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NEXT DIGITAL LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00282)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

The board of directors (the "Board" or the "Directors") of Next Digital Limited ("Next Digital" or the "Company") announces the unaudited interim results of the Company and its subsidiaries (together, the "Group") for the six months ended 30 September 2018, as well as the comparative figures for the same period of last year.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

	NOTES	Six months ended 30 September 2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
Revenue	*3A*	**661,435**	775,058
Production costs			
Cost of raw materials consumed		**(120,002)**	(116,109)
Other overheads		**(156,317)**	(152,587)
Staff costs		**(284,421)**	(306,056)
Personnel costs excluding direct production staff costs		**(256,001)**	(230,475)
Other income	*3B*	**13,314**	14,595
Net exchange gain		**4,017**	5,948
Depreciation of property, plant and equipment		**(30,630)**	(46,618)
Release of prepaid lease payments		**(900)**	(900)
Other expenses		**(106,461)**	(101,687)
Allowance for bad and doubtful debts		**(3,880)**	(2,429)
Finance costs	*5*	**(5,724)**	(5,427)
Loss before tax		**(285,570)**	(166,687)
Income tax expense	*6*	**(1,920)**	(4,850)
Loss for the period	*7*	**(287,490)**	(171,537)
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(37,549)**	1,858
Total comprehensive expense for the period		**(325,039)**	(169,679)
Loss for the period attributable to:			
Owners of the Company		**(286,934)**	(171,010)
Non-controlling interests		**(556)**	(527)
		(287,490)	(171,537)
Total comprehensive expense attributable to:			
Owners of the Company		**(324,433)**	(169,194)
Non-controlling interests		**(606)**	(485)
		(325,039)	(169,679)
Loss per share	*9*		
Basic		**HK(11.3 cents)**	HK(7.0 cents)
Diluted		**HK(11.3 cents)**	HK(7.0 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

	NOTES	30 September 2018 HK$'000 (unaudited)	31 March 2018 HK$'000 (audited)
NON-CURRENT ASSETS			
Intangible assets	10	**658,039**	658,039
Property, plant and equipment	11	**1,018,123**	1,076,915
Prepaid lease payments	12	**49,873**	50,773
Deposits for acquisition of property, plant and equipment		**8,896**	16,237
		1,734,931	1,801,964
CURRENT ASSETS			
Inventories		**67,525**	82,307
Trade and other receivables	13	**377,605**	385,724
Prepaid lease payments	12	**1,797**	1,797
Tax recoverable		**15,153**	15,761
Restricted bank balances	14	**1,500**	1,500
Amounts due from related parties		**5,860**	7,705
Bank balances and cash		**202,181**	303,506
		671,621	798,300
CURRENT LIABILITIES			
Trade and other payables	15	**508,641**	541,564
Deferred revenue		-	1,902
Contract liabilities		**21,742**	-
Borrowings	16	**164,060**	-
Provisions	17	**48,353**	40,480
Tax liabilities		**14,705**	13,620
		757,501	597,566
NET CURRENT (LIABILITIES) ASSETS		**(85,880)**	200,734
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,649,051**	2,002,698
NON-CURRENT LIABILITIES			
Borrowings	16	**410,151**	485,437
Retirement benefits plans		**37,737**	41,837
Deferred tax liabilities		**151,870**	151,623
		599,758	678,897
NET ASSETS		**1,049,293**	1,323,801
CAPITAL AND RESERVES			
Share capital	18	**2,486,157**	2,435,582
Reserves		**(1,439,744)**	(1,115,756)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**1,046,413**	1,319,826
NON-CONTROLLING INTERESTS		**2,880**	3,975
TOTAL EQUITY		**1,049,293**	1,323,801

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

1. BASIS OF PREPARATION

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

The financial information relating to the year ended 31 March 2018 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31 March 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

In preparing the condensed consolidated financial statements, the Directors have given careful consideration of the Group in light of its net current liabilities of approximately HK$85,880,000 as at 30 September 2018. Having considered the unsecured shareholder's loan of an aggregate maximum amount of HK$500,000,000 are obtained subsequent to the reporting period which remains unutilised at the date of approval of the condensed consolidated financial statements, the Directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the condensed consolidated financial statements for the six months ended 30 September 2018 have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standard ("HKFRSs") and interpretation, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2018.

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and an interpretation issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 April 2018 for the preparation of the Group's condensed consolidated financial statements:

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

The new and amendments to HKFRSs and an interpretation have been applied in accordance with the relevant transition provisions in the respective standards and amendments.

3A. REVENUE

An analysis of the Group's revenue during the period is as follows:

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Internet advertising income, internet subscription income, content provision and development of mobile games and apps income (“Digital business”)	**291,373**	294,368
Sales of newspapers	**139,320**	160,697
Sales of books and magazines	**-**	19,020
Newspapers advertising income	**125,650**	185,981
Books and magazines advertising income	**3,039**	30,184
Printing and reprographic services income production	**102,053**	84,808
	661,435	775,058

3B. OTHER INCOME

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Sales of waste materials	**2,960**	2,341
Interest income on bank deposits	**189**	443
Rental income	**8,864**	8,564
Others	**1,301**	3,247
	13,314	14,595

4. SEGMENT INFORMATION

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

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

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

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

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

Segment revenue and results

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

Six months ended 30 September 2018 (unaudited)

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

Six months ended 30 September 2017 (unaudited) (restated)

	Digital business HK$'000	Print business HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE				
External sales	294,368	480,690	-	775,058
Inter-segment sales	-	109,901	(109,901)	-
Total	294,368	590,591	(109,901)	775,058
Segment results	(22,873)	(143,500)	-	(166,373)
Unallocated expenses				(7,141)
Unallocated income				12,254
Finance costs				(5,427)
Loss before tax				(166,687)

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

Segment assets and segment liabilities

As at 30 September 2018 (unaudited)

	Digital business HK$'000	**Print business HK$'000**	**Eliminations HK$'000**	**Consolidated HK$'000**
Segment assets	**589,980**	**1,594,761**	**-**	**2,184,741**
Unallocated assets				**221,811**
Total assets				**2,406,552**
Segment liabilities	**(107,537)**	**(503,828)**	**-**	**(611,365)**
Unallocated liabilities				**(745,894)**
Total liabilities				**(1,357,259)**

As at 31 March 2018 (audited)

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

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

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

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

Other segment information

For the six months ended 30 September 2018 (unaudited)

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

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

For the six months ended 30 September 2017 (unaudited) (restated)

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

	Digital business HK$'000	Print business HK$'000	Corporate HK$'000	Consolidated HK$'000
Addition to non-current assets	10,071	6,774	-	16,845
Depreciation of property, plant and equipment	10,241	34,098	2,279	46,618
Release of prepaid lease payments	-	497	403	900
Allowance for bad and doubtful debts	1,213	1,216	-	2,429
Share-based payment expense	-	20	505	525
Loss on disposal of property, plant and equipment	63	44	-	107
Provision for litigation expense, net of reversal	-	3,742	-	3,742
Legal and professional fee	4,787	2,494	-	7,281
Redundancy payment	3,594	4,555	-	8,149

5. FINANCE COSTS

	Six months ended 30 September	
	2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
Interest expenses on bank borrowings	**5,724**	5,427

6. INCOME TAX EXPENSE

	Six months ended 30 September 2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
Current tax:		
Hong Kong	**1,980**	3,208
Other jurisdictions	**(60)**	6
	1,920	3,214
Deferred tax:		
Current period	**-**	1,636
	1,920	4,850

Hong Kong Profits Tax is recognised based on management's best estimate of the average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 16.5% (2017: 16.5%) for the six months ended 30 September 2018.

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

7. LOSS FOR THE PERIOD

	Six months ended 30 September 2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
Loss for the period has been arrived at after charging:		
Auditor's remuneration	**695**	662
Operating lease expenses on:		
Properties	**440**	542
Plant and equipment	**6,241**	6,769
Loss on disposal of property, plant and equipment (included in other expenses)	**702**	107
Allowance for doubtful debts	**3,880**	2,429
Provision for litigation expenses (note 17) (included in other expenses)	**10,817**	3,742
Share-based payment expense (included in personnel costs)	**50,531**	525
Redundancy payment (included in personnel costs)	**27,852**	8,149

8. DIVIDENDS

No interim dividend was proposed for the six months ended 30 September 2018 (six months ended 30 September 2017: nil), nor has any dividend been proposed since the end of the reporting period.

9. LOSS PER SHARE

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

Loss

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Loss for the purposes of basic and diluted loss per share for the period attributable to the owners of the Company	**(286,934)**	(171,010)

Number of shares

	Six months ended 30 September	
	2018	2017
	No. of shares	No. of shares
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,534,797,714**	2,431,921,963

The computation of diluted loss per share for the six months ended 30 September 2018 and 30 September 2017 does not assume the exercise of outstanding share options and award of new shares of the Company and its subsidiaries since these would result in a decrease in loss per share for both periods.

10. INTANGIBLE ASSETS

	Masthead and publishing rights
	HK$'000
COST	
At 1 April 2018 (audited) and 30 September 2018 (unaudited)	**1,482,799**
ACCUMULATED IMPAIRMENT	
At 1 April 2018 (audited) and 30 September 2018 (unaudited)	**824,760**
CARRYING VALUES	
At 30 September 2018 (unaudited)	**658,039**
At 31 March 2018 (audited)	**658,039**

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

11. PROPERTY, PLANT AND EQUIPMENT

	HK$'000
COST	
At 1 April 2018 (audited)	**2,963,945**
Exchange difference	**(91,124)**
Additions	**24,366**
Disposals	**(21,879)**
At 30 September 2018 (unaudited)	**2,875,308**
ACCUMULATED DEPRECIATION AND IMPAIRMENT	
At 1 April 2018 (audited)	**1,887,030**
Exchange difference	**(39,710)**
Charge for the period	**30,630**
Eliminated on disposals	**(20,765)**
At 30 September 2018 (unaudited)	**1,857,185**
CARRYING VALUES	
At 30 September 2018 (unaudited)	**1,018,123**
At 31 March 2018 (audited)	**1,076,915**

12. PREPAID LEASE PAYMENTS

Leasehold land situated in Hong Kong is released on a straight-line basis over the lease terms of 50 years.

	30 September 2018 HK$'000 (unaudited)	31 March 2018 HK$'000 (audited)
Analysed for reporting purposes as:		
Current asset	**1,797**	1,797
Non-current asset	**49,873**	50,773
	51,670	52,570

13. TRADE AND OTHER RECEIVABLES

	30 September 2018 HK$'000 (unaudited)	31 March 2018 HK$'000 (audited)
Trade receivables	**365,258**	376,275
Less: allowance for doubtful debts	**(61,125)**	(57,498)
	304,133	318,777
Prepayments	**36,187**	36,515
Rental and other deposits	**11,042**	12,342
Others	**26,243**	18,090
Trade and other receivables	**377,605**	385,724

The Group allows credit terms of 7 to 120 days to its trade customers.

The following is an aged analysis of the trade receivables after deducting the allowance for doubtful debts presented based on invoice dates, which approximated the respective revenue recognition dates, at the end of the reporting period:

	30 September 2018 HK$'000 (unaudited)	31 March 2018 HK$'000 (audited)
0 - 1 month	**100,193**	109,983
1 - 3 months	**110,919**	111,741
3 - 4 months	**38,699**	48,099
Over 4 months	**54,322**	48,954
	304,133	318,777

Included in the Group's trade receivable balances are debtors with an aggregate carrying amount of HK$54,322,000 (31 March 2018: HK$48,954,000) which are past due at the end of the reporting period for which the movement of allowance for doubtful debts is disclosed below. The Group does not hold any collateral over these balances.

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

	30 September 2018 HK$'000 (unaudited)	31 March 2018 HK$'000 (audited)
Over 4 months	**54,322**	48,954

Movement in the allowance for doubtful debts

	Six months ended 30 September	
	2018 HK$'000	2017 HK$'000
At 1 April (audited)	**57,498**	44,756
Impairment loss recognised	**3,880**	2,429
Exchange difference	**(253)**	82
Amounts written off as uncollectible	**-**	(23)
At 30 September (unaudited)	**61,125**	47,244

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$4,261,000 (31 March 2018: HK$4,483,000) and collectively impaired trade receivables with an aggregate balance of HK$56,864,000 (31 March 2018: HK$53,015,000). The Group does not hold any collateral over these balances.

14. RESTRICTED BANK BALANCES

As at 30 September 2018, bank balances amounting to HK$1,500,000 (31 March 2018: HK$1,500,000) were restricted for the use of settling certain potential debts and claims as stipulated as part of a share capital reduction exercise carried out during the year ended 31 March 2015. The restricted bank balances carry fixed interest rate at 1.40% per annum for the period (31 March 2018: 0.60% per annum for the year).

15. TRADE AND OTHER PAYABLES

	30 September 2018 HK$'000 (unaudited)	31 March 2018 HK$'000 (audited)
Trade payables	**38,797**	75,364
Accrued staff costs	**212,433**	187,386
Accrued charges	**137,493**	118,444
Deposit received	**88,000**	88,000
Other payables	**31,918**	72,370
Trade and other payables	**508,641**	541,564

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

	30 September 2018 HK$'000 (unaudited)	31 March 2018 HK$'000 (audited)
0 - 1 month	**16,567**	49,629
1 - 3 months	**13,563**	19,671
Over 3 months	**8,667**	6,064
	38,797	75,364

16. BORROWINGS

	30 September 2018 HK$'000 (unaudited)	31 March 2018 HK$'000 (audited)
Carrying amount repayable		
- on demand or within one year	**164,060**	-
- in the second year	**102,538**	107,875
- in the third year	**102,538**	107,875
- in the fourth year	**102,538**	107,875
- in the fifth year	**102,537**	107,875
- more than five years	**-**	53,937
	574,211	485,437
Less: Amount due within one year or on demand shown under current liabilities	**(164,060)**	-
Non-current portion	**410,151**	485,437

Notes:

(i) Bank loans of HK$461,420,000 carry interest at 3 months Taipei Interbank Offered Rate plus 1.55% per annum and repayable in quarterly instalment from 1 June 2019 to 1 September 2023.

The weighted average effective interest rate (which are equal to contractual interest rates) of borrowings is 2.33% per annum for the period (31 March 2018: 2.32% per annum for the year).

(ii) A bank loan of HK$102,538,000 carries interest at 1.20% per annum (31 March 2018: nil) and repayable on 26 October 2018.

On 26 October 2018, the Group has repaid the full amount and borrowed the same amount which carries interest at 1.60% per annum and repayable on 25 January 2019.

(iii) A bank loan of HK$10,253,000 carries interest at adjustable rates for consumer loans plus 0.73% per annum (31 March 2018: nil) and repayable on 25 February 2019.

The effective interest rate (which is equal to contractual interest rate) of borrowing is 1.80% per annum for the period.

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

At 30 September 2018, the Group had total unutilised bank loan facilities of HK$1,470,000 (31 March 2018: HK$129,345,000).

17. PROVISIONS

	Litigations HK$'000
At 1 April 2018 (audited)	**40,480**
Additional provision during the period	**10,817**
Payment during the period	**(2,647)**
Exchange difference	**(297)**
At 30 September 2018 (unaudited)	**48,353**

As at 30 September 2018, the Group had provisions classified as current liabilities in respect of a number of legal proceedings in Hong Kong and Taiwan arising in the normal course of its publishing business.

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

18. SHARE CAPITAL

	Number of shares		**Share capital**	
	30 September 2018	31 March 2018	**30 September 2018 HK$'000**	31 March 2018 HK$'000
Issued and fully paid:				
At beginning of the period/year	**2,432,026,881**	2,431,726,881	**2,435,582**	2,435,345
Issue of ordinary shares in relation to award of new shares	**202,142,606**	300,000	**50,575**	237
At end of the period/year	**2,634,169,487**	2,432,026,881	**2,486,157**	2,435,582

19. EVENTS AFTER THE END OF THE REPORTING PERIOD

(i) On 8 November 2018, the Company has entered into a shareholder's loan agreement for an unsecured and non-interest bearing term loan facility in the aggregate maximum principal amount of HK$500,000,000 with one of the shareholders, Mr. Lai Chee Ying (“Mr. Lai”), for a period of 36 months. The loan facility remains unutilised at the date of approval of the condensed consolidated financial statements.

(ii) On 9 November 2018, the Company has entered into the provisional sale and purchase agreement with an independent third party (the "Purchaser") pursuant to which the Company has agreed to sell certain properties situated in Taiwan with carrying amount of HK$185,773,000 at 30 September 2018 to the Purchaser at a cash consideration of approximately NT$1,793,889,000 (equivalent to HK$ 454,725,000). The transaction has not yet been completed as at the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the six months ended 30 September 2018, the Group’s overall revenue decreased by 14.7% to HK$661.4 million (six months ended 30 September 2017: HK$775.1 million) of which HK$291.4 million and HK$370.0 million (six months ended 30 September 2017: HK$294.4 million and HK$480.7 million) were attributable to the Digital Business Division and Print Business Division respectively.

The Group recorded an unaudited consolidated loss of HK$287.5 million for the period, compared with a loss of HK$171.5 million recorded for same period of 2017, representing an increase in the loss amount of 67.6% or HK$116.0 million. This was mainly attributable to declining advertising spending caused by depressed market sentiment and weak economic growth in Hong Kong and Taiwan, as well as to an accelerated global trend towards programmatic online advertising. In addition, customer preferences continued to shift away from print publications and towards digital media.

The Group introduced a new scheme to award shares in the Company to all permanent staff in both Hong Kong and Taiwan. This scheme has the dual aim of increasing staff morale and motivation, and aligning the interests of staff with that of shareholders. The total amount of share awards granted in June 2018 was approximately HK$50.5 million.

At the same time, the Group underwent restructuring procedures for certain publications, which necessarily resulted in the layoff of some employees. During the period, restructurings incurred payments in lieu of notice of HK$27.9 million (six months ended 30 September 2017: HK$8.1 million).

As a result, the Company recorded a basic loss per share of HK11.3 cents for the period, compared to a basic loss per share of HK7.0 cents in the same period last year.

OPERATIONAL REVIEW

The Group’s operations in Hong Kong and elsewhere accounted for about 65.7% of total revenue during the six months ended 30 September 2018, compared with 61.3% in last corresponding period, while its Taiwan operations contributed 34.3% of its total revenue, compared with 38.7% in the corresponding period of last year.

The Group continued to commit strategic investment resources to its digital business, which recorded a loss in its Hong Kong operations and a modest profit in its Taiwan operations. In August, the Group established a Business Development Department. This department will enable the Group to adopt a more proactive and dynamic approach to programmatic advertising, thus realising greater revenue from the Group’s digital asset inventory. The Group also continued to develop its *iBeacon* network, investing in technological improvements in order to widen service coverage, and planning promotional activity to raise *iBeacon*’s market profile.

The Group's print business experienced further challenges during the period under review. While many of its print publications still retain a core mainstream readership, overall customer habits and preferences have continued to shift from print to digital media, which has adversely affected the performance of its print titles. In line with this trend, the Group migrated its last remaining print magazine title, *Taiwan Next Magazine*, to a digital-only platform in April 2018.

Due to its reduced printing needs, the Group closed its printing presses in Gangshan, Taiwan, and now prints all of its publications at its remaining presses in Xia Wu, realising significant cost savings.

The Group also assumed direct control of its Hong Kong newspaper distribution operations as of 16 August 2018, allowing it to significantly reduce distribution costs and improve the flexibility and effectiveness of its distribution operations.

DIGITAL BUSINESS DIVISION

Digitalisation remains a relentless and pervasive trend. The Group has fully aligned its business strategy to embrace the commercial opportunities of digital media by stepping up investment in online content creation and developing its digital content collaboration offering for advertisers. As a result, the Group's digital platforms achieved improvement in unique users and page views during the period under review.

Through the integrated *Apple Daily* platform, readers can access all of the Group's magazines, including *Next Magazine*, *Eat & Travel Weekly* and *Ketchup*. This platform continues to attract a significant number of readers and page views. The combined platforms for Hong Kong and Taiwan together have commanded an average monthly page view count of 2.1 billion (Source: *Apple Daily* Internal Server Log), making it one of the leading news sites in the world.

The Group offers digital versions of *Apple Daily*, featuring video and animation, branded in the "*Apple Actionnews*" signature style. This has remained the most popular news source for mobile devices in Hong Kong and Taiwan.

During the period under review, *Apple Daily* had a large user base of 5.1 million (Source: ComScore) monthly unique visitors in Hong Kong, 11.9 million (Source: ComScore) monthly unique visitors in Taiwan, 1.5 million (Source: *Apple Daily* Internal Server Log) monthly unique visitors in the USA and 389,000 (Source: *Apple Daily* Internal Server Log) monthly unique visitors in Canada. This broad user base allowed the Group to capitalise on a wide range of advertising revenue generation opportunities during the period, including on-going diversification into the SME merchant market. The e-classified division in this segment recorded revenue of HK$5.7 million for the period.

The Group continued to develop and optimise its pioneering virtual reality (VR) product offering. In addition, its online games business recorded a profit and successfully undertook a number of creative collaborations involving animation content and online gaming.

Apple Daily's digital platform remains the market leader in Hong Kong and Taiwan. Despite this, the Division's external revenue, which consists of subscription fees, online advertising revenue, content licensing payments, games and content sponsorship and in-app purchase of virtual products, slightly decreased by 1.0% or HK$3.0 million to HK$291.4 million during the period, compared to HK$294.4 million for the same period last year. This was primarily attributable to declining advertising revenues, a drop in programmatic advertising sales, and the costs associated with the employee share award scheme and the Group's increased investment in content creation.

The Digital Business Division's segment loss amounted to HK$49.6 million during the period under review, compared with a segment loss of HK$22.9 million in the last corresponding period, representing an increase in loss amount of 116.6% or HK$26.7 million. This was mainly attributable to advertising revenues declining for the reasons outlined above, as well as to increased costs.

PRINT BUSINESS DIVISION

During the six months ended 30 September 2018, the total revenue of the Print Business Division was HK$370.0 million, representing a decrease of 23.0% or HK$110.7 million against the figure of HK$480.7 million for the last corresponding period. The Division's revenue accounted for 55.9% of the Group's total revenue and *Apple Daily* and *Taiwan Apple Daily* remained the largest contributors to the Division.

The Division's segment loss was HK$238.1 million during the period under review, an increase in loss amount of 65.9% or HK$94.6 million compared with the segment loss of HK$143.5 million recorded in the same period of 2017. This was mainly attributable to the decline in advertising revenue and circulation income of the Group's newspapers during the period, combined with high employee redundancy costs from restructuring, increased investment in content and a significant year-on-year increase in the direct costs of newspaper printing.

Newspaper Publications

Apple Daily, known for its vibrant editorial content, liberal stance and uncompromising reporting, retained its position as Hong Kong's most widely read paid-for daily and one of its best-selling newspapers. Its average net circulation per issue averaged 110,177 (Source: Hong Kong Audit Bureau of Circulations Limited) copies per day between January and June 2018, compared with 124,967 (Source: Hong Kong Audit Bureau of Circulation Limited) copies per day in the same period last year.

Apple Daily's total revenue stood at HK$117.0 million during the reporting period, representing a decrease of 17.3% or HK$24.4 million against the figure of HK$141.4 million recorded in the same period last year. Of this, advertising revenue accounted for HK$32.5 million and circulation income for HK$84.5 million, representing a decrease of 30.1% or HK$14.0 million and 11.0% or HK$10.4 million as compared to the respective figures of HK$46.5 million and HK$94.9 million for the same period last year. The advertising categories that made the largest contributions to revenue were the health product, loan, property and automobile sectors.

Taiwan Apple Daily, known for its editorial independence and attention-grabbing design, is one of the most widely read paid-for daily newspapers on the island. Its average net circulation per issue was 174,475 copies per day during the period, compared with 209,537 copies per day in the same period of 2017.

Its total revenue amounted to HK$139.3 million during the period under review, a decline of 28.9% or HK$56.5 million against the HK$195.8 million recorded in the last corresponding period. Of this, advertising revenue accounted for HK$87.6 million and circulation income for HK$50.6 million, representing a decrease of 32.3% or HK$41.7 million and 23.0% or HK$15.1 million as compared to the respective figures of HK$129.3 million and HK$65.7 million for the same period last year. Key advertising categories during the period under review included the property, decoration and furnishing, telecommunications, consumer electronics, automobile and travel sectors.

The Group took the strategic decision to cease publication of *Taiwan Sharp Daily*, a free newspaper distributed throughout the Taipei metro network on weekday mornings, on 31 August 2018. This was largely to prevent internal competition with *Taiwan Apple Daily*, with which it had significant overlap in terms of both potential readership and advertiser base. Prior to its closure, *Taiwan Sharp Daily*'s daily print run was 90,133 copies (2017: 90,162 copies). It generated most of its advertising revenue from the restaurant and travel sectors, as well as banking institutions and government agencies.

Printing

Apple Daily Printing Limited ("ADPL"), the Group's newspaper printing operation, continued to make contributions to the Group despite being adversely affected by *Apple Daily*'s declining print circulation. Its revenue during the period under review amounted to HK$66.1 million, a decrease of 11.7% or HK$8.8 million compared to the figure of HK$74.9 million achieved in the corresponding period last year.

ADPL realised HK$36.0 million in revenue from external customers (total revenue minus transactions related to printing the Group's own publications), including printing assignments from local and overseas newspapers, during the reporting period. This was 12.2% or HK$5.0 million less than the figure of HK$41.0 million recorded in the last corresponding period.

The Group's commercial printing operation, secured a number of competitive bids during the reporting period and recorded a revenue of HK$65.4 million in the six months ended 30 September 2018, which was 51.7% or HK$22.3 million more than its revenue of HK$43.1 million in the same period last year.

PROSPECTS AND OUTLOOK

The shift towards digitalisation continues to disrupt and transform the media industry. To capitalise on this, the Group will invest in original and engaging content while being smart and adept at creating commercial value across new platforms.

The Group will continue to invest in developing the technology and talent required to achieve growth in its digital business. To maintain its competitive advantage, it will deploy resources to video, animation, VR, online games and other new technologies. To turn programmatic advertising from a threat into an opportunity, the Group's new Business Development Department will build deeper relationships with advertisers and optimise revenue generation across the Group's whole range of content inventory. The Group will also utilise big data analysis techniques to glean more precise information about readers' habits and preferences, allowing it to deliver personalised advertisements.

Traditional print media remains a core element of the Group's business. It will maintain market leadership in the print media sector through strict cost discipline, smarter use of data, more efficient workflows and streamlined management and operational processes. It will continue to enhance the quality of its print content by engaging more contributors and columnists, and by devoting more resources to investigative journalism, commentary, insight and in-depth analysis.

Looking ahead to the second half of the year, the Hong Kong economy is expected to improve slightly, driven by stronger consumer confidence and solid capital markets performance, while higher public spending in Taiwan may cushion recent economic deceleration and deliver moderate growth. However, there is a major concern that rising trade protectionism could depress growth and damage market confidence worldwide.

Within this challenging environment, the Group continues to receive the firm financial support of its controlling shareholder who signed a Loan Agreement with the Company on 8 November 2018 in which he agreed to provide an unsecured, interest-free, 36-month term loan facility to the Company of an aggregate maximum principal amount of HK$500.0 million, to be drawn down only as needed to meet the Group's working capital requirements.

With this solid financial backing in place, the Group remains fully prepared to grasp value creation opportunities as they arise, while always investing in its core purpose of creating engaging content.

FINANCIAL REVIEW

FINANCIAL POSITION

The Group finances its operations principally with cash flow generated by its continuing operating activities and, to a lesser extent, bank facilities by its principal bankers. As at 30 September 2018, the Group recorded net cash of approximately HK$202.2 million.

As at 30 September 2018, the Group had available banking facilities of a total of HK$579.2 million, of which HK$577.7 million had been utilised. The Group's bank borrowings amounted to HK$574.2 million, with a maturity profile spread over a period of five years and approximately HK$369.1 million repayable within three years. There was no seasonality in the Group's bank borrowing requirements, and all the monies borrowed bore interest at floating rates. The Group's bank borrowings are denominated in HK$ and NT$.

As at 30 September 2018, the Group's aggregate bank balances and cash reserves, including restricted bank balances, amounted to HK$203.7 million (31 March 2018: HK$305.0 million). The Group's current ratio on the same date was 88.7%, compared to 133.6% as at 31 March 2018. On the same date, its gearing ratio amounted to 23.9%, compared to 18.7% as at 31 March 2018. These figures were calculated by dividing its long-term liabilities, including current portions, by total asset value. During the period, the Group drew down a bank loan of NT$400.0 million (equivalent to HK$102.5 million) from a bank in Taiwan and obtained a new short term revolving loan of NT$40.0 million (equivalent to HK$10.3 million) from a bank in Taiwan. New bank loans raised were for general working capital purposes.

ASSETS PLEDGED

As at 30 September 2018, the Group had pledged its properties situated in Taiwan with an aggregate carrying value of HK$612.3 million to various banks as security for banking facilities granted to it.

SHARE CAPITAL

As at 30 September 2018, the Company's total amount of issued and fully paid share capital was HK$2,486.2 million (31 March 2018: HK$2,435.6 million) and the total number of issued shares with no par value was 2,634,169,487 shares (31 March 2018: 2,432,026,881 shares).

EXCHANGE EXPOSURE AND CAPITAL EXPENDITURE

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

As at 30 September 2018, the Group's net currency exposure stood at NT$2,474.2 million (equivalent to HK$634.3 million), a decrease of 2.7% on the figure of NT$2,543.0 million (equivalent to HK$685.8 million) as at 31 March 2018.

The Group's capital expenditure for the six months ended 30 September 2018 totalled HK$17.0 million (six months ended 30 September 2017: HK$16.8 million). As at 30 September 2018, the Group's outstanding capital commitments were HK$16.1 million (31 March 2018: HK$3.3 million).

CONTINGENT LIABILITIES

(a) Pending Litigations

As at 30 September 2018, the Group had contingent liabilities in respect of a number of legal proceedings in Hong Kong and Taiwan arising in the normal course of its publishing business.

The Group has accrued HK$48.4 million (31 March 2018: HK$40.5 million) as provisions. These provisions were recognised in respect of the outstanding legal proceedings based on advice obtained from the Company's legal counsel.

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

On 5 February 2018, Gossip Daily Limited (GDL) as Plaintiff issued a writ against Next Media Magazines Limited as 1st Defendant, Ideal Vegas Limited as 2nd Defendant and Next Digital as 3rd Defendant (collectively, the "Defendants") in respect of which GDL claimed against the Defendants for, among others, declarations, damages, specific performance and/or restitution, in respect of the Defendants' alleged breaches of contract and unjust enrichment arising out of or in connection with the sales and purchase agreement dated 25 August 2017 ("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 ("HKIAC") on 9 April 2018 and also applied for a stay of the litigation proceeding wrongfully initiated by GDL in the Court of First Instance of the High Court of Hong Kong.

A hearing for such application took place on 7 August 2018 and judgement was delivered on 27 August 2018. The court has found in favour of the Defendants and stayed all GDL's claims to arbitration and ordered GDL to pay the Defendants' costs of the application on an indemnity basis. GDL subsequently amended its defence and counterclaim on 14 September 2018 and the Defendents submitted their amended statement of reply and defence to counterclaim to the Arbitral Tribunal on 3 October 2018.

The Defendants consider GDL's allegations and claims to be utterly wrong and ill-founded and will continue to defend their position vigorously in the Arbitration proceedings at the HKIAC.

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

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

(d) Guarantee
Next Digital and its subsidiaries also maintain contingent liabilities that are related to various corporate guarantees the Group has provided to financial institutions for facilities utilised by certain of its subsidiaries and fellow subsidiaries. As at 30 September 2018, these contingent liabilities amounted to HK$579.2 million (31 March 2018: HK$618.3 million), HK$577.7 million (31 March 2018: HK$489.0 million) of which has been utilised by certain of its subsidiaries.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2018, the Group employed a total of 2,511 employees, of whom 1,321 were in Hong Kong and 1,190 were in Taiwan, following a restructuring.

In June, the Group introduced a groundbreaking share award scheme for its employees in Hong Kong and Taiwan. All permanent employees were given shares in the Company equivalent to the value of either one month's or a half month's salary without any vesting period, which they are free to hold or sell at their own discretion once shares have been granted. This scheme, unprecedented among the Hong Kong and Taiwan media sector, aims to cultivate a sense of belonging and ownership among staff and increase talent retention and morale.

In order to attract and retain talent, the Group also introduced a number of employee wellbeing initiatives. Employees now enjoy free refreshments in the office and free gifts such as moon cakes and fresh seasonal fruits for festivals and holidays. The staff canteens in both the Hong Kong and Taiwan offices are currently undergoing renovation.

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

During the period under review, the total staff costs of the Group amounted to HK$540.4 million, compared to HK$536.5 million incurred for the same period last year.

INTERIM DIVIDEND

The Directors have resolved not to declare an interim dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: nil).

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Corporate Governance Code ("CG Code") as set out in the Appendix 14 to the Listing Rules throughout the six months ended 30 September 2018, except for a slight deviation from CG 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. As provided for in the Code Provision E.1.2 of CG Code, the chairman of the board should attend the annual general meeting. During the period under review, Mr. Lai, being the Non-executive Chairman, was unable to attend the 2018 annual general meeting due to his other business engagements. However, he appointed Mr. Cheung Kim Hung, the Chief Executive Officer as his delegate to answer shareholders' questions.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules 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 fully complied with the required standard set out in the Model Code throughout the period under review.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 30 September 2018.

REVIEW OF INTERIM RESULTS

The Audit Committee has discussed with the management and independent auditor the accounting policies and practices adopted by the Group, and has reviewed the Group's unaudited interim condensed consolidated financial statements for the six months ended 30 September 2018.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the Company's website at www.nextdigital.com.hk and HKEXnews website at www.hkexnews.hk.

The interim report of the Company for the six months ended 30 September 2018 will be available on both websites and dispatched to the shareholders of the Company in due course.

By order of the Board
Chow Tat Kuen, Royston
Executive Director

Hong Kong, 12 November 2018

FORWARD-LOOKING STATEMENTS

This announcement 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.

As at the date of this announcement, the Board comprises:-

Non-executive Directors:
Mr. Lai Chee Ying
(Non-executive Chairman)
Mr. Ip Yut Kin

Executive Directors:
Mr. Cheung Kim Hung
Mr. Chow Tat Kuen, Royston

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