director of Marin Software and Houghton Mifflin Harcourt. The shares of these companies are listed on the NASDAQ.

Securities Transactions

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

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

Voting by Poll

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

To ensure that votes were counted correctly, the Company's share registrar was appointed to scrutinize voting at the 2019 AGM.

Dividend Policy

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

Directors' Training and Continuous Development

Upon appointment to the Board, Directors are provided with comprehensive induction package to ensure that they have a thorough understanding of the Group's operations and governance policies as well as their role and responsibilities. As and when necessary, the Company also arranges seminar sessions for all Directors at the Company's cost. Conducted by qualified professionals, these sessions are designed to relate to the roles, functions and duties of Directors so as to ensure that their skill sets and knowledge remain consistent with all relevant legal and regulatory requirements. From time to time, the Company Secretary also provides updates to all Directors about any new developments concerning applicable laws, rules and regulations.

The Company has kept records of such training, which were provided by each Director for the year ended 31 March 2020. These were as follows:

	Corporate Governance/Updates on Laws, Rules and Regulations/Management	
	Reading Materials/ E-learning	Attending Seminars
EDs		
Lai Chee Ying (Chairman)	✔	✔
Cheung Kim Hung (CEO)	✔	✔
Chow Tat Kuen, Royston (COO and CFO)	✔	✔
NED		
Ip Yut Kin	✔	✔
INEDs		
Louis Gordon Crovitz	✔	✔
Mark Lambert Clifford	✔	✔
Lam Chung Yan, Elic	✔	✔

Company Secretary

Mr. Chow Tat Kuen, Royston also acts as the Company Secretary of the Company. His primary company secretarial responsibilities are to ensure the effective conduct of Board/committee meetings and general meetings pursuant to the Group's policies and procedures, to prepare and maintain records of minutes, and to advise the Board on compliance under the applicable laws, rules and regulations in a way that keeps the Board abreast of the Group's operations and ensures its adherence to the CG Code.

During the year under review, Mr. Chow has undertaken not less than 15 hours of relevant training in areas relating to financial and corporate governance matters, as well as to the management of listed companies.

Independent and Professional Advice

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

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, save as the disclosed in note 2 to the Financial Statements, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The statement of the independent auditor of the Company, CCTH, about its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 84 to 89.

MONTHLY FINANCIAL UPDATES TO DIRECTORS

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

AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT

Independent Auditor

During the year, CCTH was appointed as the auditor of the Company on 16 December 2019 to fill the casual vacancy following the resignation of Deloitte Touche Tohmatsu on the same date. Details of which were disclosed in the Company's announcement dated 16 December 2019.

For the year ended 31 March 2020, the total fees paid and payable to Deloitte Touche Tohmatsu amounted to a total of HK$1,565,000, of which HK$770,000 was for audit services and HK$795,000 for non-audit services including agreed-upon procedures on the interim financial report and financial consultancy services and the total fees paid and payable to the CCTH amounted to a total of HK$1,650,000, for audit services.

Baker Tilly Hong Kong has been appointed by the Company to provide taxation services. For the year ended 31 March 2020, the total fees paid and payable to Baker Tilly Hong Kong for taxation services amounted to HK$212,200.

Internal Control and Risk Management

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

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

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

During the year, the externally-engaged professional firm conducted reviews of the Group's risk management and internal control systems according to the internal audit plan by (i) evaluating the control environment and risk identification and assessment processes; (ii) assessing the adequacy of risk response measures and internal controls; and (iii) testing the implementation of such measures and the functioning of key controls through audit sampling. It reported to the Audit Committee on the results of its assessment management rectification plans, and on the implementation status of follow-up actions based on its control recommendations. In addition, a representative from the professional firm attended Audit Committee meetings twice during the financial year to report on its progress. The key risks identified, managed and monitored during the year included the market demand and competition, advertising sales and marketing, subscription and other online revenue, security of the Group's data and networks as well as human resources strategy and planning. The Group has taken active steps to address these areas of concern and did not find any material impact to the Group's operation.

The Audit Committee, supported by the professional firm, reviewed the adequacy of the resources, qualifications, experience and training requirements of staff responsible for financial, operational and compliance processes as well as the budget of the Company's accounting and financial reporting function.

During the year under review, the Board conducted a biannual review of the effectiveness of the Group's risk management and internal control systems and determined that the Group has complied with the provisions on risk management and internal control as stipulated in the CG Code. The Board is satisfied that no significant irregularities were found in the Group's risk management and internal control systems.

COMMUNICATIONS WITH SHAREHOLDERS

Annual General Meeting

Next Digital has always strived to maintain an amicable and open relationship with its Shareholders. The Company's annual general meeting provides a forum at which Board members and Shareholders can share opinions and ideas. Shareholders are invited to direct questions to the Board at the annual general meeting. Those available to answer such questions include not only the EDs but also the Chairmen of the relevant committees and the Company's independent auditor.

Investor Relations

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

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

Address:	1/F., 8 Chun Ying Street, Tseung Kwan O Industrial Estate, Tseung Kwan O, New Territories, Hong Kong
Email:	ir@nextdigital.com.hk
Fax:	(852) 2623 9386

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

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

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

Shareholders' Rights

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

(i) Procedures for proposing a resolution at an annual general meeting;
(ii) Procedures for election of Directors; and
(iii) Procedures for convening an extraordinary general meeting on requisition.

DIRECTORS' AND OFFICERS' INSURANCE

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

HONG KONG
香港

The Society of Publishers in Asia (SOPA)
亞洲出版業協會
2019 Awards for Editorial Excellence
2019年卓越新聞獎

Excellence in Human Rights Reporting Group C
卓越人權報道C組
Award for Excellence: *Apple Daily*
卓越獎：*《蘋果日報》*
Theme: Hong Kong in Political Storm: Beijing Disqualifies the Entire Younger Generation
主題：DQ風暴　中共政治清算一整代香港人

Excellence in Explanatory Reporting Group C
卓越解釋性報道C組
Award for Excellence: *Apple Daily*
卓越獎：*《蘋果日報》*
Theme: Controversy over the World's First Gene-edited Twins: a Critical Review
主題：全球首對基因編輯女嬰誕生　惹爭議

Excellence in Reporting Breaking News Group C
卓越突發新聞C組
Award for Excellence: *Apple Daily*
卓越獎：*《蘋果日報》*
Theme: African Swine Fever Inches Closer to Hong Kong
主題：非洲豬瘟疫情逼近香港

Excellence in Reporting Breaking News
卓越突發新聞
Honorable Mention: *Apple Daily*
榮譽獎：*《蘋果日報》*
Theme: HK devastated by Typhoon Manghkhut
主題：山竹襲港系列：我城滿目瘡痍　政府救災不力

Hong Kong Press Photographers Association
香港攝影記者協會
Focus At The Frontline 2018
《前線 • 焦點2018》

Breaking News
突發新聞
Merit: *Apple Daily*
優異獎：*《蘋果日報》*
主題：2018年12月15日深水埗街頭天降鈔票

Feature
特寫
2nd Runner-up: *Apple Daily*
季軍：*《蘋果日報》*
主題：鄭若驊就職

Nature and Environment
自然與環境
Champion: *Apple Daily*
冠軍：*《蘋果日報》*
主題：2018年9月19日－超強颱風山竹襲港兩日，全港中小學復課，兩名學生在倒塌樹堆中尋找上學的路

The 19th Consumer Rights Reporting Awards
第19屆消費權益報道獎

Sustainable Consumer News Awards – News Photography Category
可持續消費新聞獎－新聞攝影組別
News Photography
新聞攝影
Gold Winner: *Apple Daily*
金獎：*《蘋果日報》*
主題：反魚翅請願

The 23rd Human Rights Press Awards
第23屆人權新聞獎

Breaking News Writing (Chinese)

突發新聞(中文)

Winner: *Apple Daily*

大獎:*《蘋果日報》*

Theme: Liu Xia Arrives in Germany for Treatment; Fulfilling Liu Xiaobo's Last Wish; Freedom in the End

主題:劉霞抵德醫病　圓劉曉波遺願　自由了

Investigative Feature Writing (Chinese)

調查專題(中文)

Merit: *Apple Daily*

優異獎:*《蘋果日報》*

Theme: Series: Scandal of the Shatin to Central Link

主題:沙中綫工程醜聞系列報道

The Hang Seng University of Hong Kong
香港恒生大學
The 3rd Business Journalism Awards of The Hang Seng University of Hong Kong
第3屆恒大商業新聞獎

Best Visual Design of Business News Reporting (Motion)

最佳商業新聞視覺設計(動態)

Gold Award: *Apple Daily*

金獎:*《蘋果日報》*

主題:Fintech Jargon系列

World Association of Newspapers and News Publisher (WAN-IFRA)
世界報業暨新聞出版協會
Asian Media Awards 2019
2019年亞洲媒體大獎

Best in Print – Circulation below 150,000 copies

最佳印刷－印刷15萬份以下

Gold Award: *Apple Daily*

金獎:*《蘋果日報》*

2018 to 2020 International Newspaper Color Quality Club (INCQC)
2018至2020國際報業色彩品質協會

Star Club Membership Award: Apple Daily Printing Limited

Star Club會員獎:蘋果日報印刷有限公司

NewsMediaWorks (Australia) News Media Awards 2019

Technical Finalists – Best Run of Press (OPEN): *Apple Daily*

Print Centre: Apple Daily Printing Hong Kong

Publisher: Apple Daily Limited

The 31st Hong Kong Print Awards
第31屆香港印製大獎

Newspaper Printing

報紙印刷

Merit: *Apple Daily*

優異獎:*《蘋果日報》*

TAIWAN
台灣

Taiwan Press Photographer Association
台灣新聞攝影協會
Taiwan Press Photo Contest 2019
2019台灣新聞攝影大賽

Art Culture and Entertainment: 1st Runner-up and 2nd Runner-up

藝術文化與娛樂新聞:第二及三名

Feature Photography: Merit

圖文特寫:優選

Sports News: 1st Runner-up and Merit

體育新聞:第二名及優選

Internet Video News Feature:

網路影音新聞專題:

1st Runner-up

第二名

主題:流浪漢娶水某　趁熱打鐵奮起變鍋王

Merit

優選

主題:紅螞蟻合唱團吉他手

Portrait: Merit

肖像:優選

Winner: *Taiwan Apple Daily*

得獎者:*《台灣蘋果日報》*

World Association of Newspapers and News Publisher (WAN-IFRA)
世界報業暨新聞出版協會
Asian Media Awards 2019
2019年亞洲媒體大獎

Best in Print – Circulation above 150,000 copies

最佳印刷－印刷15萬份以上

Gold Award: *Taiwan Apple Daily*

金獎：*《台灣蘋果日報》*

Newspaper Feature Article

最佳專題報導

Bronze Award: *Taiwan Apple Daily*

銅獎：*《台灣蘋果日報》*

Theme: MeToo in Taiwan: Stories of Three Migrant Workers

主題：囚島移工：3個被性侵的母親

2018 to 2020 International Newspaper Color Quality Club (INCQC)
2018至2020國際報業色彩品質協會

Star Club Membership: Apple Daily Publication Development Limited

Star Club會員獎：蘋果日報出版發展有限公司

台灣扶輪公益新聞金輪獎

平面報紙媒體報導獎

一般題材類佳作：*《台灣蘋果日報》*

主題：酒駕入監關不怕，十年飆2.5倍

The 23rd Human Rights Press Awards
第23屆人權新聞獎

Multimedia (Chinese)

多媒體類（中文組）

Winner: *Taiwan Apple Daily*

大獎：*《台灣蘋果日報》*

Theme: MeToo in Taiwan: Stories of Three Migrant Workers

主題：囚島移工：3個被性侵的母親

The Society of Publishers in Asia (SOPA)
亞洲出版業協會
2019 Awards for Editorial Excellence
2019年卓越新聞獎

Excellence in Reporting on the Environment Group C

卓越環境報道C組

Honorable Mention: *Taiwan Apple Daily*

榮譽獎：*《台灣蘋果日報》*

Theme: Taiwan · The World's Dumping Ground

主題：台灣 • 世界垃圾場

第3屆全球華文永續報導獎

「融媒體類」優等獎：*《台灣蘋果日報》*

主題：荒地金磚2.0：鋤不動的鑽石田

Taiwan Medical Association
中華民國醫師公會全國聯合會
2019年台灣醫療報導獎

「新聞媒體類特優獎」：*《台灣蘋果日報》*

主題：和老天搶人　俠醫揹加壓艙救高山症

2019年消費者權益報導獎

平面媒體類－平日報導獎佳作：*《台灣蘋果日報》*

主題：露得清含「合成蠟」微粒，因*《蘋果新聞網》*追查環署發函業者禁用及《馬自達水箱噴水瑕疵召回》

平面媒體類－專題報導獎佳作：*《台灣蘋果日報》*

主題：亞培安素變質，因*《蘋果新聞網》*追查，亞培承諾改善及台北市衛生局公布「食品安全通報原則」

平面媒體類－熱心報導獎：*《台灣蘋果日報》*

主題：全台鬧蛋荒　蛋商祭限購措施等消保新聞逾80篇

第45屆曾虛白先生新聞獎暨2019台達能源與氣候特別獎

新媒體類－公共服務報導獎：*《台灣蘋果日報》*

主題：囚島移工：3國移工在台血淚實錄

新媒體類－台達能源與氣候特別獎：*《台灣蘋果日報》*

主題：GPS解密回收黑幕

The 18th Excellent Journalism Award

第18屆卓越新聞獎

平面及網路(文字)類的調查報導獎

主題：GPS臥底追蹤資源回收黑幕

Management Magazine

《管理雜誌》

消費者心目中理想品牌(報紙)第一名：*《台灣蘋果日報》*

NewsMediaWorks (Australia) News Media Awards 2019

Technical Finalists – Best Run of Press (OPEN): *Taiwan Apple Daily*

Print Centre: Apple Daily Printing Taiwan

Publisher: Apple Daily Publication Development Limited, Taiwan Branch

ANNUAL AND INTERIM REPORT AWARDS

年報及中期報告獎

2019 International ARC Awards

2019年ARC國際獎

Annual Report – Interior Design: Media Company/Conglomerate

年報－室內設計：媒體公司／集團

Gold Winner: Next Digital Limited

金獎：壹傳媒有限公司

Publication: 2017/18 Annual Report

作品：2017/18年報

Annual Report – Printing & Production : Media Company/Conglomerate

年報－印刷與製作：媒體公司／集團

Gold Winner: Next Digital Limited

金獎：壹傳媒有限公司

Publication: 2017/18 Annual Report

作品：2017/18年報

Annual Report – Non-Traditional Annual Report: Media Company/Conglomerate

年報－非傳統年報：媒體公司／企業集團

Gold Winner: Next Digital Limited

金獎：壹傳媒有限公司

Publication: 2017/18 Annual Report

作品：2017/18年報

Annual Report – Cover Photo/Design: Media Company/Conglomerate

年報－封面圖片／設計：媒體公司／集團

Silver Winner: Next Digital Limited

銀獎：壹傳媒有限公司

Publication: 2017/18 Annual Report

作品：2017/18年報

EXECUTIVE DIRECTORS

Mr. Lai Chee Ying, aged 72, was appointed a Non-executive Director of the Company and Non-executive Chairman of the Group in February 2018 and was re-designated as an Executive Director of the Company on 25 May 2020. He is the founder of the Company and a member of the Executive Committee. He was an Executive Director and the Chairman of the Company from 1999 to 2014. As Chairman, Mr. Lai is mainly responsible for leading the Board and providing strategic direction to the Group. Mr. Lai entered the print media industry by launching *Next Magazine* in 1990 and subsequently launched several other popular magazines and extended the boundaries of the Group's operations from Hong Kong to Taiwan. Prior to founding his publishing business, Mr. Lai had a distinguished 30-year career in the garment industry, establishing and running the hugely successful Giordano retail chain.

Mr. Cheung Kim Hung, aged 58, was appointed the Deputy Chief Executive Officer of the Group in October 2017 and became an Executive Director of the Company and the Chief Executive Officer of the Group in February 2018. He is a member of the Executive Committee and the Nomination Committee, as well as serves as a Director of several subsidiaries of the Company. As Chief Executive Officer, Mr. Cheung is mainly responsible for the strategic planning of the Group's various business units and day-to-day management of its operations. He is also the Publisher of *Apple Daily* and has been the Chief Executive Officer – Publishing since June 2016 to oversee the Group's newspapers and magazines operations in both Hong Kong and Taiwan. Mr. Cheung worked in the Group from 1991 to 2005 and rejoined in 2010. He has over 25 years of journalist experience. Mr. Cheung graduated from The Chinese University of Hong Kong with a Bachelor's degree in Social Science (Journalism).

Mr. Chow Tat Kuen, Royston, aged 62, was appointed an Executive Director of the Company in January 2016 and became Group Chief Operating Officer in October 2019. He is a member of the Executive Committee and the Remuneration Committee and serves as a Director of several subsidiaries of the Company. He is also the Company Secretary of the Company and Chief Financial Officer of the Group, as well as the Chief Operating Officer of Apple Daily Printing Limited and Paramount Printing Company Limited. Mr. Chow is mainly responsible for overseeing the Group's financial management, financial functions and governance, corporate compliance, sales, business development as well as daily operation of printing business. Prior to joining the Group in 1992, he held senior management accounting positions with several leading financial institutions in Hong Kong and Australia. Mr. Chow graduated from the University of New South Wales, Australia with a Bachelor's degree of Commerce in Accounting and a Master's degree of Commerce in Finance. He is also a fellow of the CPA Australia and The Hong Kong Institute of Certified Public Accountants.

NON-EXECUTIVE DIRECTOR

Mr. Ip Yut Kin, aged 68, was appointed a Non-executive Director of the Company in June 2016. He serves as a Director of several subsidiaries of the Company. Mr. Ip was Non-executive Chairman of the Group from June 2016 to January 2018 and was a member of the Audit Committee from April 2017 to September 2018. Prior to the aforesaid appointments, he was an Executive Director of the Company and the Chief Executive Officer – Print Media to oversee the Group's newspapers, magazines and print operations in both Hong Kong and Taiwan, as well as the Publisher of *Apple Daily*. Before he joined the Group in 1995, Mr. Ip worked with many leading Hong Kong newspapers during a long journalistic career that spanned more than 40 years. He graduated from the National Chengchi University of Taiwan with a Bachelor's degree in Social Sciences (Journalism).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Louis Gordon Crovitz, aged 61, was appointed an Independent Non-executive Director of the Company in March 2018. He is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. Mr. Crovitz is also lead independent director of Marin Software (an online advertising company). He is currently a director of Houghton Mifflin Harcourt (a global learning company) and was its interim chief executive officer from 2016 to 2017. The shares of these companies are listed on the NASDAQ. Mr. Crovitz is also a co-founder and co-chief executive officer of NewsGuard Technologies, a provider of information about the news brands consumers access online. He, being the former Publisher of *The Wall Street Journal* and Executive Vice President of Dow Jones & Company, Inc. and President of its Consumer Media Group, has been active in digital media since the early 1990s. Mr. Crovitz is a holder of a juris doctor from Yale Law School, a Bachelor of Arts in Jurisprudence from the University of Oxford and an artium baccalaureus in Politics, Economics, Rhetoric and Law from the University of Chicago.

Dr. Mark Lambert Clifford, aged 62, was appointed an Independent Non-executive Director of the Company in May 2018. He is the Chairman of the Nomination Committee and a member of the Audit Committee of the Company. He is also the executive director of the Hong Kong-based Asia Business Council. Previously he was editor-in-chief of the *South China Morning Post*; prior to that he was publisher and editor-in-chief of *The Standard* and held senior positions at *Business Week* and the *Far Eastern Economic Review* (in Hong Kong and Seoul). Dr. Clifford is a prize-winning journalist and author, whose latest book is *The Greening of Asia*. He is also the chairman of the editorial board of the *Asian Review of Books*, and a member of the Council on Foreign Relations in New York. He has over 25 years of experience in journalism. Dr. Clifford graduated from the University of California, Berkeley with a Bachelor of Arts in History and was a Walter Bagehot Fellow in Economic and Business Journalism at Columbia University. Dr. Clifford obtained a degree of Doctor of Philosophy from the University of Hong Kong in December 2019 and was awarded Wang Gungwu Prize for Postgraduate Students in History for 2018/19.

Mr. Lam Chung Yan, Elic, aged 41, was appointed an Independent Non-executive Director of the Company in May 2018. He is the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Mr. Lam is also the co-founder of the Forlam Group which provides risk management solutions and consulting services to companies in the financial sector and the co-founder of Synapse Group which provides services of data analysis, big data and data artificial intelligence software. He has been holding senior management positions in professional firms for over 11 years. Mr. Lam graduated from The University of Sydney, Australia with a Master's degree in Project Management and graduated from Tamkang University, Taiwan with a Bachelor's degree of Business in Accounting. He is a fellow of the CPA Australia, a member and a Certified General Accountant of the CPA Canada and a chartered accountant of the Malaysian Institute of Accountants. Mr. Lam is also a member of Australian Institute of Company Directors.

SENIOR MANAGEMENT

Ms. Chan Pui Man, aged 50, is the Associate Publisher of *Apple Daily*. She joined the Group in 1996 as a senior reporter of *Apple Daily*. Ms. Chan graduated from The Chinese University of Hong Kong with a Bachelor's degree in Business Administration.

Mr. Law Wai Kwong, Ryan, aged 47, is the Editor-in-Chief of *Apple Daily*. He joined the Group in 2000 as a reporter of *Apple Daily*. Mr. Law graduated from the University of Hong Kong with a Bachelor's degree in Arts.

Mr. Cheung Chi Wai, Nick, aged 52, is the Platform Director of *Apple Daily Digital*. He joined the Group in 1995 and served entertainment section of *Apple Daily*. Since 2013, Mr. Cheung has been in charge of online division of *Apple Daily*. He graduated from Lingnan College (currently known as Lingnan University).

Ms. Wong Lai Sheung, Louise, aged 48, is currently the Publisher of *Next Magazine*. Ms. Wong worked in the Group from August 1995 to September 1997 and from February 1998 to October 2017 and rejoined in October 2018. She has over 20 years of experience in journalism and media. Ms. Wong graduated from the University of Hong Kong with a Bachelor's degree in Social Sciences. In 1999, she was awarded the Chevening Scholarship by the British government to study journalism in the University of Sheffield. In 2006, she obtained a certificate for a magazine program from the Media Management Centre, Kellogg School of Management of the Northwestern University in the United States.

Mr. Mak King Hing, Mark, aged 46, is the Associate Publisher and Editor-in-Chief of *Next Magazine*. He joined the Group in 1997 as a reporter of *Next Magazine*. Mr. Mak was Deputy Editor-in-Chief of *Next Magazine* and *Sharp Daily* and Executive Editor of *East Week Magazine*. He studied at Department of Journalism and Communication at Hong Kong Shue Yan College (currently known as Hong Kong Shue Yan University) in Journalism and Communication.

Mr. Chen Yu Hsin, Eric, aged 59, is the Publisher of *Taiwan Apple Daily*. He joined the Group in 2001 and was Editor-in-Chief of *Taiwan Apple Daily* and Editor-in-Chief and Co-President of Next TV. Prior to joining the Group, Mr. Chen was Editor-in-Chief of *The Journalist, Tomorrow Times* and *Power News* respectively. Mr. Chen graduated from the National Taiwan University with a Bachelor's degree in Political Science.

Mr. Chiu Ming Huei, Vincent, aged 55, is the Editor-in-Chief, Digital. He joined the Group in 2001 and was the Editor-in-Chief and Publisher of *Taiwan Next Magazine*. Prior to joining the Group, he was Deputy Executive Editor-in-Chief of *The Journalist* and Deputy Editor-in-Chief of *Tomorrow Times*. Mr. Chiu graduated from the Fu Jen Catholic University, Taiwan with a Bachelor's degree in Mass Communication.

Ms. Chan Wai Man, Connie, aged 45, is the Chief ICT Officer of the Group. Ms. Chan worked in the Group from September 2010 to February 2018 and rejoined in January 2019. She handled large-scale media and digital application development at tvb.com and The Hong Kong Polytechnic University. Ms. Chan graduated from City University of Hong Kong with a Bachelor's degree of Science (Honors) in Information Technology and from The Manchester Metropolitan University with a Bachelor's degree in Laws. She is also a board member of The Interactive Advertising Bureau of Hong Kong.

DIRECTORS

Executive Directors
Lai Chee Ying (Chairman)
Cheung Kim Hung (CEO)
Chow Tat Kuen, Royston (COO and CFO)

Non-executive Director
Ip Yut Kin

Independent Non-executive Directors
Louis Gordon Crovitz
Mark Lambert Clifford
Lam Chung Yan, Elic

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Cheung Kim Hung
Chow Tat Kuen, Royston

COMPANY SECRETARY

Chow Tat Kuen, Royston

INDEPENDENT AUDITOR

CCTH CPA Limited

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

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$0.161 per Share (closing price on 31 March 2020)	HK$0.42 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	Number of Shares
HK$0.420	1,500,000
HK$0.274	28,467,152
Total:	29,967,152

The Directors present their report and Financial Statements for the year ended 31 March 2020.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

The Company's principal activity is to operate as an investment holding company. The activities of its principal subsidiaries are set out in note 43 to the Financial Statements.

The Group's performance for the year is analysed by business and geographical segments in note 7 to the Financial Statements. The Management Discussion and Analysis ("MD&A") on pages 6 to 17 describes the material factors underlying the Group's performance and its financial position.

BUSINESS REVIEW

A fair review of the Group's business as required by Schedule 5 of the CO, comprising a discussion and analysis of the Group's performance during the year, a description of the principle risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 March 2020 (if any) as well as an indication of likely future developments of the Group's business are set out in the sections headed "Chairman's Statement" and "MD&A" of this annual report. An analysis of the Group's performance using financial key performance indicators is provided in the sections headed "Financial Highlights", "Financial Review of MD&A" and "Five-year Financial Summary" of this annual report.

A discussion on the Group's environmental policies and performance as well as an account of the Group's key relationships with its employees, customers and suppliers and others that have a significant impact on the Group and on which the Group's success depends are set out in the section headed "Environmental, Social and Governance Report" of this annual report.

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

RESULTS AND APPROPRIATIONS

The Group's results for the year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 90 to 91.

No interim dividend was paid to the Shareholders during the year (2019: nil).

The Directors have resolved not to recommend the payment of a final dividend for the year ended 31 March 2020 (2019: nil).

DISTRIBUTABLE RESERVES

There was no distributable reserves of the Company at 31 March 2020, calculated under Part 6 of the CO (2019: nil).

Details of changes in the Company's distributable reserves during the year are set out in note 35 to the Financial Statements.

DONATIONS

Donations for charitable and other purposes made by the Group during the year amounted to HK$3,423,000 (2019: HK$2,655,000).

MAJOR CUSTOMERS AND SUPPLIERS

The Group's five largest customers accounted for 9.4% of its revenue, and its five largest suppliers accounted for 10.0% of its total purchases during the year. The Group's largest customer accounted for 2.6% of its revenue, and its largest supplier accounted for 3.9% of its total purchases during the year.

None of the Directors, their close associates or the Shareholders, who to the knowledge of the Directors own more than 5.0% of the issued Shares, had an interest in any of the abovementioned suppliers or customers.

PROPERTY, PLANT AND EQUIPMENT

Details of changes in the Group's property, plant and equipment during the year are set out in note 19 to the Financial Statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last five financial years is set out on page 190.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 33 to the Financial Statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

EQUITY-LINKED AGREEMENT

Other than the share option scheme of the Group as disclosed below, no equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the year or subsisted at the end of the year.

DIRECTORS

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

Executive Directors:

Mr. Lai Chee Ying (Chairman) (re-designated on 25 May 2020)
Mr. Cheung Kim Hung (CEO)
Mr. Chow Tat Kuen, Royston (COO and CFO)

Non-executive Director:

Mr. Ip Yut Kin

Independent Non-executive Directors:

Mr. Louis Gordon Crovitz
Dr. Mark Lambert Clifford
Mr. Lam Chung Yan, Elic

The NED and all INEDs have a term of service of two years with the Company and are subject to the retirement by rotation requirement in accordance with the Articles of Association.

In accordance with Articles 84 and 85 of the Articles of Association, Mr. Cheung Kim Hung, Mr. Louis Gordon Crovitz and Dr. Mark Lambert Clifford will retire at the 2020 AGM and, being eligible, have offered themselves for re-election.

Biographical details of the Directors are set out on pages 68 to 69. Details of the Director's emoluments are provided under note 11 to the Financial Statements.

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

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

DIRECTORS' BIOGRAPHIES

The Company has received the notification from Dr. Mark Lambert Clifford relating to the change in his information. He obtained a degree of Doctor of Philosophy from the University of Hong Kong on 5 December 2019 and was awarded Wang Gungwu Prize for Postgraduate Students in History for 2018/19.

Updated biographical details of the existing Directors as at the date of this report are set out on pages 68 to 69.

PERMITTED INDEMNITY PROVISION

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

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract that cannot be terminated by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Saved as disclosed in this report, "Related Party Transactions" in note 41 to the Financial Statements, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or his connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

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

RETIREMENT BENEFITS PLANS

Details of the Group's retirement benefits plans are set out in note 31 to the Financial Statements.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

SHARE INCENTIVE SCHEMES

(a) Share Option Scheme of the Company

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 34 to the Financial Statements. Movements in the Share options granted under the 2014 Share Option Scheme during the year were set out below:

						Number of Share options				
Name of Directors	Date of grant	Exercise price per Share	Closing price immediately before date of grant	Vesting date (%)	Exercise period	At 01.04.2019	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	At 31.03.2020
Cheung Kim Hung	29.11.2019	HK$0.274	HK$0.270	29.11.2019 (50%) 29.11.2020 (100%)	29.11.2019 – 30.07.2024	–	15,693,430	–	–	15,693,430
Chow Tat Kuen, Royston	03.02.2016	HK$0.420	HK$0.425	03.02.2017 (30%) 03.02.2018 (60%) 03.02.2019 (100%)	04.02.2016 – 30.07.2024	1,500,000	–	–	–	1,500,000
	29.11.2019	HK$0.274	HK$0.270	29.11.2019 (50%) 29.11.2020 (100%)	29.11.2019 – 30.07.2024	–	12,773,722	–	–	12,773,722
						1,500,000	12,773,722	–	–	14,273,722
Total						1,500,000	28,467,152	–	–	29,967,152

Apart from the abovementioned movements, no options were granted, exercised, cancelled or lapsed under the 2014 Share Option Scheme during the year ended 31 March 2020.

The fair values of the options granted during the year were estimated as at the date of grant using the binomial option pricing model. The fair values of the options granted to Mr. Cheung Kim Hung and Mr. Chow Tat Kuen, Royston were HK$1,746,000 and HK$1,422,000 respectively. The fair value of an option varies with different variables of certain subjective assumptions. Any change to the variables adopted may materially affect the estimation of the fair value of an option.

SHARE INCENTIVE SCHEMES (continued)

(b) Subsidiary Share Option Schemes

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

Name of subsidiaries	Adoption date	Share option scheme title
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 were disclosed in note 34 to the Financial Statements. Movements in the share options granted under the 2013 nxTomo Share Option Scheme during the year were as follows:

					Number of share options				
Category of participant	Date of grant	Exercise price per share	Vesting date (%)	Exercise period	At 01.04.2019	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	At 31.03.2020
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 year ended 31 March 2020.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 31 March 2020, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company (within the meaning of Part XV of SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long positions in Shares and underlying Shares of the Company

Name of Directors	Number of Shares held				Number of underlying Shares held under equity derivatives	Total Shares	Percentage of issued Shares
	Personal interests	Family interests	Corporate interests	Other interests			
Lai Chee Ying	1,720,594,935	–	93,124,000	64,938,230	–	1,878,657,165	71.26
Ip Yut Kin	10,200,377	2,630,000	–	–	–	12,830,377	0.49
Cheung Kim Hung	1,117,699	–	–	–	15,693,430 *(Note)*	16,811,129	0.64
Chow Tat Kuen, Royston	1,224,539	–	–	–	14,273,722 *(Note)*	15,498,261	0.59

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

Save as disclosed above, none of the Directors or the chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 March 2020.

SUBSTANTIAL SHAREHOLDER'S INTERESTS AND SHORT POSITIONS

As at 31 March 2020, the interests and short positions of every person (other than Directors or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Shareholder	Capacity	Number of Shares held (long position)	Percentage of issued Shares
Li Wan Kam, Teresa	Interest of spouse	1,878,657,165 *(Note)*	71.26

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

Save as disclosed above, the Company had not been notified of any other person (other than Directors or chief executive of the Company) who had 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 31 March 2020.

CONTINUING CONNECTED TRANSACTIONS

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

1. To retain a stable service provider and increase the Group's revenue, the Company and NASL entered into a business framework agreement on 31 March 2017 (the "2017 Business Framework Agreement") which governed the terms upon which the animation services to be rendered by the NASL Group to the Group, the advertising services and supporting services to be rendered by the Group to the NASL Group for a term of three years from 1 April 2017 to 31 March 2020 subject to the following annual caps:

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

CONTINUING CONNECTED TRANSACTIONS (continued)

To leverage on each other's expertise for growing their respective businesses, the Company and NASL also entered into an intellectual properties revenue sharing agreement on 31 March 2017 (the "2017 IPRS Agreement") which governed the terms upon which the revenue sharing arrangements between the Group and the NASL Group on revenue generated by the sale of digital content and merchandise developed from the NASL's intellectual properties for a term of three years from 1 April 2017 to 31 March 2020 subject to the following annual caps:

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

To renew the 2017 Business Framework Agreement and the 2017 IPRS Agreement before their expiry, the Company and NASL entered into a new business framework agreement (the "2020 Business Framework Agreement") and a new intellectual properties revenue sharing agreement (the "2020 IPRS Agreement") on 30 March 2020, each for a further term of three years with effect from 1 April 2020.

The respective annual caps in respect of the animation services, advertising services, supporting services and revenue sharing for the three years ending 31 March 2023 were revised down in light of the anticipated declining level of future demand for such services as follows:

Period	Annual caps in respect of animation services	Annual caps in respect of advertising services	Annual caps in respect of supporting services	Annual caps in respect of revenue sharing
From 1 April 2020 to 31 March 2021	HK$19,000,000	HK$400,000	HK$300,000	HK$300,000
From 1 April 2021 to 31 March 2022	HK$19,000,000	HK$400,000	HK$300,000	HK$300,000
From 1 April 2022 to 31 March 2023	HK$19,000,000	HK$400,000	HK$300,000	HK$300,000

As NASL is 100% beneficially owned by the Company's controlling Shareholder, Mr. Lai, NASL is an associate of Mr. Lai and therefore a connected person of the Company. Accordingly, the entering into the 2017 Business Framework Agreement, the 2017 IPRS Agreement, the 2020 Business Framework Agreement and the 2020 IPRS Agreement constitute CCTs of the Company under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS (continued)

Details of the 2017 Business Framework Agreement, the 2017 IPRS Agreement, the 2020 Business Framework Agreement and the 2020 IPRS Agreement were disclosed in the Company's announcements dated 31 March 2017 and 30 March 2020 respectively.

During the year, the Group had paid HK$38,462,000 as animation service charge but did not receive any supporting service income or advertising service income under the 2017 Business Framework Agreement. It did not make any payment under the 2017 IPRS Agreement.

2. On 16 April 2019, the Taiwan Branch of Easy Finder Publishing Limited (the "Taiwan Branch of EFPL"), an indirect wholly-owned subsidiary of the Company, entered into a lease agreement (the "Lease Agreement") with the Taiwan Branch of NASL for the purpose of efficient use of the Group's resources. Pursuant to the Lease Agreement, the Taiwan Branch of EFPL agreed to lease the properties located at (i) 2/F., Nos. 36, 38, 40 and 42 and (ii) 3/F., Nos. 40 and 42 on Lane 141, Xing'ai Road, Neihu District, Taipei City 114, Taiwan (including 3 car parking spaces) to the Taiwan Branch of NASL for a term from 16 April 2019 to 15 April 2022 (both dates inclusive) at a rent of NT$654,033.00 (equivalent to approximately HK$166,209.15) per month (inclusive of tax).

   As NASL is an associate of Mr. Lai and therefore a connected person of the Company. Accordingly, the entering into the Lease Agreement constitutes a CCT of the Company under the Listing Rules. For the period ended 31 March 2020, a total rent of NT$7,557,000 (equivalent to approximately HK$1,921,000) was received from the Taiwan Branch of NASL.

Details of the CCTs are set out in the note 41 to the Financial Statements.

The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the CCTs entered into by the Group during the year ended 31 March 2020.

ANNUAL REVIEW OF THE CCTs

All the INEDs have reviewed the above disclosed CCTs for the year ended 31 March 2020 and confirmed that the CCTs have been entered into:

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

b. on normal commercial terms; and

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

ANNUAL REVIEW OF THE CCTs (continued)

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

RELATED PARTY TRANSACTIONS

During the year, the Group entered into certain transactions with parties regarded as related parties under applicable accounting principles, details of which are set out in note 41 to the Financial Statements. These mainly concerned contracts entered into by the Group in the ordinary course of business. These contracts were negotiated on normal commercial terms and on an arm's length basis with reference to prevailing market conditions.

PUBLIC FLOAT

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

INDEPENDENT AUDITOR

During the year, Messrs Deloitte Touche Tohmatsu resigned as the auditor of the Company and CCTH was appointed auditor on 16 December 2019 to fill the casual vacancy so arising. Details of which were disclosed in the Company's announcement dated 16 December 2019. Save as disclosed, there have been no other changes of the Company's auditor in the past three years. A resolution for the reappointment of CCTH will be proposed at the 2020 AGM.

On behalf of the Board

Lai Chee Ying
Chairman
Hong Kong, 22 June 2020

CCTH CPA LIMITED
中正天恆會計師有限公司

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

OPINION

We have audited the consolidated financial statements of Next Digital Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 90 to 189, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Impairment on intangible assets	
As at 31 March 2020, the carrying amount of intangible assets is HK$658.0 million and no impairment loss was recognised for the year ended 31 March 2020. Details relating to the Group's intangible assets and impairment testing are set out in notes 17 and 18 respectively to the consolidated financial statements. The impairment on intangible assets is determined by comparing the carrying amounts with the recoverable amounts which are estimated with reference to the value in use calculation based on the cash flow projections prepared by management. The value in use calculation requires the management to estimate the future cash flows which are discounted in their present value taking into account key assumptions including growth rates, discount rates and the forecast performance based on management's view of future business prospects. We identified the impairment on intangible assets as a key audit matter due to magnitude of the intangible assets and significant management judgments in estimating the recoverable amounts of the intangible assets.	Our procedures in relation to the impairment assessment of intangible assets included: • Understanding how the Group's management performs the impairment testing, including the valuation model adopted, basis and assumptions used; • Assessing the appropriateness of the valuation methodology and discount rate adopted; • Checking the mathematical accuracy of the value in use calculation; and • Evaluating the reasonableness of the key assumptions including growth rates and discount rates used and the cash flow projections prepared by the management with reference to the historical performance, market data and other relevant documents.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Provisions for legal cases	
As at 31 March 2020, the Group made provisions amounted to a total of HK$37.0 million for a number of legal proceedings in Hong Kong and Taiwan. Details relating to the Group's provisions for legal proceedings are set out in note 37 to the consolidated financial statements. The provisions recognised are based on the management's best estimate of the consideration required to settle the obligations, after consultation with the legal counsel on the possible outcome and liability of the Group. We identified the provisions for legal cases as a key audit matter due to magnitude of the provisions and their complexity and significant judgment required by the management in estimating the outcome of the claims and legal proceedings, taking into account the risks and uncertainties surrounding the legal cases.	Our procedures in relation to provisions for legal cases included: • Understanding how the Group's management perform assessment of the provisions for legal cases; • Discussing with the management and the internal legal counsel on the status of legal cases and their expectation of the possible outcome and estimation of the liabilities of the Group; • Obtaining and reviewing the related legal documents and discussing the legal impact with the management and the internal legal counsel; • Obtaining legal letters from external legal counsels and discussing with external legal counsels on the potential financial impact of significant legal cases; and • Arranging litigation search and checking against the information stated in the legal letters from external legal counsels to verify the status and completeness of the legal cases.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 March 2019 were audited by another auditor who expressed an unqualified opinion on those consolidated financial statements on 24 June 2019.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CCTH CPA Limited
Certified Public Accountants
Hong Kong, 22 June 2020

Ng Kam Fai
Practicing certificate number: P06573

Units 5–6, 7/F., Greenfield Tower, Concordia Plaza,
1 Science Museum Road, Tsim Sha Tsui,
Kowloon, Hong Kong

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	NOTES	**2020** **HK$'000**	2019 HK$'000
Revenue	6	**1,158,282**	1,304,275
Production costs			
Cost of raw materials consumed		**(161,634)**	(233,749)
Other overheads		**(352,992)**	(307,495)
Staff costs	14	**(515,163)**	(530,987)
		(1,029,789)	(1,072,231)
Personnel costs excluding direct production staff costs	14	**(405,033)**	(470,586)
Other income	6	**24,565**	27,561
Forfeiture of deposit received	37	**88,000**	–
Impairment loss on trade receivables reversed (recognised), net	25	**8,325**	(102,462)
Gain on disposal of property, plant and equipment	20	**1,419**	259,903
Net exchange (loss) gain		**(9,408)**	2,473
Depreciation of property, plant and equipment	19	**(61,197)**	(55,156)
Depreciation of right-of-use assets	21	**(10,059)**	–
Release of prepaid land lease payments	22	**–**	(1,797)
Other expenses		**(163,967)**	(220,060)
Finance costs	8	**(15,319)**	(11,083)
Loss before tax		**(414,181)**	(339,163)
Income tax expense	9	**(3,056)**	(1,022)
Loss for the year	10	**(417,237)**	(340,185)
Other comprehensive (expense) income			
Item that will not be reclassified subsequently to profit or loss:			
Actuarial (loss) gain from remeasurement of defined benefit obligations, net of tax		**(3,406)**	630
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**8,570**	(40,499)
Total comprehensive expense for the year		**(412,073)**	(380,054)

	NOTE	2020 HK$'000	2019 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(415,273)**	(338,478)
Non-controlling interests		**(1,964)**	(1,707)
		(417,237)	(340,185)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(410,066)**	(378,294)
Non-controlling interests		**(2,007)**	(1,760)
		(412,073)	(380,054)
Loss per share	15		
– Basic		**HK(15.8 cents)**	HK(13.1 cents)
– Diluted		**HK(15.8 cents)**	HK(13.1 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	NOTES	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS			
Intangible assets	17	**658,039**	658,039
Property, plant and equipment	19	**769,651**	754,067
Right-of-use assets	21	**99,159**	–
Prepaid land lease payments	22	**–**	48,974
Deposit for acquisition of property, plant and equipment		**9,378**	12,881
		1,536,227	1,473,961
CURRENT ASSETS			
Inventories	24	**48,574**	62,822
Trade and other receivables	25	**214,518**	268,336
Amounts due from related parties	23	**5,249**	6,532
Prepaid land lease payments	22	**–**	1,797
Tax recoverable		**609**	12,269
Restricted bank balances	26	**1,500**	1,500
Pledged bank deposits	26	**32,566**	33,485
Time deposits with original maturity over three months	26	**–**	2,878
Bank balances and cash	26	**137,694**	175,566
		440,710	565,185
Assets classified as held for sale	16	**–**	73,258
		440,710	638,443
CURRENT LIABILITIES			
Trade and other payables	27	**400,201**	523,233
Contract liabilities	28	**47,202**	23,768
Bank borrowings	29	**161,427**	179,125
Lease liabilities	30	**6,967**	–
Provisions	37	**36,967**	50,884
Tax liabilities		**–**	39
		652,764	777,049
NET CURRENT LIABILITIES		**(212,054)**	(138,606)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,324,173**	1,335,355

	NOTES	2020 HK$'000	2019 HK$'000
NON-CURRENT LIABILITIES			
Bank borrowings	29	**114,019**	158,489
Retirement benefits plans	31	**25,397**	31,339
Loan from a shareholder	32	**347,716**	–
Lease liabilities	30	**44,165**	–
Deferred tax liabilities	36	**150,034**	150,772
		681,331	340,600
NET ASSETS		**642,842**	994,755
CAPITAL AND RESERVES			
Share capital	33	**2,486,621**	2,486,621
Reserves		**(1,843,498)**	(1,493,592)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**643,123**	993,029
NON-CONTROLLING INTERESTS		**(281)**	1,726
TOTAL EQUITY		**642,842**	994,755

The consolidated financial statements on pages 90 to 189 were approved and authorised for issue by the Board of Directors on 22 June 2020 and are signed on its behalf by:

Cheung Kim Hung
DIRECTOR

Chow Tat Kuen, Royston
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Attributable to owners of the Company						Attributable to non-controlling interests			
	Share capital HK$'000	Translation reserve HK$'000	Capital reserve HK$'000	Share-based payment reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Share-based payment reserve of subsidiaries HK$'000	Share of net assets (liabilities) of subsidiaries HK$'000	Sub-total HK$'000	Total HK$'000
At 31 March 2018	2,435,582	(42,354)	–	486	(1,073,888)	1,319,826	651	3,324	3,975	1,323,801
Loss for the year	–	–	–	–	(338,478)	(338,478)	–	(1,707)	(1,707)	(340,185)
Exchange differences on translating foreign operations	–	(40,440)	–	–	–	(40,440)	–	(59)	(59)	(40,499)
Actuarial gain from remeasurement of defined benefit obligations, net of tax	–	–	–	–	624	624	–	6	6	630
Total comprehensive expense for the year	–	(40,440)	–	–	(337,854)	(378,294)	–	(1,760)	(1,760)	(380,054)
Recognition of equity-settled share-based payment expense	–	–	–	51,006	–	51,006	–	–	–	51,006
Issue of ordinary shares in relation to award of new shares *(note 34c)*	51,039	–	–	(51,037)	–	2	–	–	–	2
Lapse of share options	–	–	–	(178)	667	489	(489)	–	(489)	–
At 31 March 2019	**2,486,621**	**(82,794)**	**–**	**277**	**(1,411,075)**	**993,029**	**162**	**1,564**	**1,726**	**994,755**
Loss for the year	**–**	**–**	**–**	**–**	**(415,273)**	**(415,273)**	**–**	**(1,964)**	**(1,964)**	**(417,237)**
Exchange differences on translating foreign operations	**–**	**8,583**	**–**	**–**	**–**	**8,583**	**–**	**(13)**	**(13)**	**8,570**
Actuarial loss from remeasurement of defined benefit obligations, net of tax	**–**	**–**	**–**	**–**	**(3,376)**	**(3,376)**	**–**	**(30)**	**(30)**	**(3,406)**
Total comprehensive income (expense) for the year	**–**	**8,583**	**–**	**–**	**(418,649)**	**(410,066)**	**–**	**(2,007)**	**(2,007)**	**(412,073)**
Recognition of equity-settled share-based payment expense	**–**	**–**	**–**	**805**	**–**	**805**	**–**	**–**	**–**	**805**
Excess of principal amount of loan from a shareholder over the fair value *(note 32)*	**–**	**–**	**59,355**	**–**	**–**	**59,355**	**–**	**–**	**–**	**59,355**
At 31 March 2020	**2,486,621**	**(74,211)**	**59,355**	**1,082**	**(1,829,724)**	**643,123**	**162**	**(443)**	**(281)**	**642,842**

	2020 HK$'000	2019 HK$'000
OPERATING ACTIVITIES		
Loss for the year	**(417,237)**	(340,185)
Adjustments for:		
Income tax expense	**3,056**	1,022
Finance costs	**15,319**	11,083
Impairment loss on trade receivables (reversed) recognised, net	**(8,325)**	102,462
Provision for litigation expense (reversed) recognised, net	**(5,686)**	16,748
Depreciation of property, plant and equipment	**61,197**	55,156
Depreciation of right-of-use assets	**10,059**	–
Release of prepaid land lease payments	**–**	1,797
Loss (gain) on disposal of property, plant and equipment	**3,064**	(259,903)
Gain on disposal of assets held for sale	**(4,483)**	–
Share-based payment expense	**805**	51,006
Interest income	**(724)**	(359)
Operating cash flows before movements in working capital	**(342,955)**	(361,173)
Decrease in inventories	**14,444**	17,657
Decrease in trade and other receivables	**62,780**	8,068
Decrease in amounts due from related parties	**1,283**	1,173
(Decrease) increase in trade and other payables	**(123,825)**	9,962
Increase (decrease) in contract liabilities	**23,434**	(463)
Decrease in provisions	**(8,356)**	(6,001)
Decrease in retirement benefits plans	**(9,573)**	(13,005)
Net cash used in operations	**(382,768)**	(343,782)
Income tax refunded (paid)	**7,888**	(12,190)
NET CASH USED IN OPERATING ACTIVITIES	**(374,880)**	(355,972)
INVESTING ACTIVITIES		
Interest received	**724**	359
Withdrawal (placement) of pledged bank deposits	**919**	(33,485)
Withdrawal (placement) of time deposits with original maturity over three months	**2,878**	(2,878)
Proceeds from disposal of property, plant and equipment	**767**	462,332
Proceeds from disposal of assets held for sale	**75,891**	–
Transaction costs on disposal of property, plant and equipment	**–**	(15,920)
Purchase of property, plant and equipment	**(64,537)**	(32,486)
Deposit for acquisition of property, plant and equipment	**(9,374)**	(13,151)
NET CASH FROM INVESTING ACTIVITIES	**7,268**	364,771

	2020 **HK$'000**	2019 HK$'000
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(180,412)**	(254,712)
New bank loans raised	**115,819**	133,843
Payment of lease liabilities	**(9,117)**	–
Drawdown of shareholder's loan	**400,000**	50,000
Repayment of shareholder's loan	**–**	(50,000)
Interest paid	**(6,602)**	(11,083)
Proceeds from issue of new shares in relation to award of new shares	**–**	2
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**319,688**	(131,950)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(47,924)**	(123,151)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**175,566**	303,506
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**10,052**	(4,789)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**137,694**	175,566
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**137,694**	175,566

1. GENERAL

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

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

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 43.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements of the Group, the Directors have given consideration to the future liquidity of the Group in light of the Group's net current liabilities of HK$212,054,000 as at 31 March 2020. As at 31 March 2020, the Group had bank borrowings with principal amounts of HK$161,427,000 to be matured within one year after that date, long-term bank borrowings amounted to HK$114,019,000 and loan from a shareholder amounted to HK$347,716,000 which are included in non-current liabilities. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on a going concern basis on the assumption that the Group is able to operate as a going concern for the foreseeable future. In the opinion of the Directors, the Group can meet its financial obligations as and when they fall due within the next year from the date of approval of these consolidated financial statements, after taking into consideration of the measures and arrangements made by the Group subsequent to the end of the reporting period, as detailed below:

(a) On 8 November 2018, 15 November 2019 and 10 June 2020, the Company entered into an agreement and two supplemental agreements (collectively, the "Loan Agreement") with a shareholder and director of the Company, Mr. Lai, under which Mr. Lai has agreed to provide an unsecured loan to the Company to the extent of HK$650,000,000. In this connection, the unsecured loan amounted to a total of HK$400,000,000 was advanced by Mr. Lai to the Company up to 31 March 2020 (note 32) and the date of approval of the consolidated financial statements, with the remaining unutilised balance of HK$250,000,000 not yet obtained by the Company. Pursuant to the Loan Agreement, the unsecured loan is repayable by the Company immediately after 36 months from the respective dates of drawdowns of the loan.

(b) The Directors will continuously and closely monitor the Group's liquidity position and financial performance and implement measures to improve the Group's cash flows.

In light of the measures and arrangements implemented to date, the Directors are of the view that the Group has sufficient cash resources to satisfy its working capital and other financial obligations for the next year from the date of approval of these consolidated financial statements after having taken into account of the Group's projected cash flows, current financial resources and capital expenditure requirements with respect to the operations and development of the Group's business. Accordingly, the Directors are of the view that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the carrying amounts of the Group's assets to their estimated recoverable amounts, to provide further liabilities that might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

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

New and amended HKFRSs adopted by the Group

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

HKFRS 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 2015–2017 cycle

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the application of other new and amendments to HKFRSs and the interpretation effective in respect of the current year had no material impact on the Group's financial position and financial performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3.1 HKFRS 16 Leases

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

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.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities. Any difference of the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

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

New and amended HKFRSs adopted by the Group (continued)

3.1 HKFRS 16 Leases (continued)

As a lessee (continued)

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) Relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

(ii) Elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends 12 months of the date of initial application;

(iii) Excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

(iv) 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; and

(v) Use hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

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

New and amended HKFRSs adopted by the Group (continued)

3.1 HKFRS 16 Leases (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 range from 3% to 5.5% per annum.

	At 1 April 2019 HK$'000
Opening lease commitments disclosed as at 31 March 2019	69,525
Less: Recognition exemption – short term leases	(2,646)
Less: Recognition exemption – low value assets	(2,163)
Less: Exclusion of non-lease components	(1,552)
Gross operating lease obligation at 1 April 2019	63,164
Discounting	(8,042)
Lease liabilities as at 1 April 2019	55,122
Analysed as	
Current	6,692
Non-current	48,430
	55,122

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

New and amended HKFRSs adopted by the Group (continued)

3.1 HKFRS 16 Leases (continued)

As a lessee (continued)

(a) The impacts arising from the adoption of HKFRS 16 as at 1 April 2019 are as follows:

	At 1 April 2019 HK$'000
Assets	
Increase in right-of-use assets	105,893
Decrease in prepaid land lease payments	(50,771)
Increase in total assets	55,122
Liabilities	
Increase in lease liabilities	55,122
Increase in total liabilities	55,122

(b) Amounts recognised in the consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income are shown as follows:

	Right-of-use assets HK$'000	**Lease liabilities** HK$'000
As at 1 April 2019	105,893	55,122
Additions	3,769	3,795
Interest charge	–	1,646
Payments	–	(9,117)
Depreciation charge	(10,059)	–
Derecognition upon disposal of right-of-use assets	(368)	(333)
Exchange realignment	(76)	19
As at 31 March 2020	99,159	51,132

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

New standards and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Definition of Material[4] and HKAS 8
Amendments to HKAS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

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

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

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

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

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The Directors anticipate that the application of all the new and amendments to HKFRSs that are not yet effective will have no material impact on the consolidated financial statements in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment* ("HKFRS 2"), leasing transactions that are within the scope of HKFRS 16/HKAS 17 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets* ("HKAS 36").

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

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

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income/expenses in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9, when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from contracts with customers

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts.

The stand-alone selling price of the distinct goods or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell promised goods or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance, obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

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

Output method

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

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 3)

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 or arising from business combinations 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, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 3) (continued)

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 standalone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

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

Short-term leases and leases of low-value assets (upon application of HKFRS 16 in accordance with transitions in note 3)

The Group applies the short-term lease recognition exemption to leases of offices that have a lease term of twelve 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 and leases of low value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

The Group as a leasee (upon application of HKFRS 16 in accordance with transitions in note 3)

Right-of-use assets

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a leasee (upon application of HKFRS 16 in accordance with transitions in note 3) (continued)

Right-of-use assets (continued)

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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 are 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 consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* ("HKFRS 9") and are initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

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 includes:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a leasee (upon application of HKFRS 16 in accordance with transitions in note 3) (continued)

Lease liabilities (continued)

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

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) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, 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.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a leasee (upon application of HKFRS 16 in accordance with transitions in note 3) (continued)

Lease modifications (continued)

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified 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.

The Group as a lessee (prior to 1 April 2019)

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

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

The Group as a lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight line basis over the terms of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and such costs are recognised as an expense on a straight line basis.

Rental income which is derived from the Group's ordinary course of business are presented as revenue.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

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

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Masthead and publishing rights

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

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

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

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

Property, plant and equipment

Property, plant and equipment other than freehold land held for use in the production or supply of goods and services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Freehold land is stated at cost less any subsequent accumulated impairment losses.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

Borrowing costs

All borrowing costs not qualified for capitalisation are recognised in profit or loss in the period in which they are incurred.

Provisions

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

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

Employee benefits

(i) Employee leave entitlements

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

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

(ii) Profit sharing and bonus plans

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

(iii) Retirement benefit costs and termination benefits

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

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

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

Defined benefit costs are categorised as follows:

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

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

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

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

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

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

(iv) Short term and other long term employee benefits

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

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

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

The fair value of services received determined by reference to the fair value of share options and share subscription rights granted at the grant date is expensed on a straight-line basis over the vesting period based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payment reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve.

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

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

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

Interest income which is derived from the Group's ordinary course of business are presented as other income.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"). except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

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

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

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

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

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

(ii) Definition of default

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL (continued)

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

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

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

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

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Equity instruments

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

Financial liabilities

Financial liabilities including trade and other payables, bank borrowings, loan from a shareholder and lease liabilities are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition of financial liabilities

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

Inventories

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an asset individual, the Group estimates the recoverable amount of the cash-generating unit ("CGU") (or groups of CGUs) to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

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

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

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the Directors are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

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

Impairment on intangible assets

Determining whether intangible asset is impaired requires an estimation of the recoverable amounts of the intangible assets. The impairment on intangible assets is determined by comparing the carrying amounts with the recoverable amounts which are estimated with reference to the value in use calculation based on the cash flow projections prepared by management. The impairment model is sensitive to changes in the key assumptions including growth rates, discount rates and the forecast performance based on management's view of future business prospects.

Where the expected future cash flows are significantly less/more than those previously adopted, a material impairment loss or reversal of impairment loss previously made may arise. As at 31 March 2020, the carrying amount of intangible assets was HK$658,039,000 (2019: HK$658,039,000). For the years ended 31 March 2020 and 2019, no impairment loss has been recognised. Details of the recoverable amount calculation are disclosed in note 18.

Provisions for legal cases

The management estimates the outcome of the claims and legal proceedings, taking into account the risks and uncertainties surrounding the legal cases. Provisions which is the management's best estimate of the consideration required to settle the obligation, after consultation with the legal counsel on the possible outcome and liability of the Group would then be recognised. As at 31 March 2020, an amount of approximately HK$36,967,000 (2019: HK$50,884,000) has been provided for a number of legal proceedings in Hong Kong and Taiwan. Details are set out in note 37.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Assessment of the indefinite useful lives of masthead and publishing rights

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

The useful lives of masthead and publishing rights could change significantly as a result of changes in commercial and technological environment. When the actual useful lives of masthead and publishing rights are different from their estimated useful lives due to change in commercial and technological environment, such difference will impact the amortisation charges and impairment loss on such rights. The carrying amount of masthead and publishing rights with indefinite useful lives amounted to HK$658,039,000 as at 31 March 2020 (2019: HK$658,039,000).

Provision of expected credit losses ("ECL") for trade receivables

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

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 40(b) and 25 respectively.

Retirement benefit obligations

Obligations for retirement benefit and related net periodic pension costs are determined in accordance with actuarial valuations. These valuations rely on key assumptions including discount rates and expected rate of salary growth. The discount rates assumptions are determined by reference to yield on high-quality corporate bonds of appropriate duration and currency at the end of the reporting period. In case such yields are not available, discount rates are based on government bonds yields. Due to changing economic conditions, the underlying key assumptions may differ from actual developments and may lead to significant changes in retirement benefit obligations. For the year ended 31 March 2020, actuarial loss from remeasurement of defined benefit obligations net of tax effect amounted to HK$3,406,000 (2019: actuarial gain from remeasurement of defined benefit obligations net of tax effect amounted to HK$630,000) are recognised directly in equity in the period in which they occurred. Details are set out in note 31.

6. REVENUE AND OTHER INCOME

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

Segments	Notes	For the year ended 31 March 2020 Digital business HK$'000	 Print business HK$'000	 Total HK$'000
Type of goods or services				
Internet advertising income, content provision and development of mobile games and apps income	(i)	**269,180**	**–**	**269,180**
Online subscription income	(ii)	**277,131**	**–**	**277,131**
Sales of newspapers	(iii)	**–**	**317,133**	**317,133**
Newspapers advertising income	(iv)	**–**	**163,017**	**163,017**
Books and magazine advertising income	(iv)	**–**	**–**	**–**
Printing and reprographic services income	(v)	**–**	**131,821**	**131,821**
Total revenue		**546,311**	**611,971**	**1,158,282**
Geographic markets				
Hong Kong		**439,211**	**381,168**	**820,379**
Taiwan		**78,399**	**212,447**	**290,846**
Others		**28,701**	**18,356**	**47,057**
Total revenue		**546,311**	**611,971**	**1,158,282**
Timing of revenue recognition				
At a point in time		**267,545**	**611,971**	**879,516**
Over time				
– development of mobile games and apps income		**1,635**	**–**	**1,635**
– online subscription income		**277,131**	**–**	**277,131**
Total revenue		**546,311**	**611,971**	**1,158,282**

6. REVENUE AND OTHER INCOME (continued)

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

6. REVENUE AND OTHER INCOME (continued)

	2020 HK$'000	2019 HK$'000
Other income		
Income from sales of waste materials	**7,077**	6,339
Interest income on bank deposits	**724**	359
Rental income *(note 38(c))*	**10,192**	16,071
Others	**6,572**	4,792
Total other income	**24,565**	27,561

Notes: *Performance obligations for contracts with customers are as follows:*

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

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

The Group's revenue from mobile games and apps is derived from the sales of in-game virtual items from the game development operations as follows:

- *for sales of consumable virtual items, revenue is recognised at a point in time when the in-game virtual items are consumed and the related services are rendered.*
- *for sales of durable virtual items, revenue is recognised over time in accordance with the average life of durable virtual items for the applicable games using output method.*

Proceeds received from the Paying Players at the point of transaction will give rise to contract liability at the start of a contract until the revenue is fully recognised over the period of the contract.

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

The normal credit term is 7 to 120 days.

(ii) Revenue from online subscription

The Group provides subscription services on its website platform. Subscription income is recognised over time based on the subscription period provided to its customers.

(iii) Revenue from sales of newspapers

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

The normal credit term is 7 to 120 days.

6. REVENUE AND OTHER INCOME (continued)

Notes: *Performance obligations for contracts with customers are as follows:* (continued)

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

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

The normal credit term is 7 to 120 days.

(v) Revenue from provision of printing and reprographic services

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

The normal credit term is 7 to 120 days.

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

As at 31 March 2020 and 2019, there are no material revenue for unsatisfied contracts to be recognised by the Group over one year. The transaction price allocated to these unsatisfied contracts is not disclosed.

7. SEGMENT INFORMATION

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

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

Operating segments	Principal activities
Digital business	Internet advertising, online subscription, content provision 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.

7. SEGMENT INFORMATION (continued)

Segment revenue and results

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

For the year ended 31 March 2020

	Digital business HK$'000	Print business HK$'000	Eliminations HK$'000	Consolidated HK$'000
SEGMENT REVENUE				
External sales	**546,311**	**611,971**	**–**	**1,158,282**
Inter-segment sales	**120**	**242,590**	**(242,710)**	**–**
Total revenue	**546,431**	**854,561**	**(242,710)**	**1,158,282**
SEGMENT LOSS	**(124,950)**	**(285,178)**	**–**	**(410,128)**
Unallocated expenses				**(6,222)**
Unallocated income				**17,488**
Finance costs				**(15,319)**
Loss before tax				**(414,181)**

For the year ended 31 March 2019

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

7. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

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

Segment assets and liabilities

As at 31 March 2020

	Digital business HK$'000	**Print business HK$'000**	**Eliminations HK$'000**	**Consolidated HK$'000**
Segment assets	**900,393**	**900,905**	**–**	**1,801,298**
Unallocated assets				**175,639**
Total assets				**1,976,937**
Segment liabilities	**(98,448)**	**(457,235)**	**–**	**(555,683)**
Unallocated liabilities				**(778,412)**
Total liabilities				**(1,334,095)**

As at 31 March 2019

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

7. 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, certain bank borrowings, loan from a shareholder, deferred tax liabilities and corporate liabilities that are not attributable to segments.

Other segment information

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

For the year ended 31 March 2020

	Digital business HK$'000	Print business HK$'000	Corporate HK$'000	Consolidated HK$'000
Addition to property, plant and equipment	40,687	36,731	–	77,418
Depreciation of property, plant and equipment	26,175	35,022	–	61,197
Depreciation of right-of-use assets	96	9,963	–	10,059
Release of prepaid land lease payments	–	–	–	–
Impairment loss on trade receivables reversed, net	(8,187)	(138)	–	(8,325)
Share-based payment expense	–	–	805	805
Loss (gain) on disposal of property, plant and equipment	309	(1,728)	–	(1,419)
Provision for (reversal of) litigation expenses, net *(note 37)*	637	(6,323)	–	(5,686)
Legal and professional fees	3,073	6,314	–	9,387

7. SEGMENT INFORMATION (continued)

Other segment information (continued)

For the year ended 31 March 2019

	Digital business HK$'000	Print business HK$'000	Corporate HK$'000	Consolidated HK$'000
Addition to property, plant and equipment	21,764	26,959	–	48,723
Depreciation of property, plant and equipment	22,269	32,722	165	55,156
Depreciation of right-of-use assets	–	–	–	–
Release of prepaid land lease payments	–	1,797	–	1,797
Impairment loss on trade receivables recognised, net	7,667	94,795	–	102,462
Share-based payment expense	7,068	43,443	495	51,006
Loss (gain) on disposal of property, plant and equipment	708	(260,611)	–	(259,903)
Provision for litigation expenses, net *(note 37)*	13	16,735	–	16,748
Legal and professional fees	5,457	12,437	–	17,894

7. SEGMENT INFORMATION (continued)

Geographical information

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

	Revenue from external customers *(Note)*		Non-current assets	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**820,379**	827,190	**1,122,567**	1,130,648
Taiwan	**290,846**	440,702	**413,532**	343,075
Others	**47,057**	36,383	**128**	238
	1,158,282	1,304,275	**1,536,227**	1,473,961

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

Information about major customers

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

	2020	2019
	HK$'000	HK$'000
	(Note)	
Customer A	**N/A**	144,219

Note: *Revenue from this customer for the year ended 31 March 2020 did not contribute over 10% of the total revenue for the year.*

8. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interests on bank borrowings	**6,602**	11,083
Interest on lease liabilities	**1,646**	–
Imputed interest on loan from a shareholder *(note 32)*	**7,071**	–
	15,319	11,083

9. INCOME TAX EXPENSE

	2020 HK$'000	2019 HK$'000
Current tax:		
Hong Kong	**1,711**	2,244
Taiwan	**–**	110
Under (over) provision in prior years:		
Taiwan	**2,007**	–
Other jurisdictions	**44**	(44)
	3,762	2,310
Deferred tax credit *(note 36)*	**(706)**	(1,288)
	3,056	1,022

(a) A group entity is chargeable to Hong Kong Profits Tax under the two-tiered profits tax rates regime whereby the first HK$2 million of assessable profits of the qualifying group entity will be taxed at 8.25% (2019: 8.25%), and assessable profits above HK$2 million will be taxed at 16.5% (2019: 16.5%). The profits of group entities not qualifying for the two-tiered profits tax rates regime are chargeable to Hong Kong Profits Tax at the tax rate of 16.5% (2019: 16.5%).

(b) Taiwan Income Tax is calculated at 20% (2019: 20%) of the estimated assessable profit.

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

9. INCOME TAX EXPENSE (continued)

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

	2020 HK$'000	2019 HK$'000
Loss before tax	**(414,181)**	(339,163)
Tax at Hong Kong Profits Tax rate of 16.5% (2019: 16.5%)	**(68,340)**	(55,962)
Tax effect of expenses not deductible for tax purpose	**15,138**	2,988
Tax effect of income not taxable for tax purpose	**(29,922)**	(54,025)
Under (over) provision in prior years	**2,051**	(44)
Tax effect of deductible temporary difference not recognised	**1,374**	6,124
Tax effect of estimated tax losses not recognised for		
– Hong Kong subsidiaries	**43,546**	55,211
– Taiwan subsidiaries	**52,293**	58,857
Utilisation of tax losses previously not recognised	**(2,759)**	(3,971)
Effect of different tax rates of subsidiaries operating in Taiwan and other jurisdictions	**(8,939)**	(9,441)
Others	**(1,386)**	1,285
Income tax expense	**3,056**	1,022

10. LOSS FOR THE YEAR

	2020 HK$'000	2019 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Auditor's remuneration		
– audit services	**2,420**	2,790
– non-audit services	**795**	695
Minimum operating lease expenses on:		
– properties	**–**	1,847
– plant and equipment	**–**	12,487
(Reversal of) provision for litigation expenses, net (included in other expenses) *(note 37)*	**(5,686)**	16,748
Legal and professional fees (included in other expenses)	**9,387**	17,894
Share-based payment expense	**805**	51,006
Depreciation of property, plant and equipment	**61,197**	55,156
Depreciation of right-of-use assets	**10,059**	–
Release of prepaid land lease payments	**–**	1,797

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

(a) Directors' emoluments

	2020 **HK$'000**	2019 HK$'000
Fees	**1,790**	1,679
Other emoluments	**8,589**	8,060
Total emoluments	**10,379**	9,739

Mr. Cheung Kim Hung, an executive director, is also the chief executive officer of the Group and his director's emoluments disclosed therein included those for services rendered by him as chief executive officer.

The emoluments paid or payable to each of the 7 (2019: 9) directors were as follows:

For the year ended 31 March 2020

	Lai Chee Ying **HK$'000** *(Note 1)*	**Ip Yut Kin** **HK$'000**	**Total** **HK$'000**
NON-EXECUTIVE DIRECTORS			
Fees	**200**	**200**	**400**
Other emoluments:			
Salaries and other benefits	**–**	**47**	**47**
Total emoluments	**200**	**247**	**447**

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

(a) Directors' emoluments (continued)

For the year ended 31 March 2020 (continued)

	Cheung Kim Hung HK$'000	Chow Tat Kuen Royston HK$'000	Total HK$'000
EXECUTIVE DIRECTORS			
Fees	230	230	460
Other emoluments:			
Salaries and other benefits	3,588	3,078	6,666
Discretionary bonus payments	272	511	783
Share-based payment expense	444	361	805
Pension costs – defined contribution plans	155	133	288
Total emoluments	4,689	4,313	9,002

	Louis Gordon Crovitz HK$'000	Mark Lambert Clifford HK$'000 *(Note 2)*	Lam Chung Yan, Elic HK$'000 *(Note 3)*	Total HK$'000
INDEPENDENT NON-EXECUTIVE DIRECTORS				
Fees	330	300	300	930

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

(a) Directors' emoluments (continued)

For the year ended 31 March 2019

	Lai Chee Ying HK$'000 *(Note 1)*	Ip Yut Kin HK$'000	Total HK$'000
NON-EXECUTIVE DIRECTORS			
Fees	20	232	252
Other emoluments:			
Salaries and other benefits	–	129	129
Total emoluments	20	361	381

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

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

(a) Directors' emoluments (continued)

For the year ended 31 March 2019 (continued)

	Louis Gordon Crovitz HK$'000	Mark Lambert Clifford HK$'000 *(Note 2)*	Lam Chung Yan, Elic HK$'000 *(Note 3)*	Bradley Jay Hamm HK$'000 *(Note 4)*	Lee Ka Yam, Danny HK$'000 *(Note 5)*	Total HK$'000
INDEPENDENT NON-EXECUTIVE DIRECTORS						
Fees	330	233	268	104	32	967
Other emoluments:						
Share-based payment expense	–	–	–	1	–	1
Total emoluments	330	233	268	105	32	968

Notes:

(1) Mr. Lai Chee Ying was re-designated as an executive director on 25 May 2020.

(2) Dr. Mark Lambert Clifford was appointed as an independent non-executive director on 9 May 2018.

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

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

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

The emoluments disclosed above include rentals of HK$36,000 paid by the Group under an operating lease in respect of residential accommodation provided to one director during the year ended 31 March 2019. No residential accommodation was provided to directors for the year ended 31 March 2020.

During the years ended 31 March 2020 and 2019, no director of the Company waived or agreed to waive any emoluments.

During the years ended 31 March 2020 and 2019, certain directors were granted award shares and share options under the 2014 Share Option Scheme in respect of their services to the Group. Details of the schemes are set out in note 34.

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

(b) Senior management's emoluments

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

	Number of individuals 2020	2019
HK$2,000,001 to HK$2,500,000	**2**	1
HK$1,500,001 to HK$2,000,000	**4**	3
HK$1,000,001 to HK$1,500,000	**1**	1
HK$0 to HK$1,000,000	**1**	3

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2019: two) were directors of the Company whose emoluments are included in the disclosure in note 11(a) above. The emoluments of the remaining three (2019: three) individuals were as follows:

	2020 HK$'000	2019 HK$'000
Salaries and other benefits	**5,010**	4,884
Performance related incentive payments	**925**	430
Share-based payment expense	**–**	375
Pension costs – defined contribution plans	**231**	225
	6,166	5,914

Their emoluments fell within the following bands:

	Number of individuals 2020	2019
HK$2,000,001 to HK$2,500,000	**2**	1
HK$1,500,001 to HK$2,000,000	**1**	2

13. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2020 (2019: nil), nor has any dividend been proposed since the end of the reporting period (31 March 2019: nil).

14. STAFF COSTS

	2020 HK$'000	2019 HK$'000
Directors' fee	**1,790**	1,679
Wages, salaries and other benefits	**885,058**	916,623
Pension costs – defined contribution plans, net of forfeited contributions	**38,685**	36,110
Pension costs – defined benefits plans *(note 31(b))*	**(6,142)**	(3,845)
Share-based payment expense	**805**	51,006
	920,196	1,001,573

The staff costs for the year ended 31 March 2020 included directors' other emoluments of HK$8,589,000 (2019: HK$8,060,000) as set out in note 11(a).

15. LOSS PER SHARE

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

	2020 HK$'000	2019 HK$'000
Loss		
Loss for the year attributable to the owners of the Company for the purposes of basic and diluted loss per share	**(415,273)**	(338,478)

	2020	2019
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share *(Note)*	**2,636,211,725**	2,585,052,466

Note: *For the years ended 31 March 2020 and 2019, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options and award of new shares since these would result in a decrease in loss per share.*

16. ASSETS CLASSIFIED AS HELD FOR SALE

On 28 February 2019, 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 (the "Property") for a consideration of NT$310.0 million (equivalent to approximately HK$78.9 million). The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and accordingly, no impairment loss has been recognised.

The movements of assets classified as held for sale during the year are as follows:

	HK$'000
Carrying amounts as at 31 March 2019 *(note 19)*	73,258
Exchange difference	(1,850)
Carrying amounts as at the date of disposal	71,408

The sales proceeds was changed to approximately HK$75.9 million while the transaction was completed in June 2019 and the Group recognized a gain on disposal amounted to HK$4,483,000 for the year ended 31 March 2020 (note 20).

17. INTANGIBLE ASSETS

	Masthead and publishing rights HK$'000
COST	
At 1 April 2018, 31 March 2019 and 31 March 2020	1,482,799
ACCUMULATED IMPAIRMENT	
At 1 April 2018, 31 March 2019 and 31 March 2020	824,760
CARRYING AMOUNTS	
At 31 March 2020	658,039
At 31 March 2019	658,039

17. INTANGIBLE ASSETS (continued)

The management of the Group has performed studies on the market trends which supports that masthead and publishing rights have no foreseeable limit to the period over which masthead and publishing rights are expected to generate net cash flows for the Group. As a result, the masthead and publishing rights are considered by the management of the Group as having an indefinite useful life because they are expected to contribute net cash inflows to the Group indefinitely. They have been tested for impairment annually and whenever there is an indication that they may be impaired. Particulars of the impairment testing are disclosed in note 18.

18. IMPAIRMENT TESTING ON INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For the purposes of impairment testing, the carrying amounts of masthead and publishing rights with indefinite useful lives set out in note 17 have been allocated to two operating units, represented by (1) newspapers publication and printing and (2) magazines publication and printing, of which magazines publication and printing has been fully impaired. The carrying amount of the masthead and publishing rights are allocated to the following CGUs:

	Masthead and publishing rights	
	2020	2019
	HK$'000	HK$'000
Newspapers publication and printing unit ("NPP CGU")	**195,449**	195,449
Newspapers publication and digital unit ("NPD CGU")	**462,590**	462,590
	658,039	658,039

Management of the Group are of the view that the recoverable amounts of NPP CGU and NPD CGU are not less than their respective carrying amounts at 31 March 2020, accordingly, no additional impairment loss has been recognised in the profit and loss for the year ended 31 March 2020 (2019: nil).

The recoverable amounts of masthead and publishing rights have been determined on the basis of the value in use of respective CGUs to which the assets have been allocated. The recoverable amounts are based on certain similar key assumptions which are based on historical operating records and management's expectation for the market development. Value in use calculations of CGU are cash flow projections based on financial budgets approved by management covering a 5-year period with an average annual growth rate of 19.9% (2019: 14.2%) and a pre-tax discount rate of 15.8% (2019: 15.1%). Cash flow projections beyond the 5-year period are extrapolated using a steady growth rate of 2% (2019: 3%).

19. PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Computer software HK$'000	Motor vehicles HK$'000	Total HK$'000
COST								
At 1 April 2018	317,105	888,806	81,940	1,264,770	375,085	31,559	4,680	2,963,945
Exchange difference	(28,394)	(31,685)	(738)	(30,585)	(9,500)	–	(54)	(100,956)
Additions	–	–	4,354	–	34,106	10,159	104	48,723
Reclassified as assets held for sale	(22,410)	(73,777)	(811)	–	–	–	–	(96,998)
Disposals	(123,546)	(61,512)	(15,163)	(139,158)	(46,233)	(3,925)	(143)	(389,680)
At 31 March 2019	142,755	721,832	69,582	1,095,027	353,458	37,793	4,587	2,425,034
Exchange difference	1,455	2,033	84	2,481	858	–	6	6,917
Additions	–	–	16,735	–	33,994	26,449	240	77,418
Disposals	–	–	(1,856)	(9,210)	(22,576)	–	(438)	(34,080)
At 31 March 2020	144,210	723,865	84,545	1,088,298	365,734	64,242	4,395	2,475,289
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
At 1 April 2018	–	251,423	51,976	1,227,783	332,847	18,635	4,366	1,887,030
Exchange difference	–	(5,618)	(239)	(29,572)	(8,827)	–	(52)	(44,308)
Charge for the year	–	7,935	4,011	9,815	24,278	8,987	130	55,156
Eliminated on reclassification of assets held for sale	–	(23,485)	(255)	–	–	–	–	(23,740)
Eliminated on disposals	–	(9,865)	(5,698)	(137,687)	(46,063)	(3,726)	(132)	(203,171)
At 31 March 2019	–	220,390	49,795	1,070,339	302,235	23,896	4,312	1,670,967
Exchange difference	–	430	30	2,429	828	–	6	3,723
Charge for the year	–	15,054	3,468	5,800	25,355	11,430	90	61,197
Eliminated on disposals	–	–	(1,600)	(9,096)	(19,231)	–	(322)	(30,249)
At 31 March 2020	–	235,874	51,693	1,069,472	309,187	35,326	4,086	1,705,638
CARRYING AMOUNTS								
At 31 March 2020	144,210	487,991	32,852	18,826	56,547	28,916	309	769,651
At 31 March 2019	142,755	501,442	19,787	24,688	51,223	13,897	275	754,067

19. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 March 2020, the carrying amount of the Group's land and buildings comprised the following:

	2020	2019
	HK$'000	HK$'000
Freehold land situated outside Hong Kong	**144,210**	142,755
Buildings situated in Hong Kong	**271,137**	281,022
Buildings situated outside Hong Kong	**216,854**	220,420
	487,991	501,442
	632,201	644,197

Freehold land is not depreciated. The other above items of property, plant and equipment are depreciated on a straight-line basis, as follows:

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

Note: *As at 31 March 2020, the Group's certain freehold land and buildings with the carrying amounts of HK$144,210,000 (2019: HK$165,165,000) and HK$216,854,000 (2019: HK$270,709,000) respectively were pledged as securities for the Group's banking facilities (note 29).*

20. GAIN ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

	2020	2019
	HK$'000	HK$'000
Gain (loss) on disposal of		
– freehold land and buildings	**–**	270,791
– other property, plant and equipment	**(3,064)**	(10,888)
	(3,064)	259,903
– assets held for sale *(note 16)*	**4,483**	–
	1,419	259,903

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

21. RIGHT-OF-USE ASSETS

	Leased land	**Leased assets**	**Total**
	HK$'000	HK$'000	HK$'000
	(Note a)	*(Note b)*	
Arising from application of HKFRS16			
– transferred from prepaid land lease payments *(note 22)*	50,771	–	50,771
– recognition of right-of-use assets and lease liabilities	–	55,122	55,122
Carrying amount at 1 April 2019	50,771	55,122	105,893
Additions during the year	–	3,769	3,769
Depreciation charge for the year	(1,797)	(8,262)	(10,059)
Eliminated on disposals	–	(368)	(368)
Exchange realignment	–	(76)	(76)
Carrying amount at 31 March 2020	48,974	50,185	99,159

21. RIGHT-OF-USE ASSETS (continued)

	HK$'000
Expense relating to short-term leases and other leases with lease terms end within twelve months of the date of initial application of HKFRS 16	1,212
Total cash outflow for leases	10,329

Notes:

(a) *The leased land represents the Group's payment for two leases of certain land in Hong Kong for lease terms of 51 years 8 months and 51 years 11 months commencing from 24 October 1995 and 6 July 1995. The leased land is held by the Group for its business operation purpose and is depreciated on a straight-line over the lease terms. The carrying amount of the leased land at 31 March 2020 is to be depreciated for the remaining lease term of 27 years 2 months.*

(b) *The leased properties, motor vehicle and plant and equipment were leased by the Group for its business purpose for the remaining lease terms of 8 years and 2 years respectively. The leases are recognised for an average term of 1 to 8 years and monthly rentals are fixed during the lease periods.*

22. PREPAID LAND LEASE PAYMENTS

	2020 **HK$'000**	2019 HK$'000
Leasehold land in Hong Kong	–	50,771
Analysed for reporting purpose as:		
Current asset	–	1,797
Non-current asset	–	48,974
	–	50,771

At 1 April 2019, the balance of the prepaid land lease payments amounted to HK$50,771,000 was transferred to right-of-use assets upon adoption of HKFRS 16 as set out in note 21.

23. AMOUNTS DUE FROM RELATED PARTIES

The amounts represent office rental and supporting services fee receivable by the Group from Colored World Holdings Limited and its subsidiaries which Mr. Lai, a director of the Company, has controlling interest. The amounts due from related parties are unsecured, non-interest bearing and repayable on demand.

24. INVENTORIES

	2020	2019
	HK$'000	HK$'000
Raw materials	**43,600**	57,652
Work in progress	**2,022**	2,208
Finished goods	**2,952**	2,962
	48,574	62,822

25. TRADE AND OTHER RECEIVABLES

	2020	2019
	HK$'000	HK$'000
Trade receivables	**281,411**	355,210
Less: impairment loss recognised	**(150,608)**	(158,538)
	130,803	196,672
Prepayments *(Note)*	**47,256**	41,384
Rental and other deposits	**18,295**	12,525
Others	**18,164**	17,755
Trade and other receivables	**214,518**	268,336

Note: *Included in the balance are mainly rental and utilities prepayments of HK$446,000 (2019: HK$294,000), value-added tax receivables of HK$18,007,000 (2019: HK$17,082,000) and other prepayments of HK$28,803,000 (2019: HK$24,008,000).*

25. 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:

	2020 HK$'000	2019 HK$'000
0 – 30 days	65,920	83,502
31 – 90 days	35,864	70,744
91 – 120 days	5,889	20,948
Over 120 days	23,130	21,478
	130,803	196,672

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

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

	2020 HK$'000	2019 HK$'000
Over 120 days	23,130	21,478

As at 31 March 2020, included in the Group's trade receivables balance were debtors with aggregate carrying amount of HK$23,130,000 (2019: HK$21,478,000) which were past due as at the reporting date and was not considered as in default as the Directors assessed that the balances will be recovered based on their settlement records. The Group does not hold any collateral over these balances.

25. TRADE AND OTHER RECEIVABLES (continued)

Movement in the impairment loss recognised on trade receivables

	2020 **HK$'000**	2019 HK$'000
Balance at beginning of the year	**158,538**	57,498
Impairment loss recognised for the year	**4,271**	105,976
Impairment loss reversed for the year	**(12,596)**	(3,514)
Exchange difference	**543**	(390)
Amounts written off as uncollectible	**(148)**	(1,032)
Balance at end of the year	**150,608**	158,538

As at 31 March 2020, included in the allowance for doubtful debts are the impairment loss assessed on individual credit-impaired debtors with an aggregate balance of HK$112,800,000 (2019: HK$121,421,000), the payers of which are in severe financial difficulties.

Details of impairment assessment of trade and other receivables for the year ended 31 March 2020 are set out in note 40(b).

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

	2020		2019	
	Denominated currency '000	**Equivalent to HK$'000**	Denominated currency '000	Equivalent to HK$'000
United States Dollars ("USD")	**204**	**1,579**	234	1,839
Australian Dollars	**6**	**27**	22	125
Pound Sterling	**–**	**–**	7	68

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

Restricted bank balances

As at 31 March 2020, bank balances amounted to HK$1,500,000 (2019: HK$1,500,000) were restricted for the use of settling certain potential debts and claims as stipulated in a share capital reduction exercise carried out during the year ended 31 March 2015. The restricted bank balances carry fixed interest rate at 1.4% (2019: 1.08%) per annum for the year.

Pledged bank deposits

Pledged bank deposits represent deposits pledged to bank to secure banking facilities granted to the Group. These bank deposits amounted to HK$32,566,000 (2019: HK$33,485,000) have been pledged mainly to secure bank guarantee. The pledged deposits carry fixed interest rate of 0.35% to 1.01% (2019: 0.3% to 1.01%) per annum. The pledged bank deposits will be released upon the maturity of relevant bank guarantee.

Time deposits with original maturity over three months

Time deposits with original maturity over three months of approximately HK$2,878,000 at 31 March 2019 carried interest at the fixed interest rate of 0.7% per annum in prior year.

Bank balances and cash

Included in bank balances is an amount of approximately HK$1,817,000 (2019: HK$21,790,000) placed in time deposit for a period of 3 months. Such deposit carried interest at the fixed interest rate of 2.2% (2019: 1.5% to 1.55%) per annum.

The remaining bank balances are placed in current and savings accounts, the former bear no interest and the latter bear prevailing market interest rate of 0% to 0.10% (2019: 0% to 0.10%) per annum.

27. TRADE AND OTHER PAYABLES

	2020 **HK$'000**	2019 HK$'000
Trade payables	**37,761**	53,494
Accrued staff costs	**186,785**	216,988
Accrued charges *(Note a)*	**137,051**	126,318
Deposits received *(Note b)*	**–**	88,000
Obligation on pensions – defined contribution plans *(note 31)*	**2,313**	2,582
Other payables	**36,291**	35,851
Trade and other payables	**400,201**	523,233

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

27. TRADE AND OTHER PAYABLES (continued)

Notes:

(a) The balance includes accrual for repair and maintenance expenses of HK$40,351,000 (2019: HK$50,581,000), accrual for utilities of HK$2,637,000 (2019: HK$4,717,000) and other miscellaneous accruals of HK$94,063,000 (2019: HK$71,020,000).

(b) The balance represents deposits received for the disposal of Next Magazine Advertising Limited and Next Media Publishing Limited (including the Taiwan Branch) (the "Target Companies") and all such intellectual property rights in connection with, or with the benefits of, the business of the Target Companies. Please refer to note 37 for the details of the proposed but terminated disposal of certain magazine business of the Company and related litigation.

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

	2020 HK$'000	2019 HK$'000
0 – 30 days	**21,760**	35,211
31 – 90 days	**8,105**	10,948
Over 90 days	**7,896**	7,335
	37,761	53,494

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

	2020		2019	
	Denominated currency '000	**Equivalent to HK$'000**	Denominated currency '000	Equivalent to HK$'000
USD	**1,324**	**10,275**	1,926	15,118

28. CONTRACT LIABILITIES

	2020 HK$'000	2019 HK$'000
Advances payments from customers	**47,202**	23,768

The balances represent advance payments received by the Group of service fees, for which the related services had not been rendered.

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

	2020 HK$'000	2019 HK$'000
Printing services income *(Note a)*	**446**	1,585
Internet advertising income and development of mobile games and apps income *(Notes b & c)*	**2,578**	5,607
Subscription income *(Note d)*	**44,178**	16,576
	47,202	23,768

28. CONTRACT LIABILITIES (continued)

Notes:

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

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

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

(d) *For subscription income, full payments received from subscriber at the point of transaction of subscription result in contract liabilities at the start of contract until the revenue is fully recognised over the period of contract.*

29. BANK BORROWINGS

Bank borrowings represent secured bank loans granted to the Group. An analysis of the secured bank loans of the Group is as follows:

	2020 **HK$'000**	2019 HK$'000
Carrying amount repayable		
– within one year	**161,427**	179,125
– in the second year	**45,607**	45,282
– in the third year	**45,607**	45,282
– in the fourth year	**22,805**	45,282
– in the fifth year	**–**	22,643
	275,446	337,614
Less: Amounts due within one year shown under current liabilities	**(161,427)**	(179,125)
Amounts shown under non-current liabilities	**114,019**	158,489

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

Bank borrowings comprise balances of HK$159,626,000 (2019: HK$203,770,000) carrying interests at 3 months Taipei Interbank Offered Rate plus 1.55% per annum, HK$26,030,000 (2019: HK$31,958,000) carrying interests at 1 month Taipei Interbank Offered Rate plus 1% per annum, HK$79,528,000 (2019: HK$101,886,000) carrying interests at Taichung Commercial Bank's monthly deposit rate plus 0.89% to 1.94% per annum (2019: 1.6% per annum) and HK$10,262,000 (2019: nil) carrying interests at adjustable rates for consumer loans plus 0.73% per annum.

29. BANK BORROWINGS (continued)

The ranges of effective interest rates (which are equal to contractual interest rates) of bank borrowings is 1.76% to 3.0% (2019: 1.60% to 2.33%) per annum.

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

As at 31 March 2020, the Group had total unutilised banking facilities of HK$18,789,000 (2019: HK$13,967,000).

30. LEASE LIABILITIES

	2020
	HK$'000
Lease liabilities payable:	
– within one year	**6,967**
– within a period of more than one year but not more than two years	**5,897**
– within a period of more than two years but not more than five years	**15,594**
– more than five years	**22,674**
	51,132
Less: Amount due for settlement within twelve months included in current liabilities	**(6,967)**
Amount due for settlement after twelve months shown under non-current liabilities	**44,165**

31. RETIREMENT BENEFITS PLANS

	2020	2019
	HK$'000	HK$'000
Obligations on:		
Pensions – defined contribution plans *(note 27) (Note a)*	**2,313**	2,582
Defined benefit plans obligations *(Note b)*	**25,397**	31,339
	27,710	33,921

31. RETIREMENT BENEFITS PLANS (continued)

Notes:

(a) Defined contribution plans

Hong Kong

The Group participates in two (2019: two) Occupational Retirement Schemes Ordinance schemes (the "HK Scheme") and a mandatory provident fund scheme (the "MPF Scheme") for eligible employees in Hong Kong.

The Group's and the employees' contributions to the MPF Scheme are each set at 5% of the employees' salaries up to a maximum of HK$1,500 since 1 June 2014 per employee per month. The Group's contributions to the MPF Scheme are fully and immediately vested to the employees once they are paid.

The Group's and the employees' contributions to the HK Scheme are each set at 5% after deducting the MPF contribution of the employees' salaries including basic salaries, commission and certain bonuses.

The HK Scheme and the MPF Scheme were established under trust with the assets of the funds held separately from those of the Group by independent trustees.

During the year ended 31 March 2020, forfeited contributions totalling HK$734,000 were utilised (2019: HK$2,685,000). At 31 March 2020 and 2019, the Group has no balance available to reduce future contributions in respect of the HK Scheme.

The Group had no contributions payable under the HK Scheme and the MPF Scheme included in the consolidated statement of financial position as at 31 March 2020 and 2019.

Taiwan

Starting from 1 July 2005, employees may choose a scheme where the rate of contribution by an employer should not be less than 6% of the employees' monthly salaries and the employees may also voluntarily contribute up to 6% of the monthly salaries to the provision fund account under the Labor Pension Act of Taiwan.

The Taiwan defined contribution scheme was established under trust with the assets of the funds held separately from those of the Group by independent trustees.

There were no forfeited contributions for the years ended 31 March 2020 and 2019.

As at 31 March 2020, the Group had contributions payable under the Taiwan defined contribution scheme totalling HK$2,313,000 (2019: HK$2,582,000) which is included in trade and other payables under current liabilities in the consolidated statement of financial position.

(b) Defined benefit plans

Taiwan

The Group also participates in two (2019: three) defined benefit retirement schemes for its eligible employees in Taiwan (the "Taiwan Schemes"). Under the Taiwan Schemes, the employees are entitled to retirement benefits varying between 50% and 75% of their final salary on the attainment of a retirement age of 60. The assets of the Taiwan Schemes are held under a government-run trust separate from those of the Group. As at 31 March 2020, an actuarial valuation of plan assets and the present value of the defined benefits obligations were carried out and valued by a qualified actuary, Mr. Chen Wen-Hsien, associate of the Actuarial Institute of the Republic of China, of Client View Management Consulting Co. Ltd. The present value of the defined benefit obligations and the related current service cost were measured using the projected unit credit method.

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

Investment risk

The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and real estates. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund.

Interest risk

A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.

Longevity risk

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

31. RETIREMENT BENEFITS PLANS (continued)

Notes: (continued)

(b) *Defined benefit plans* (continued)

Taiwan (continued)

Salary risk

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2020	2019
	%	%
Discount rate	**0.6**	1.0
Expected rate of future salary increases	**2.5**	2.5

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

The actuarial valuation showed that the market value of plan assets was HK$23,713,000 (2019: HK$19,555,000) and that the actuarial value of these assets represented 48.3% (2019: 38.4%) of the benefits that had accrued to members. The shortfall of HK$25,397,000 (2019: HK$31,339,000) is to be cleared over the estimated remaining service period of the expected working lives of the employees of 14.0 years (2019: 16.0 years).

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

	2020	2019
	HK$'000	HK$'000
Service cost:		
Current service cost	**(325)**	531
Past service cost	**(6,111)**	(4,838)
Net interest expense	**294**	462
Components of defined benefit cost recognised in profit or loss *(note 14)*	**(6,142)**	(3,845)
Actuarial loss (gain) from remeasurement of defined benefit obligations	**3,406**	(790)
Income tax related to actuarial gain from remeasurement of defined benefit obligations *(note 36)*	**–**	160
Components of defined benefit cost recognised in other comprehensive expense	**3,406**	(630)
Total	**(2,736)**	(4,475)

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plans is as follows:

	2020	2019
	HK$'000	HK$'000
Present value of funded defined benefit obligations	**49,110**	50,894
Fair value of plan assets	**(23,713)**	(19,555)
Net liability arising from defined benefit obligations	**25,397**	31,339

31. RETIREMENT BENEFITS PLANS (continued)

Notes: (continued)

(b) *Defined benefit plans* (continued)

Taiwan (continued)

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

	2020 **HK$'000**	2019 HK$'000
At beginning of the year	**50,894**	59,768
Current service cost	**(325)**	531
Interest cost	**508**	694
Actuarial loss (gain)	**3,406**	(790)
Past service cost	**(6,111)**	(4,838)
Exchange differences on foreign plans	**1,031**	(2,300)
Benefits paid	**(293)**	(2,171)
At end of the year	**49,110**	50,894

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

	2020 **HK$'000**	2019 HK$'000
At beginning of the year	**19,555**	17,931
Interest income	**214**	232
Gain on plan assets (excluding amounts included in net interest expense)	**648**	1,025
Contributions from the employer	**3,453**	3,535
Exchange differences on foreign plans	**136**	(997)
Benefits paid	**(293)**	(2,171)
At end of the year	**23,713**	19,555

The major categories of plan assets and the respective expected rates of return at the end of the reporting period are as follows:

	Expected return		**Fair value of plan assets**	
	2020 **%**	2019 %	**2020** **HK$'000**	2019 HK$'000
Equity instruments	**11.98**	20.67	**5,117**	5,094
Debt instruments	**1.50**	1.50	**14,643**	11,747
Bank deposits	**0.77**	1.02	**3,953**	2,714
			23,713	19,555

The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. The assessment of the expected returns by the directors of the Company is based on historical return trends and analysts' predictions of the market for the asset in the next twelve months.

During the year ended 31 March 2020, the actual return on plan assets was HK$862,000 (2019: HK$1,257,000).

Significant actuarial assumptions for the determination of the defined obligation are discount rate and expected salary increase. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- *If the discount rate is 25 basis points higher (lower), the defined benefit obligations would decrease by HK$1,598,000 (increase by HK$1,668,000) (2019: decrease by HK$1,733,000 (increase by HK$1,812,000)).*
- *If the expected salary growth increases (decreases) by 0.25%, the defined benefit obligations would increase by HK$1,632,000 (decrease by HK$1,573,000) (2019: increase by HK$1,780,000 (decrease by HK$1,712,000)).*

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligations has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligations liability recognised in the consolidated statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

31. RETIREMENT BENEFITS PLANS (continued)

Notes: (continued)

(b) *Defined benefit plans* (continued)

Taiwan (continued)

The history of experience adjustments is as follows:

	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
Present value of defined benefit obligations	**(49,110)**	(50,894)	(59,768)	(69,089)	(88,429)
Fair value of plan assets	**23,713**	19,555	17,931	13,333	11,624
Deficit	**(25,397)**	(31,339)	(41,837)	(55,756)	(76,805)

The Group expects to make a contribution of HK$2,607,000 (2019: HK$3,505,000) to the defined benefit plans during the next financial year.

32. LOAN FROM A SHAREHOLDER

	2020 HK$'000	2019 HK$'000
Carrying amount of the unsecured loan from a shareholder repayable within a period of more than two years but not exceeding five years	**347,716**	–
Analysed by reporting purpose:		
Loan from a shareholder classified under non-current liabilities	**347,716**	–

On 8 November 2018, 15 November 2019 and 10 June 2020, the Company entered into an agreement and two supplemental agreements (collectively, the "Loan Agreement") with a shareholder, Mr. Lai, under which Mr. Lai has agreed to provide an unsecured loan to the Company of an aggregate maximum amount of HK$650,000,000, which are interest free and repayable in 36 months. Pursuant to the Loan Agreement, during the year the Company obtained the loan totalled HK$400,000,000 from Mr. Lai, which remained outstanding as at 31 March 2020.

The fair value of the loan from a shareholder with the principal sum of HK$400,000,000 at the dates of their drawdown by the Company is estimated to be totalled HK$340,645,000, using the effective interest rate of 5.5% per annum. The excess of the principal amounts of the loan over the fair value at the dates of drawdowns, amounted to HK$59,355,000, was accumulated in equity and was included in capital reserve of the Group.

32. LOAN FROM A SHAREHOLDER (continued)

Movements of the loan from a shareholder during the year are as follows:

	2020	2019
	HK$'000	HK$'000
At beginning of the year	**–**	–
Loan drawdowns during the year	**400,000**	50,000
Loan repayments during the year	**–**	(50,000)
Adjustment for the excess of the principal amount of loan over the fair value	**(59,355)**	–
Imputed interest on the loan for the year *(note 8)*	**7,071**	–
At end of the year	**347,716**	–

33. SHARE CAPITAL

	Number of shares		**Share capital**	
	31 March 2020	31 March 2019	**31 March 2020**	31 March 2019
			HK$'000	HK$'000
Issued and fully paid				
At beginning of year	**2,636,211,725**	2,432,026,881	**2,486,621**	2,435,582
Issued of ordinary shares in relation to award of new shares *(note 34 (c))*	**–**	204,184,844	**–**	51,039
At end of the year	**2,636,211,725**	2,636,211,725	**2,486,621**	2,486,621

34. 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) who have contributed to the Group, and to encourage them to work towards enhancing the value of the Company and the Shares, for the benefit of the Company and all shareholders. Under the 2014 Share Option Scheme, the Board may grant options to the participants to subscribe for shares in the Company. The maximum entitlement of each participant is not exceeding 1% of the total number of issued Shares in any 12-month period.

Options granted must be taken up within 14 days from the date of grant, upon payment of HK$10. Subject to the respective terms of issue, options may be exercised at any time from the vesting date to the expiry date. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the shares on the date of grant; and (ii) the average closing price of the shares for the five business days immediately preceding the date of grant. Life of the 2014 Share Option Scheme is 10 years commencing on 31 July 2014. As at the date of this report, there were total 195,623,536 shares available for issue under the 2014 Share Option Scheme, representing 7.4% of the issued Shares.

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

2020

				Number of options				
Category of grantees	Date of grant	Exercise price per share	Expiry date	Balance as at 01.04.2019	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Balance as at 31.03.2020
Directors	03.02.2016	HK$0.420	30.07.2024	1,500,000	–	–	–	1,500,000
	29.11.2019	HK$0.274	30.07.2024	–	28,467,152	–	–	28,467,152
				1,500,000	28,467,152	–	–	29,967,152
Exercisable at the end of the year								15,733,576
Weighted average exercise price				HK$0.420				HK$0.288

34. SHARE INCENTIVE SCHEMES (continued)

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

2019

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

(i) The 510,000 options granted to a director of the Company on 2 March 2015 and the 1,500,000 options granted to a director of the Company on 3 February 2016 are vested as follows:

On 1st anniversary of the date of grant	30% vest
On 2nd anniversary of the date of grant	further 30% vest
On 3rd anniversary of the date of grant	remaining 40% vest

(ii) The 28,467,152 options granted to two directors of the Company on 29 November 2019 are vested as follows:

On the date of grant	50% vest
On 1st anniversary of the date of grant	remaining 50% vest

Except for the above, no options were granted, exercised, lapsed or cancelled under the 2014 Share Option Scheme during the years ended 31 March 2020 and 2019.

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

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

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 (collectively referred to as the "Subsidiary Share Option Schemes"), the Subsidiaries may grant options to any of their full-time employees and directors or employees and directors of any of their subsidiaries and any eligible persons as defined therein to subscribe for the respective ordinary shares of 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 and yet to be exercised 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. The maximum entitlement of each participant is not exceeding 1% of the total number of issued shares of his respective subsidiary in any 12-month period under the scheme.

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

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

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

(iii) The exercise price per share of the respective Subsidiary Share Option Schemes shall be determined solely by the board of directors of the Subsidiary concerned with reference to factors which may include its business performance and value, but shall always be higher than or equal to the nominal value of a share of the respective Subsidiary.

(iv) The maximum number of shares that may be issued upon the exercise of all the options to be granted under each share option scheme shall be 10% of the Subsidiary's issued shares on the date of the scheme's adoption. Options that lapse in accordance with the terms of subsidiary share option schemes shall not be included in the calculation of the scheme mandate limit.

(v) Subject to the respective terms of issue, options may be exercised at any time from the vesting date to the expiry date of the above respective scheme.

(vi) Life of the above schemes is a period commencing their respective dates of adoption and expiring on the earlier of (i) the dates of their respective listing of shares on an internationally recognized stock exchange of the Subsidiaries, or (ii) the tenth anniversary date of their respective dates of adoption.

34. SHARE INCENTIVE SCHEMES (continued)

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

2013 nxTomo Share Option Scheme

Details of the terms and movements of the share options granted pursuant to the 2013 nxTomo Share Option Scheme are as follows:

2020

Category of grantee	Date of grant	Exercise price per share	Expiry date	Number of options: Balance as at 01.04.2019	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Balance as at 31.03.2020
nxTomo Employee	**03.10.2014**	**HK$0.01**	**14.06.2023**	**8,000**	**–**	**–**	**–**	**8,000**
Exercisable at the end of the year								**8,000**
Weighted average exercise price				**HK$0.01**				**HK$0.01**

2019

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

The 50,000 options granted to an employee of the nxTomo under 2013 nxTomo Share Option Scheme on 23 September 2013 was fully vested on 23 September 2014.

The 20,000 options granted to employees on 3 October 2014 was vested on 3 October 2015.

Save as disclosed above, no options were granted, exercised, lapsed or cancelled under the share option schemes adoption by the Subsidiaries.

34. SHARE INCENTIVE SCHEMES (continued)

(c) Award of new shares to directors and employees

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

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

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

Subject to the payment of nominal amount of subscription price by the INED and the INED remaining as director 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.

(ii) Employee Share Award Scheme adopted by the Company

On 12 June 2018, the Employee Share Award Scheme was adopted by the Company for the purpose of providing incentives and aligning the interests of the selected employees with that of shareholders. The Employee Share Award Scheme was a one-off incentive scheme and lapsed after allotment and issuance 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 were not subject to any vesting condition.

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

(iii) Award of new shares to 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 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 was comparable to the Employee Share Award Scheme adopted on 12 June 2018.

The Group recognised the total expense of HK$805,000 for the year ended 31 March 2020 (2019: HK$51,006,000) in relation to options granted under the share option schemes and the award shares of the Group.

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	NOTES	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries		**938,035**	938,035
Deferred tax assets		**26**	29
		938,061	938,064
CURRENT ASSETS			
Other receivables	a	**3,270**	3,361
Amounts due from subsidiaries	a	**56,462**	57,219
Restricted bank balances	a	**1,500**	1,500
Tax recoverable		**108**	–
Bank balances and cash	a	**509**	1,339
		61,849	63,419
CURRENT LIABILITIES			
Other payables		**5,216**	5,775
Amounts due to subsidiaries		**–**	992
Tax liabilities		**–**	39
		5,216	6,806
NET CURRENT ASSETS		**56,633**	56,613
TOTAL ASSETS LESS CURRENT LIABILITIES		**994,694**	994,677
NON-CURRENT LIABILITY			
Amount due to a shareholder		**347,716**	–
NET ASSETS		**646,978**	994,677
CAPITAL AND RESERVES			
Share capital		**2,486,621**	2,486,621
Reserves	b	**(1,839,643)**	(1,491,944)
TOTAL EQUITY		**646,978**	994,677

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 22 June 2020 and is signed on its behalf by:

Cheung Kim Hung	**Chow Tat Kuen, Royston**
DIRECTOR	*DIRECTOR*

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Notes:

(a) ECL for amounts due from subsidiaries, other receivables, restricted bank balances and bank balances are assessed on 12m ECL basis as there had been no significant increase in credit risk since initial recognition. No material impairment allowance is made based on the Company's internal and/or external credit rating.

(b) Movements of the reserves of the Company are as follows:

	Capital reserve HK$'000	Share-based payment reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2018	–	486	(1,113,016)	(1,112,530)
Loss and total comprehensive expense for the year	–	–	(379,383)	(379,383)
Issue of ordinary shares in relation to award of new shares	–	(526)	–	(526)
Recognition of equity-settled share-based payments	–	495	–	495
Lapse of share options	–	(178)	178	–
At 31 March 2019	**–**	**277**	**(1,492,221)**	**(1,491,944)**
Loss and total comprehensive expense for the year	**–**	**–**	**(407,859)**	**(407,859)**
Recognition of equity-settled share-based payments	**–**	**805**	**–**	**805**
Excess of principal amounts of loan from a shareholder over the fair value *(note 32)*	**59,355**	**–**	**–**	**59,355**
At 31 March 2020	**59,355**	**1,082**	**(1,900,080)**	**(1,839,643)**

36. DEFERRED TAX

	2020 HK$'000	2019 HK$'000
Deferred tax liabilities recognised	**156,206**	156,388
Deferred tax assets recognised	**(6,172)**	(5,616)
Deferred tax liabilities recognised, net	**150,034**	150,772

36. DEFERRED TAX (continued)

Movements in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the current and prior years are as follows:

Deferred tax liabilities

	Accelerated tax depreciation		Intangible assets		Total	
	2020	2019	**2020**	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At beginning of the year	**47,810**	47,840	**108,578**	108,578	**156,388**	156,418
Exchange difference	**(32)**	277	**–**	–	**(32)**	277
Credit to profit or loss	**(150)**	(307)	**–**	–	**(150)**	(307)
At end of the year	**47,628**	47,810	**108,578**	108,578	**156,206**	156,388

Deferred tax assets

	Retirement benefit obligations		Tax losses		Total	
	2020	2019	**2020**	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At beginning of the year	**(4,630)**	(4,790)	**(986)**	(5)	**(5,616)**	(4,795)
Credit to profit or loss	**–**	–	**(556)**	(981)	**(556)**	(981)
Charge to other comprehensive income *(note 31)*	**–**	160	**–**	–	**–**	160
At end of the year	**(4,630)**	(4,630)	**(1,542)**	(986)	**(6,172)**	(5,616)

For the purpose of the statement of financial position presentation, deferred tax assets and liabilities have been offset.

36. DEFERRED TAX (continued)

Movements on the deferred tax liabilities are as follows:

	2020 HK$'000	2019 HK$'000
At beginning of the year	**150,772**	151,623
Exchange difference	**(32)**	277
Credit to profit or loss *(note 9)*	**(706)**	(1,288)
Charge to other comprehensive income	**–**	160
At end of the year (shown as non-current liabilities)	**150,034**	150,772

As at 31 March 2020, the Group has estimated unused tax losses of approximately HK$3,476,558,000 (2019: HK$2,973,709,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$9,346,000 (2019: HK$5,978,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$3,467,212,000 (2019: HK$2,967,731,000) due to the unpredictability of future profits streams. Included in this remaining tax losses, tax losses of HK$256,147,000 (2019: HK$356,033,000) have not yet been approved by Taiwan tax authority. Unrecognised tax losses of approximately HK$860,188,000 will expire from 2021 to 2029 (2019: HK$604,041,000 will expire from 2020 to 2028) and HK$2,607,024,000 (2019: HK$2,363,690,000) may be carried forward indefinitely.

As at 31 March 2020, the Group has deductible temporary differences of HK$8,325,000 (2019: HK$37,117,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

37. PROVISIONS

	Litigations 2020 HK$'000	2019 *HK$'000*
At beginning of the year	**50,884**	40,480
Provision made during the year	**17,294**	21,747
Reversal of provision during the year	**(22,980)**	(4,999)
Payment during the year	**(8,356)**	(6,001)
Exchange difference	**125**	(343)
At end of the year	**36,967**	50,884

As at 31 March 2020 and 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 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.

37. 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. Under such circumstances, the Sellers treated the Buyer's failure to pay as its termination of the transaction. The Sellers has sought 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 alleged, 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. On 27 August 2018, a Judge of the High Court of Hong Kong stayed all the Buyer's claims (contractual and tortious) to arbitration.

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 the full and final settlement of (i) 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 (ii) any costs incurred in relation to the Claims. All outstanding matters between the Buyer, the Sellers and the Company have been dealt with by the Deed and the dispute is now at an end.

During the year ended 31 March 2020, reversal of provision amounted to the HK$12.1 million was made.

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, 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.

38. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Contingent liabilities

At the end of reporting period, certain litigations and claims in Hong Kong and Taiwan are made against the Group. Management of the Group is of the opinion that apart from the provision made for certain litigations as disclosed in note 37, the Group had no material liabilities arising from these litigations and claims recognised in the consolidated financial statements.

(b) Capital commitments

	2020	2019
	HK$'000	HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**2,849**	23,253

(c) Commitments under operating leases

The Group as lessee

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

2019

	Properties	Plant and equipment	Total
	HK$'000	HK$'000	HK$'000
Within one year	6,532	6,046	12,578
In the second to fifth years inclusive	24,257	2,794	27,051
Over five years	29,896	–	29,896
	60,685	8,840	69,525

Operating lease payments included rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 2 to 10 years and rentals are fixed during the lease period.

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

38. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

(c) Commitments under operating leases (continued)

The Group as lessor

Rental income earned during the year was HK$10,192,000 (2019: HK$16,071,000).

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

	2020	2019
	HK$'000	HK$'000
Within one year	**7,652**	7,898
In the second to fifth years inclusive	**16,131**	23,341
	23,783	31,239

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

39. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years. The capital structure of the Group consists of debt, which includes bank borrowings and loan from a shareholder disclosed in notes 29 and 32 respectively, and equity attributable to owners of the Company, comprising share capital and reserves.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

40. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2020 **HK$'000**	2019 HK$'000
Financial assets		
– Financial assets included in trade and other receivables	**148,967**	214,427
– Amounts due from related parties	**5,249**	6,532
– Restricted bank balances	**1,500**	1,500
– Pledged bank deposits	**32,566**	33,485
– Time deposits with original maturity over three months	**–**	2,878
– Bank balances and cash	**137,694**	175,566
	325,976	434,388
Financial liabilities		
– Financial liabilities included in trade and other payables	**74,052**	89,345
– Bank borrowings	**275,446**	337,614
– Loan from a shareholder	**347,716**	–
– Lease liabilities	**51,132**	–
	748,346	426,959

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from related parties, restricted bank balances, pledged bank deposits, time deposits with original maturity over three months, bank balances and cash, trade and other payables, bank borrowings, loan from a shareholder and lease liabilities.

Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

40. FINANCIAL INSTRUMENTS (continued)

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

Market risk

Currency risk

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

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

	Liabilities		**Assets**	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**10,275**	12,594	**7,111**	27,712
NT$ – inter company balances	**194,560**	159,335	**643,343**	381,255

Sensitivity analysis

The Group is mainly exposed to the NT$. The Group does not have significant foreign currency exposure in relation to monetary items that are denominated in the USD as the HK$ is pegged to the USD.

The following table details the Group's sensitivity to a 5% (2019: 5%) increase and decrease in the entity's respective functional currency against NT$. 5% (2019: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, including balances with foreign operations within the Group and adjusts their translation at the end of the reporting period for a 5% (2019: 5%) change in foreign currency rates. A positive number below indicates an increase in loss for the year where HK$ strengthen against the relevant currency. For a 5% (2019: 5%) weakening of HK$ against the relevant currency, there would be an equal and opposite impact on the post-tax loss for the year, and the balances shown as positive below would be negative.

40. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

Currency risk (continued)

Sensitivity analysis (continued)

	NT$ Impact	
	2020	2019
	HK$'000	HK$'000
Post-tax loss	**17,951**	9,210

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposits (see note 26 for details) and fixed-rate bank borrowings (see note 29 for details of these borrowings).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank deposit (see note 26) and variable-rate bank borrowings (see note 29 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of 3 months Taipei Interbank Offered Rate and 1 month Taipei Interbank Offered Rate (2019: 3 months Taipei Interbank Offered Rate and 1 month Taipei Interbank Offered Rate).

The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

40. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

Interest rate risk (continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for bank borrowings at the end of the reporting period. In relation to bank deposits, the Group considers the interest rate risk is insignificant. The analysis is prepared assuming the bank borrowings outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis points (2019: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If the market interest rates had been increased/decreased by 50 basis points (2019: 50 basis points) and all other variables were held constant, post-tax loss for the year ended 31 March 2020 would increase/decrease by approximately HK$711,000 (2019: post-tax loss would increase/decrease by HK$943,000).

Credit risk and impairment assessment

As at 31 March 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the Group's consolidated statement of financial position.

Trade receivables

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

As at 31 March 2020 and 2019, the Group does not have any significant concentration of credit risk.

40. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment (continued)

Other receivables and amounts due from related parties

The Group performs impairment assessment under ECL model upon application of HKFRS 9 on other receivables and amounts due from related parties based on 12m ECL. No material impairment allowance is made based on the Group's internal credit rating.

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

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

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

	Notes	External credit rating	Internal credit rating	12-month or Lifetime ECL	Gross carrying At 31 March 2020 HK$'000	At 31 March 2019 HK$'000
Trade receivables	25	N/A	Note 1	Lifetime ECL	**168,611**	233,789
				Lifetime ECL (credit-impaired)	**112,800**	121,421
					281,411	355,210
Other receivables	25	N/A	Note 2	12m ECL	**18,164**	17,755
Amounts due from related parties	23	N/A	Note 2	12m ECL	**5,249**	6,532
Restricted bank deposits	26	A1	N/A	12m ECL	**1,500**	1,500
Time deposits with original maturity over three months	26	N/A	N/A	N/A	**–**	2,878
Bank balances and cash	26	A1 to Aa2	N/A	12m ECL	**137,694**	175,566
Pledged bank deposits	26	A1 to Aa2	N/A	12m ECL	**32,566**	33,485

40. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment (continued)

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

Note 2: For other receivables and amounts due from related parties, the Group has assessed these balances using 12m ECL basis as there had been no significant increase in credit risk since initial recognition. The loss allowance at 31 March 2020 was insignificant.

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its operation. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 March 2020 within lifetime ECL (not credit-impaired). Debtors with credit-impaired with gross carrying amounts of HK$112,800,000 (2019: HK$121,421,000) were assessed individually as at 31 March 2020.

For the year ended 31 March 2020

	Average loss rate	Gross carrying amounts HK$'000	Impairment loss allowance HK$'000
Internal credit rating			
Group A	0.8%	66,473	553
Group B	5.6%	25,177	1,419
Group C	21.4%	15,395	3,289
Group D	31.9%	8,650	2,761
Group E	56.3%	52,916	29,786
		168,611	37,808

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

Based on the above assessment, accumulated impairment losses on trade receivables amounted to HK$150,608,000 (2019: HK$158,538,000) were recognised as at 31 March 2020, comprising the impairment loss assessed on individual credit-impaired debtors amounted to HK$112,800,000 (2019: HK$121,421,000) and impairment loss assessed based on the ECL provision matrix amounted to HK$37,808,000 (2019: HK$37,117,000).

Details of movements in impairment loss on trade receivable are set out in note 25.

40. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group had net current liabilities of approximately HK$212,054,000 as at 31 March 2020. The Group is exposed to liquidity risk if it is not able to raise sufficient funds to meet its financial obligations. The Group relies on bank borrowings and loan from a shareholder as a significant source of liquidity. As at 31 March 2020, the Group has total available unutilised banking facilities of approximately HK$18,789,000 (2019: HK$13,967,000), details of which are set out in note 29. In addition, the Group has obtained unsecured loan facilities from a shareholder to the extent of HK$650,000,000, of which HK$400,000,000 have been utilised as at 31 March 2020.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Liquidity and interest risk tables

The table includes both interest and principal cash flows. To the extent that interest flows are with floating rate, the undiscounted amount is derived from interest rate as at the end of the reporting period.

	Weighted average interest rate %	Less than 1 month HK$'000	1–3 months HK$'000	3 months to 1 year HK$'000	1–5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2020 HK$'000
2020								
Non-derivative financial liabilities								
Trade payables	–	26,998	7,686	3,077	–	–	37,761	37,761
Other payables	–	36,291	–	–	–	–	36,291	36,291
Bank borrowings – variable rate	2.18	13,952	27,904	125,567	118,487	–	285,910	275,446
Loan from a shareholder	5.50	–	–	–	400,000	–	400,000	347,716
Lease liabilities	3–5.5	863	1,826	6,315	25,278	23,867	58,149	51,132
		78,104	37,416	134,959	543,765	23,867	818,111	748,346

40. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk (continued)

Liquidity and interest risk tables (continued)

	Weighted average interest rate %	Less than 1 month HK$'000	1–3 months HK$'000	3 months to 1 year HK$'000	1–5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2019 HK$'000
2019							
Non-derivative financial liabilities							
Trade payables	–	35,730	10,294	7,470	–	53,494	53,494
Other payables	–	35,851	–	–	–	35,851	35,851
Bank borrowings – variable rate	2.25	6,879	13,759	61,914	166,650	249,202	235,728
Bank borrowings – fixed rate	1.60	103,515	–	–	–	103,515	101,886
		181,975	24,053	69,384	166,650	442,062	426,959

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value measurements of financial instruments

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the consolidated financial statements approximate their corresponding fair value.

41. RELATED PARTY DISCLOSURE

Details of related party transactions are as follows:

(a) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management for the year was as follows:

	2020 HK$'000	2019 HK$'000
Short-term benefits	**15,221**	14,280
Share-based payments	**805**	871
Pension costs – defined contribution plans	**519**	502
	16,545	15,653

(b) Related party transactions

Nature of transactions	**Name of related company**	**Relationship with the Group**	**2020 HK$'000**	2019 HK$'000
Animation production service charge paid by the Group *(Note i)*	Next Animation Studio Limited ("NASL")	100% beneficially owned by Mr. Lai	**38,462**	39,209
Rental income received by the Group *(Note ii)*	NASL	100% beneficially owned by Mr. Lai	**1,921**	–

Notes:

(i) *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 each for a term of three years with effect from 1 April 2017 with updated annual caps.*

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

These agreements have expired on 31 March 2020. On 30 March 2020, the Company and NASL entered into another new Business Framework Agreement and new NASL Intellectual Properties Revenue Sharing Agreement, each for a term of three years with effect from 1 April 2020. Annual caps were also updated with the announcement made on 30 March 2020.

(ii) *On 16 April 2019, the Taiwan Branch of Easy Finder Publishing Limited, an indirect wholly-owned subsidiary of the Company, entered into a lease agreement with the Taiwan Branch of NASL, for a term of three years with effect from 16 April 2019 in respect of leasing the properties located in Taiwan.*

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	As at 1 April 2019 HK$'000	Financing cash inflows (outflows) for the year HK$'000	Finance costs for the year HK$'000	Adjustment for fair value at initial recognition HK$'000	Exchange differences HK$'000	Other changes HK$'000	As at 31 March 2020 HK$'000
Bank borrowings *(note 29)*	**337,614**	**(64,593)**	**–**	**–**	**2,425**	**–**	**275,446**
Accrued interests included in trade and other payables	**–**	**(6,602)**	**6,602**	**–**	**–**	**–**	**–**
Loan from a shareholder *(note 32)*	**–**	**400,000**	**7,071**	**(59,355)**	**–**	**–**	**347,716**
Lease liabilities *(Note)*	**55,122**	**(9,117)**	**1,646**	**–**	**19**	**3,462**	**51,132**
	392,736	**319,688**	**15,319**	**(59,355)**	**2,444**	**3,462**	**674,294**

	As at 1 April 2018 HK$'000	Financing cash inflow (outflow) for the year HK$'000	Other changes HK$'000	As at 31 March 2019 HK$'000
Bank borrowings *(note 29)*	485,437	(120,869)	(26,954)	337,614
Accrued interests included in trade and other payable	–	(11,083)	11,083	–
Loan from a shareholder *(note 32)*	–	50,000	–	50,000
Repayment of shareholder's loan *(note 32)*	–	(50,000)	–	(50,000)
	485,437	(131,952)	(15,871)	337,614

Note: *The balance as at 1 April 2019 is arising from application of HKFRS 16 (note 3.1(b)).*

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES

(a) Particulars of the principal subsidiaries of the Company as at 31 March 2020 and 2019 are as follows:

Name	Place of incorporation	Issued and paid up share capital	Proportion of nominal value of issued capital held by the Company		Proportion of voting power held by the Company		Principal activities
			2020	2019	**2020**	2019	
			%	%	**%**	%	
AD Subscription Services Limited	Hong Kong	HK$1.00	**100**	100	**100**	100	Provision of promotion and marketing services *(Note a)*
Apple Daily E-Classified Limited	Hong Kong	HK$100,000.99	**100**	100	**100**	100	Advertising *(Note a)*
Apple Daily I.P. Limited	British Virgin Islands	US$1.00	**100**	100	**100**	100	Holding of masthead and publishing rights of newspaper *(Note a)*
Apple Daily Limited	Hong Kong	HK$2,000,000.00	**100**	100	**100**	100	Publication and selling of newspaper and selling of newspaper advertising space *(Note a)*
Apple Daily Printing Limited	Hong Kong	HK$100,000,000.00	**100**	100	**100**	100	Printing of newspaper *(Note a)*
ADPDL	Hong Kong	HK$7,574,660.00	**99.10**	99.10	**99.10**	99.10	Publication and selling of newspaper and selling of newspaper advertising space *(Note b)*
Database Gateway Limited	British Virgin Islands	HK$739,001,531.00	**100**	100	**100**	100	Investment holding *(Note a)*
Easy Finder I.P. Limited	British Virgin Islands	US$11,000.00	**100**	100	**100**	100	Holding of masthead and publishing rights of magazine *(Note a)*
Element 5 Digital Limited	Hong Kong	HK$1.00	**100**	100	**100**	100	Publication of magazine and selling of internet advertising space *(Note a)*
ND Incubation Limited	Hong Kong	HK$1.00	**100**	100	**100**	100	Movie production *(Note a)*

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

(a) Particulars of the principal subsidiaries of the Company as at 31 March 2020 and 2019 are as follows: (continued)

Name	Place of incorporation	Issued and paid up share capital	Proportion of nominal value of issued capital held by the Company		Proportion of voting power held by the Company		Principal activities
			2020	2019	2020	2019	
			%	%	%	%	
Next Magazine Advertising Limited	Hong Kong	HK$1,000.00	100	100	100	100	Selling of magazine advertising space *(Note a)*
Next Magazine Publishing Limited	Hong Kong	HK$1,000.00	100	100	100	100	Publication and selling of magazine *(Note a)*
Next Media I.P. Limited	British Virgin Islands	HK$1,000.00	100	100	100	100	Holding of masthead and publishing rights of magazines *(Note a)*
Next Media Management Services Limited	Hong Kong	HK$2.00	100	100	100	100	Provision of management services *(Note a)*
Next Media Publishing Limited	Hong Kong	HK$1,997,207.00	100	100	100	100	Publication and selling of magazines and selling of magazines advertising space *(Note b)*
Next Mobile International Limited	Hong Kong	HK$100,000.00	100	100	100	100	Mobile business and platform development, mobile commerce, mobile games and advertising *(Note b)*
nxTomo Games Limited	Hong Kong	HK$1,075,600.00	100	100	100	100	Mobile games design and development *(Note b)*
nxTomo Ltd.	British Virgin Islands	HK$100,000.00	100	100	100	100	Investment holding *(Note a)*
Paramount Printing Company Limited	Hong Kong	HK$1,500,000.00	100	100	100	100	Provision of printing services *(Note a)*

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

(a) Particulars of the principal subsidiaries of the Company as at 31 March 2020 and 2019 are as follows: (continued)

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

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

Notes:

(a) The subsidiary operates in Hong Kong.

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

(b) Details of non-wholly owned subsidiary that has material non-controlling interests

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

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		(Loss) profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2020	2019	**2020**	2019	**2020**	2019
		%	%	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ADPDL	Hong Kong	**0.9**	0.9	**(1,964)**	(1,966)	**(486)**	1,826
Individual immaterial subsidiary with non-controlling interests				**–**	259	**205**	(100)
				(1,964)	(1,707)	**(281)**	1,726

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

(b) Details of non-wholly owned subsidiary that has material non-controlling interests (continued)

ADPDL

	2020 HK$'000	2019 HK$'000
Current assets	**216,560**	282,336
Non-current assets	**126,998**	190,152
Current liabilities	**(368,921)**	(274,693)
Non-current liabilities	**(32,110)**	(31,764)
Equity attributable to owners of ADPDL	**(56,987)**	164,205
Equity attributable to owners of non-controlling interests	**(486)**	1,826
Revenue	**286,747**	430,152
Expenses	**(505,495)**	(648,600)
Loss for the year attributable to owners of ADPDL	**(216,784)**	(216,482)
Loss for the year attributable to non-controlling interests	**(1,964)**	(1,966)
Loss for the year	**(218,748)**	(218,448)
Other comprehensive expense attributable to owners of ADPDL	**(4,714)**	(13,594)
Other comprehensive expense attributable to non-controlling interests	**(43)**	(610)
Other comprehensive expense for the year	**(4,757)**	(14,204)
Total comprehensive expense attributable to owners of ADPDL	**(221,498)**	(230,076)
Total comprehensive expense attributable to non-controlling interests	**(2,007)**	(2,576)
Total comprehensive expense for the year	**(223,505)**	(232,652)
Net cash outflow from operating activities	**(200,088)**	(137,411)
Net cash inflow (outflow) from investing activities	**59,835**	(6,915)
Net cash inflow (outflow) from financing activities	**121,856**	133,410
Net cash outflow	**(18,397)**	(10,916)

44. EVENT AFTER THE REPORTING PERIOD

After the outbreak of Coronavirus Disease 2019 ("COVID-19") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the world. The overall financial effect of the above cannot be reliably estimated as of the date of this report. The Group will pay close attention to the development of the COVID-19 outbreak and continue to evaluate its impact on the market, the financial position and operating results of the Group.

FIVE-YEAR FINANCIAL SUMMARY

For the year ended 31 March 2020

	Year ended 31 March				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**1,158,282**	1,304,275	1,495,521	1,783,757	2,327,730
Loss for the year	**(417,237)**	(340,185)	(476,919)	(393,998)	(324,244)
Loss attributable to owners of the Company	**(415,273)**	(338,478)	(475,991)	(392,777)	(324,688)
Non-controlling interests	**(1,964)**	(1,707)	(928)	(1,221)	444
Loss for the year	**(417,237)**	(340,185)	(476,919)	(393,998)	(324,244)

	As at 31 March				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**1,976,937**	2,112,404	2,600,264	3,016,502	3,294,739
Total liabilities	**(1,334,095)**	(1,117,649)	(1,276,463)	(1,243,082)	(1,178,762)
	642,842	994,755	1,323,801	1,773,420	2,115,977
Equity attributable to owners of the Company	**643,123**	993,029	1,319,826	1,757,067	2,076,898
Non-controlling interests	**(281)**	1,726	3,975	16,353	39,079
	642,842	994,755	1,323,801	1,773,420	2,115,977

2014 Share Option Scheme	the share option scheme adopted by the Company on 31 July 2014
2019 AGM	the Company's annual general meeting was held on 16 August 2019
2020 AGM	the Company's annual general meeting to be held on 14 August 2020
ADPL	Apple Daily Printing Limited, an indirect wholly-owned subsidiary of the Company
Articles of Association	the Company's Articles of Association
Board	the board of Directors
CCTH	CCTH CPA Limited, the independent auditor of the Group
CEO	the chief executive officer of the Group
CFO	the chief financial officer of the Group
CG Code	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
Companies Ordinance or CO	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
Company or Next Digital	Next Digital Limited
COO	the chief operating officer of the Group
COVID-19	coronavirus disease 2019
Director(s)	Director(s) of the Company
ED(s)	executive director(s) of the Company
Financial Statements	the audited consolidated financial statements of the Group for the year ended 31 March 2020
GDP	gross domestic product
Group	Next Digital together with its subsidiaries
HKAS(s)	Hong Kong Accounting Standard(s)

HKFRS(s)	Hong Kong Financial Reporting Standard(s)
HKICPA	Hong Kong Institute of Certified Public Accountants
HK$	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administration Region of the People's Republic of China
INED(s)	independent non-executive director(s) of the Company
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
Mr. Lai	Mr. Lai Chee Ying, the controlling shareholder, Chairman and Executive Director of the Company
NASL	Next Animation Studio Limited, a company incorporated in Hong Kong with limited liability and 100% beneficially owned by Mr. Lai
NASL Group	NASL and its subsidiaries
NED(s)	non-executive Director(s) of the Company
NT$	New Taiwan dollars, the lawful currency of Taiwan
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Share(s)	ordinary share(s) of the Company
Shareholder(s)	holder(s) of the Share(s)
Stock Exchange	The Stock Exchange of Hong Kong Limited
Taiwan	Republic of China
US or USA	the United States of America

REC

HD 4K 25FPS 100%

To be continued...

NEXT DIGITAL

Stock Code : 00282

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