

**INTERIM RESULTS FOR THE SIX MONTHS
ENDED 30 SEPTEMBER 2016**

Financial Highlights:

For the six months ended 30 September	2016 (unaudited) HK\$M	2015 (unaudited) HK\$M
Revenue	941.0	1,251.6
Loss for the period	(148.7)	(122.8)
Basic loss per share	(HK6.1 cents)	(HK5.1cents)

The revenue of Next Digital and its subsidiaries amounted to HK\$941.0 million during the six months ended 30 September 2016. This was HK\$310.6 million or 24.8% less than the figure of HK\$1,251.6 million in the same period last year. The decline was mainly attributable to the decrease in advertising revenue, circulation income and other income of the Group's print publications.

The Group has undergone a series of consolidation exercises for its publication and printing operations in Hong Kong during the period under review. The Group ceased the publication of *FACE* and *ME!* in April and May 2016 respectively. In June 2016, *Ketchup* ceased its print version and switched its focus to solely digital on the Group's portal. *Auto Express* and *Trading Express* have been packaged with *Next Magazine* and *Eat & Travel Weekly* as a new bundle to streamline the magazine's operations and reduce operating costs.

The Group recorded an unaudited consolidated loss of HK\$148.7 million for the period, representing an additional loss of 21.1% or HK\$25.9 million compared with the loss of HK\$122.8 million for same period of 2015. This was mainly attributable to the sluggish economy in Hong Kong and Taiwan during the first half of 2016, which led to a decline in advertising spending. Another factor driving the decrease is the expenses incurred from the consolidation of the Group's Books and Magazines Publication and Printing Division and the restructuring of *Taiwan Apple Daily*, *Taiwan Next Magazine* and *Apple Daily* and *Next Magazine* in Hong Kong. The restructuring resulted in the layoff of relevant employees of the publications which incurred the payment in lieu of notice of HK\$37.8 million. Also closely

associated to this decrease was the drop in circulation income of the Group's publications due to the readers' preference of free online media over printed properties. In the same period of 2015, the impairment of the masthead and publishing rights of *Sudden Weekly* of HK\$96.9 million was incurred.

Accordingly, the Company recorded a basic loss per share of HK6.1 cents for the period against a basic loss per share of HK5.1 cents in the same period last year.

Digital Businesses Division

The Group has continued to invest its resources to further develop the most popular digital news platforms in Hong Kong and Taiwan. As a result, the combined platforms for Hong Kong and Taiwan together have commanded an average monthly page view counts of 2.2 billion, making it one of the top news sites in the world.

One of the Group's key digital strategies is to leverage on *Apple Daily's* user base of 4.3 million monthly unique visitors in Hong Kong and 11.9 million monthly unique visitors in Taiwan. All of the Group's magazine contents are now available on an integrated *Apple Daily* platform, so that a cross platform synergy can be realised on a "super app". As such, the number of readers and page views of the Group's magazines, *Next Plus*, *Eat & Travel* and *Ketchuper*, are all seeing a healthy growth that augers well for the Group's future.

The Group has always regarded the small to medium size merchants as the backbone of Hong Kong's economic success. This market has been underserved in the digital space. The e-classified division of the group has now gained a solid foothold in this segment, and close to 20,000 merchants in Hong Kong have signed up for the digital Red Page service on *Apple Daily*, paving the way for a more diversified client base for the Group.

In North America, *Apple Daily* has launched an USA version that immediately built up significant traffic. To-date, *Apple Daily* has recorded over 1.5 million monthly unique visitors in the USA, and 420 thousands in Canada, showing the popularity of the paper among the overseas Chinese population.

The Group's online games business has stabilised over the reporting period, and a line-up of new games have been scheduled for launch in the second half of the year.

Overall, 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, amounted to HK\$333.9 million during the period under review, representing an increase of 2.1% or HK\$7.0 million against the figure of HK\$326.9 million recorded in the same months last year, 75.5% of this revenue was generated in Hong Kong during the period under review.

The Division's segment profit stood at HK\$9.3 million during the period under review, compared with a segment profit of HK\$25.5 million, a drop of 63.5% or HK\$16.2 million. This was mainly attributed by the initial development costs incurred for the launching of "e-classified", *USA Apple Daily* and *Ketchup* digital version.

Newspapers Publication and Printing Division

During the six months ended 30 September 2016, the total revenue of the Newspapers Publication and Printing Division stood at HK\$474.1 million, representing a decrease of 27.1% or HK\$176.5 million against the figure of HK\$650.6 million for the last corresponding period.

Apple Daily and *Taiwan Apple Daily* remained as the largest contributors to the Division's revenue, which amounted to HK\$410.9 million and accounted for 43.7% of the Group's total revenue. Against the figure of HK\$575.2 million for the same period last year, this represented a decrease of 28.6% or HK\$164.3 million. Accordingly, the Division's segment profit decreased by 419.4% to segment loss of HK\$61.0 million, compared with the segment profit of HK\$19.1 million recorded in the same period of 2015. This was mainly attributable to the significant decrease in advertising revenue and circulation income derived from the Group's newspapers during the period under review.

Books and Magazines Publication and Printing Division

The trend of switching from print publications to digital platforms continues and as a result, the Books and Magazines Publication and Printing Division suffered a substantial decline in its revenue. During the period under review, its revenue amounted to HK\$133.0 million, a decrease of 51.5% or HK\$141.1 million against the figure of HK\$274.1 million it achieved in the same period last year.

The Division recorded a segment loss of HK\$87.4 million during the period under review, a decrease in loss of HK\$77.5 million compared with a segment loss of HK\$164.9 million in the same period last year. The decrease in loss was mainly due to the impairment of *Sudden Weekly* masthead and publishing rights amounting to HK\$96.9 million in the same period last year.

Future Prospects and Outlook

The Group is currently maneuvering through a challenging industrial and economic landscape. There is a steep upward trend of readers opting for digital media outlets over the conventional print media, leading to a decrease in circulation and advertising space of our print publications. To accommodate this upcoming trend, the Group made strategic moves to diversify revenue sources and direct resources towards building a substantial digital business. Through a robust digital news media platform and leading news and entertainment content, Next Digital has accumulated a well-established online user base and will continue to attract users.

Although the current landscape favours digital sources, print media is still seen as irreplaceable and invaluable by many. Therefore it is necessary to safeguard the Group's print business and preserve its leading position in the industry. To secure a presence on the digital media front and maintain ownership of the print media, the Group will continue to create high quality, engaging and creative digital and print content for its audiences and readers.

In light of economic uncertainties in Hong Kong and Taiwan in the second half of 2016, the Group is now operating under leaner organization and is prepared to meet obstacles and challenges with increased agility.

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.

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