

NEXT DIGITAL

NEXT DIGITAL LIMITED

RESULTS FOR THE YEAR ENDED 31 MARCH 2016

Financial Highlights

Results

	2015/16 HK\$M	2014/15 HK\$M
Revenue	2,327.7	2,956.9
EBITDA before impairments after non-controlling interests	62.3	345.1
(Loss) Profit for the year	(324.2)	168.6
Basic (Loss)Earnings Per Share	(13.4) cents	6.8 cents

Next Digital's total revenue amounted to HK\$2,327.7 million during the year ended 31 March 2016, a decrease of HK\$629.2 million or 21.3% against the figure of HK\$2,956.9 million earned in the previous 12 months. This was primarily attributable to a significant decline in print advertising revenue in both markets; the expenses incurred for the downsizing and consolidation of the Group's Books and Magazines Publication and Printing Division resulting from the cessation of publication of *Sudden Weekly*, *Next+ONE* and *FACE* as well as the restructuring of *Next Magazine* in Hong Kong; and the impairment of the mastheads and publishing rights of *Sudden Weekly*, *Next Magazine* and *Eat & Travel Weekly*. Also closely associated to this decrease was the drop in circulation income of the Group's publications due to the evolution of the readers' preference from print properties to free online media.

The Group made a segment loss of HK\$366.3 million during the year under review, compared with a segment profit of HK\$228.1 million in the previous year, representing a significant decrease of 260.6% or HK\$594.4 million.

With the rapid growth of digital media, our Digital Businesses Division's contribution to the Group has taken on increasing importance during the year under review. The Division's external revenues, consisting of subscription fees, online advertising revenue, content licensing payments, games and content sponsorship and in-app purchase of virtual products, amounted to HK\$659.7 million during the year under review, an increase of 1.9% on the previous year's figure of HK\$647.6 million, of which, around 76.4% was generated in Hong Kong and others while the remaining was from Taiwan.

The Division recorded a segment profit of HK\$35.2 million, a dip of 5.9% from a segment profit of HK\$37.4 million in the previous 12 months. This was mainly attributable to a decrease in revenue contribution from the mobile games business unit, resulting from delays in launching of new mobile games. On the other hand, the digital versions of *Apple Daily* experienced a significant revenue growth of 20.1%, thus further establishing it as the key growth driver for the Group.

The Newspapers Publication and Printing Division continued to account for the larger share of the Group's revenue. However, as consumers and advertisers are rapidly moving away from traditional print media, our operation was faced with a shrinking business environment. During the year under review, the Group has focused in rationalising the Division to enhance its operating efficiency and accelerating the transformation into digital media. The Division's revenue for this year amounted to HK\$1,197.0 million, a decrease of 24.5% against the figure of HK\$1,586.1 million for the last year, which was mainly attributable to the decrease in both print advertising income and sales of newspapers.

The segment profit of the Newspapers Publication and Printing Division amounted to HK\$24.0 million, a significant decrease of 88.9%, compared to the previous year's figure of HK\$216.4 million.

The newspaper printing business was affected by the decrease in the print runs of the Group's newspaper publications. Nonetheless, it continued to make positive contribution to the Group. It recorded a total revenue of HK\$234.1 million for the year, a decrease of 2.3% on its total revenue of HK\$239.7 million during the previous year. Apart from transactions related to the Group's newspaper publications, the external revenue of which amounted to HK\$113.9 million for the year, an increase of HK\$13.0 million or 12.9% against the figure of HK\$100.9 million achieved last year.

Due to intense competition and the shift of reading habit from print properties to free online media, the revenue for the Books and Magazines Publication and Printing Division was decreased by 34.9% to HK\$471.0 million as compared to last year's figure of HK\$723.2 million.

The Division recorded a segment loss of HK\$425.5 million during the year under review, compared with a segment loss of HK\$25.7 million, a substantial increase in loss of HK\$399.8 million. This was mainly attributable to the impairment of the masthead and publishing right of *Sudden Weekly* in an amount of HK\$96.9 million as a result of the cessation of its publication in August 2015, as well as the further impairment of the mastheads and publishing rights of *Next Magazine* and *Eat & Travel Weekly* amounting to HK\$163.3 million and HK\$20.4 million respectively after the Directors have thoroughly considered their respective recoverable amounts pursuant to the valuation on the Group's mastheads and publishing rights for the year ended 31 March 2016 and taken into account the challenging operating environment for print media, in particular, the highly competitive magazines market and the ongoing integration of the print magazine contents into the Group's digital platform in the upcoming months. In addition, the increase in such segment loss was due to the significant decrease in

advertising revenue and circulation income of the Group's magazines; and the expenses including the redundancy payment, incurred for the consolidation of the Division resulting from the cessation of publication of *Sudden Weekly*, *Next+ONE* and *FACE* as well as the restructuring of *Next Magazine* in Hong Kong during the year.

In light of the success in transforming the Group's newspaper – *Apple Daily* from a print daily to a print daily integrated with digital paper reaching out a world of audiences, the Division is now following the same footprint and undergoing the transformation to integrate all its popular contents from print version to both offline and online versions to broaden its advertisers and audiences base for new business opportunities.

Apart from complementing the printing working of the Group's magazines, Next Digital's commercial printing business is facing keen competition from an increasing number of rival companies in the Mainland China and elsewhere around the world. Its operations for the year was also adversely affected by economic conditions in many parts of the world, which led to a dearth of new business and existing clients became increasingly price sensitive.

The total revenue of the commercial printing business for the year ended 31 March 2016 amounted to HK\$130.7 million, which was 20.9% less than its revenue of HK\$165.2 million during the previous year. Of which, revenue from external customers amounted to HK\$73.1 million, a decrease of 3.4% on the preceding year's figure of HK\$75.7 million. This was mainly attributable to the cessation of publication and/or decrease in print runs of the Group's magazines as well as the decrease in external printing orders.

Prospect and Outlook

The Group is very conscious of the changing landscape of the media industry. It will continue to rationalise and streamline its print operations, while focus its efforts on capturing the digital opportunities.

The digital business world is rapidly evolving, intensely competitive and is subject to changing technologies, shifting readers' preferences and frequent introductions of new products and services. It is crucial that we have the ability to rapidly deliver innovative products and services to meet the changing demands of our readers in order to compete successfully. We will continue to focus on delivering more targeted advertising with digital media, supported by sound information technology infrastructure, and more innovative and entertaining features for our readers and reach out to a wider global audience.

Company Profile

Next Digital is the largest listed multi-media group in Hong Kong with business spanning across Hong Kong and Taiwan. The Group's main business activities are the publication of newspapers, magazines and books in Hong Kong and Taiwan in digital and printed forms. It also sells advertising space in those formats and receives subscriptions on the web versions. Furthermore, it provides printing and reprographic services, and develops mobile and online games and apps.

For further information, please contact:

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Date: 13 June 2016