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 2019

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 2019, 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 2019

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

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019

	NOTES	30 September 2019 HK$'000 (unaudited)	31 March 2019 HK$'000 (audited)
NON-CURRENT ASSETS			
Intangible assets	10	**658,039**	658,039
Property, plant and equipment	11	**742,972**	754,067
Right-of-use assets		**101,595**	–
Prepaid lease payments		**–**	48,974
Deposit for acquisition of property, plant and equipment		**23,636**	12,881
		1,526,242	1,473,961
CURRENT ASSETS			
Inventories		**53,758**	62,822
Trade and other receivables	13	**261,650**	268,336
Prepaid lease payments		**–**	1,797
Tax recoverable		**3,412**	12,269
Restricted bank balances	14	**1,500**	1,500
Pledged bank deposits	14	**38,162**	33,485
Amounts due from related parties		**6,527**	6,532
Time deposits with original maturity over three months	14	**2,856**	2,878
Bank balances and cash		**163,541**	175,566
		531,406	565,185
Assets classified as held for sale	12	**–**	73,258
		531,406	638,443
CURRENT LIABILITIES			
Trade and other payables	15	**543,585**	523,233
Contract liabilities		**43,553**	23,768
Borrowings	16	**165,128**	179,125
Provisions	17	**57,139**	50,884
Lease liabilities		**6,869**	–
Tax liabilities		**9**	39
		816,283	777,049
NET CURRENT LIABILITIES		**(284,877)**	(138,606)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,241,365**	1,335,355

	NOTES	30 September 2019 HK$'000 (unaudited)	31 March 2019 HK$'000 (audited)
NON-CURRENT LIABILITIES			
Borrowings	16	**134,816**	158,489
Loan from a shareholder		**171,645**	–
Retirement benefits plans		**29,717**	31,339
Lease liabilities		**45,314**	–
Deferred tax liabilities		**150,807**	150,772
		532,299	340,600
NET ASSETS		**709,066**	994,755
CAPITAL AND RESERVES			
Share capital	18	**2,486,621**	2,486,621
Reserves		**(1,778,357)**	(1,493,592)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**708,264**	993,029
NON-CONTROLLING INTERESTS		**802**	1,726
TOTAL EQUITY		**709,066**	994,755

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

1. BASIS OF PREPARATION

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

Application of new and amendments to HKFRSs

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

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

3A. REVENUE

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

	Six months ended 30 September 2019 (unaudited)		
Segments	**Digital business** *HK$'000*	**Print business** *HK$'000*	**Total** *HK$'000*
Type of goods or services			
Internet advertising income and development of mobile games and apps income	**177,763**	**–**	**177,763**
Online subscription income	**47,470**	**–**	**47,470**
Sales of newspapers	**–**	**163,510**	**163,510**
Newspapers advertising income	**–**	**91,787**	**91,787**
Printing and reprographic services income	**–**	**75,764**	**75,764**
	225,233	**331,061**	**556,294**
Geographic markets			
Hong Kong			**372,790**
Taiwan			**164,472**
Others			**19,032**
			556,294
Timing of revenue recognition			
At a point in time			**508,505**
Overtime			**47,789**
			556,294

Segments	Six months ended 30 September 2018 (unaudited) Digital business *HK$'000*	Print business *HK$'000*	Total *HK$'000*
Type of goods or services			
Internet advertising income and development of mobile games and apps income	291,373	–	291,373
Sales of newspapers	–	139,320	139,320
Newspapers advertising income	–	125,650	125,650
Books and magazines advertising income	–	3,039	3,039
Printing and reprographic services income	–	102,053	102,053
	291,373	370,062	661,435
Geographic markets			
Hong Kong			409,887
Taiwan			226,647
Others			24,901
			661,435
Timing of revenue recognition			
At a point in time			660,340
Overtime			1,095
			661,435

3B. OTHER INCOME

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

4. SEGMENT INFORMATION

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

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

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

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

Segment revenue and results

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

Six months ended 30 September 2019 (unaudited)

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

Six months ended 30 September 2018 (unaudited)

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

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

Segment assets and segment liabilities

As at 30 September 2019 (unaudited)

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

As at 31 March 2019 (audited)

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

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

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

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

Other segment information

For the six months ended 30 September 2019 (unaudited)

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

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

For the six months ended 30 September 2018 (unaudited)

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

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

5. FINANCE COSTS

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

6. INCOME TAX EXPENSE

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

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

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

7. LOSS FOR THE PERIOD

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging:		
Auditor's remuneration	**795**	695
Provision for litigation expenses, net of reversal *(note 17)* (included in other expenses)	**10,675**	10,817
Share-based payment expense (included in personnel costs)	**–**	50,531
Redundancy payment (included in personnel costs)	**3,582**	27,852

8. DIVIDENDS

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

9. LOSS PER SHARE

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

Loss

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

Number of shares

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

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

10. INTANGIBLE ASSETS

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

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

11. PROPERTY, PLANT AND EQUIPMENT

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

12. ASSETS CLASSIFIED AS HELD FOR SALE

On 28 February 2019, Apple Daily Publication Development Limited ("ADPDL"), an indirect non wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with a purchaser (the "Purchaser"), a third party independent of the Company. Pursuant to the sale and purchase agreement, ADPDL agreed to sell, and the Purchaser agreed to purchase, the property located at 68 Bengong 5th Road, Gangshan District, Kaohsiung City, Taiwan for a consideration of NT$310.0 million (equivalent to approximately HK$78.9 million).

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

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

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

13. TRADE AND OTHER RECEIVABLES

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

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

The Group allows credit terms of 7 to 120 days to its trade customers. The following is an aged analysis of the trade receivables after deducting the impairment loss presented based on invoice dates, at the end of the reporting period:

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

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

As at 30 September 2019, bank balances amounting to HK$1,500,000 (31 March 2019: HK$1,500,000) were restricted for the use of settling certain potential debts and claims as stipulated as part of a share capital reduction exercise carried out during the year ended 31 March 2015. The restricted bank balances carry fixed interest rate of 1.6% per annum for the period (31 March 2019: 1.08% per annum for the year).

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to HK$38,162,000 (31 March 2019: HK$33,485,000) have been pledged mainly to secure bank facilities. The pledged deposits carry fixed interest rate of 0.3% to 1.01% per annum for the period (31 March 2019: 0.3% to 1.01% per annum for the year). The pledged bank deposits will be released upon the maturity of relevant bank facilities.

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

15. TRADE AND OTHER PAYABLES

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

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

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

16. BORROWINGS

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

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

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

The ranges of effective interest rates (which are equal to contractual interest rates) of borrowings are 1.76% to 3% per annum for the period (31 March 2019: 1.60% to 2.33% per annum for the year).

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

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

17. PROVISIONS

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

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

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

On 25 August 2017, Next Media Magazines Limited and Ideal Vegas Limited (the "Sellers") (being indirect wholly owned subsidiaries of the Company), the Company (the "Guarantor") and Gossip Daily Limited (the "Buyer") (an independent third party) entered into the share and asset sales and purchase agreement ("SPA") pursuant to which the Sellers have conditionally agreed to sell and the Buyer has conditionally agreed to purchase the entire issued share capital of the Next Magazine Advertising Limited and Next Media Publishing Limited (including the Taiwan Branch) (the "Target Companies") and certain intellectual property rights in connection with, or with the benefits of, the business of the Target Companies and other incidental business at the consideration of HK$320,000,000. The Sellers received deposits of HK$88,000,000 from the Buyer during the year ended 31 March 2018.

As disclosed in the Company's announcement dated 8 December 2017, the Sellers expected to proceed to final completion on or before 28 February 2018. However, as of 2 February 2018, the Sellers still have not received the funds which the Buyer has promised to pay in order for completion to take place. In the circumstances, the Sellers treated the Buyer's failure to pay as its termination of the transaction. The Sellers seeked legal advice as to the remedies available to them. On 10 April 2018, the Sellers and the Company received an amended writ of summons from the Buyer ("Amended Writ"). Under the Amended

Writ, the Buyer alleges, among other matters, that safe-harbour completion did not take place as a result of the wilful default of the Sellers and the Company (which for the avoidance of doubt, is strongly denied) and claims against the Sellers and the Company (i) return of deposits paid of HK$88,000,000; (ii) an additional amount of HK$88,000,000 as liquidated damages; (iii) consequential losses of NT$900,000,000 (equivalent to approximately HK$240,000,000); and (iv) unspecified damages for loss caused by other torts. As the SPA specifically provides that any dispute arising out of or in connection with the SPA shall be dealt with by way of arbitration instead of court proceedings, the Sellers and the Company therefore commenced arbitration proceedings under case number HKIAC/A18068 (the "Arbitration Proceedings") against the Buyer at the Hong Kong International Arbitration Centre ("HKIAC") on 9 April 2018 and also applied for a stay of the litigation proceeding (i.e. HCA305 of 2018, "Litigation Proceedings") wrongfully initiated by the Buyer in the Court of First Instance of the High Court of Hong Kong.

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

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

Reference is made to the announcements of the Company dated 25 August 2017, 14 September 2017, 27 September 2017, 6 November 2017, 21 November 2017, 8 December 2017, 3 January 2018, 22 January 2018, 2 February 2018, 6 February 2018, 16 April 2018 and 8 November 2019, and the circular dated 29 September 2017 in relation to the proposed but terminated disposal of certain magazine business of the Company and related litigation.

18. SHARE CAPITAL

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

19. EVENT AFTER THE REPORTING PERIOD

On 8 November 2019, the Buyer, the Sellers and the Company entered into the Deed in relation to the settlement of litigation and arbitration arising from the proposed but terminated disposal of the Target Companies. Details of the litigation and the Deed are set out in note 17.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

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

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

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

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

OPERATIONAL REVIEW

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

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

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

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

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

DIGITAL BUSINESS DIVISION

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

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

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

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

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

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

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

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

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

PRINT BUSINESS DIVISION

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

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

Newspaper Publications

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

* *Source from Google Analytics*

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

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

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

Printing

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

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

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

PROSPECTS AND OUTLOOK

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

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

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

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

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

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

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

FINANCIAL REVIEW

Financial Position

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

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

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

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

Assets Pledged

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

Share Capital

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

Exchange Exposure and Capital Expenditure

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

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

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

Contingent Liabilities

(a) Pending Litigations

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

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

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

On 5 February 2018, Gossip Daily Limited ("GDL") as Plaintiff issued a Writ of Summons under High Court Action No. 305 of 2018 (the "Litigation Proceedings") against Next Media Magazines Limited as 1st Defendant, Ideal Vegas Limited as 2nd Defendant and Next Digital as 3rd Defendant (collectively, the "Defendants") in respect of which GDL claimed against the Defendants for, among others, declarations, damages, specific performance and/or restitution, in respect of the Defendants' alleged breaches of contract and unjust enrichment arising out of or in connection with the share and asset sales and purchase agreement dated 25 August 2017 ("SPA").

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

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

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

(c) Guarantee

Next Digital and its subsidiaries also maintain contingent liabilities that are related to various corporate guarantees the Group has provided to financial institutions for facilities utilised by certain of its subsidiaries and fellow subsidiaries. As at 30 September 2019, these contingent liabilities amounted to HK$348.8 million (31 March 2019: HK$387.1 million), HK$340.1 million (31 March 2019: HK$373.1 million) of which has been utilised by certain of its subsidiaries.

EMPLOYEES AND REMUNERATION POLICY

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

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

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

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

INTERIM DIVIDEND

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

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 2019, save for a minor 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. 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 Chee Ying, Non-executive Chairman of the Group was unable to attend the 2019 annual general meeting ("AGM"). Mr. Cheung Kim Hung, the Chief Executive Officer, chaired the AGM on his behalf in accordance with the provisions of the Company's Articles of Association.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code 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 complied with the required standard set out in the Model Code throughout the six months ended 30 September 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2019.

REVIEW OF INTERIM RESULTS

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

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 2019 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, 18 November 2019

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