

**INTERIM RESULTS FOR THE SIX MONTHS
ENDED 30 SEPTEMBER 2017**

Financial Highlights:

For the six months ended 30 September	2017 (unaudited) HK\$M	2016 (unaudited) HK\$M
Revenue	775.1	941.0
Loss for the period	(171.5)	(148.7)
Basic loss per share	(HK7.0 cents)	(HK6.1cents)

For the six months ended 30 September 2017, the Group's overall revenue decreased by 17.6% to HK\$775.1 million (six months ended 30 September 2016: HK\$941.0 million) of which HK\$294.4 million, HK\$388.4 million and HK\$92.3 million (six months ended 30 September 2016: HK\$333.9 million, HK\$474.1 million and HK\$133.0 million) were attributable to Digital Businesses Division, Newspapers Publication and Printing Division as well as Books and Magazines Publication and Printing Division respectively.

The Group recorded an unaudited consolidated loss of HK\$171.5 million for the period, representing an additional loss of 15.3% or HK\$22.8 million compared with the loss of HK\$148.7 million for same period of 2016. This was mainly attributable to the poor market sentiment and cautious advertisement spending driven by the sluggish economic growth in Hong Kong and Taiwan during the period under review, along with keen global competition of online programmatic advertising buying. In addition, the Group underwent restructuring procedures, which resulted in the layoff of relevant employees of the publications and incurred the payment in lieu of notice of HK\$8.1 million (six months ended 30 September 2016: HK\$37.8 million). Also closely associated to this decrease was the drop in circulation income of the Group's publications due to readers' preference of free online media over printed properties.

Accordingly, the Company recorded a basic loss per share of HK7.0 cents for the period against a basic loss per share of HK6.1 cents in the same period last year.

Digital Businesses Division

Digitalisation is an unavoidable trend. The Group has embraced the digital revolution and is consistently developing creative solutions to serve content in digital form. A “super app” was created to include all the Group’s magazines, *Next Plus*, *Eat & Travel*, *Ketchuper*, *Auto Express*, *Trading Express* and *JF Digital* on an integrated *Apple Daily* platform, which attracted a significant number of readers and page views. The combined platforms for Hong Kong and Taiwan together have commanded an average monthly page view counts of 2.1 billion, making it one of the top news sites in the world.

The digital versions of *Apple Daily*, in video and animated formats, have been accompanied by a signature style branded as *Apple Actionnews*, making it the most popular news source for mobile devices in Hong Kong and Taiwan. The *Apple Daily* news site has become a daily frequented destination for the majority news followers.

Apple Daily has a large user base of 4.9 million monthly unique visitors in Hong Kong, 12.2 million monthly unique visitors in Taiwan, 2.5 million monthly unique visitors in the USA and 430 thousands monthly unique visitors in Canada. The Group was able to generate advertising revenue through such an expansive user base. Moreover, the Group continued to diversify its client base into the potential market of the small to medium size merchants. The e-classified division in this segment recorded a revenue of HK\$4.6 million for the period. The platform has enlisted one thousand participating merchants, and is showing a promising future.

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

Although the digital platform of *Apple Daily* has maintained its market leadership position, 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\$294.4 million during the period under review, representing a decrease of 11.8% or HK\$39.5 million against the figure of HK\$333.9 million recorded in the same period last year, 73.0% of this revenue was generated in Hong Kong during the period under review. The drop in revenue is mainly attributed to a downturn in advertising spending of the major categories, and the proliferation of programmatic buying in the industry which has drastically affected advertising rates.

The Division's segment loss amounted to HK\$22.9 million during the period under review, compared with a segment profit of HK\$9.3 million, a drop of 346.2% or HK\$32.2 million. This was mainly attributed by global competition and heavy operational costs.

Newspapers Publication and Printing Division

During the six months ended 30 September 2017, the total revenue of the Newspapers Publication and Printing Division stood at HK\$388.4 million, representing a decrease of 18.1% or HK\$85.7 million against the figure of HK\$474.1 million for the last corresponding period.

Apple Daily and *Taiwan Apple Daily* remained the largest contributors to the Division's revenue, which amounted to HK\$337.2 million and accounted for 43.5% of the Group's total revenue. Against the figure of HK\$410.9 million for the same period last year, this represented a decrease of 17.9% or HK\$73.7 million. Accordingly, the Division's segment loss increased by 24.4% to segment loss of HK\$75.9 million, compared with the segment loss of HK\$61.0 million recorded in the same period of 2016. 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 continuous transition from print publications to digital platforms and the intense competition in the magazine market caused the Books and Magazines Publication and Printing Division to suffer a substantial revenue decline. Its revenue amounted to HK\$92.3 million, a decrease of 30.6% or HK\$40.7 million against the figure of HK\$133.0 million achieved in the same period last year.

The Division recorded a segment loss of HK\$67.6 million during the period under review, a decrease in loss of HK\$19.8 million compared with a segment loss of HK\$87.4 million in the same period last year, which was mainly attributable to the redundancy payment of HK\$18.2 million in the same period last year. Under depressed market conditions, the advertising revenue of *Hong Kong Next Magazine* and *Taiwan Next Magazine* for the period under review amounted to HK\$9.8 million and HK\$12.3 million, compared with HK\$14.8 million and HK\$29.0 million in the same period last year, a decrease of 33.8% and 57.6% respectively.

Prospects and Outlook

Realizing the inevitable digitalization of the media industry, the Group has further streamlined its cost structure through transitioning content online and optimizing our portfolio to ensure strategic alignment across the board. At this moment, our product offering is better positioned to serve needs amongst readers and advertisers alike. The Group is constantly developing new sources of revenue stream, and will be introducing an innovative *iBeacon* service to the market. *iBeacon* is a smartphone solution that provides information based on local proximity positioning. The Group's new *iBeacon* service will provide readers with tailored information and advertisements based on their geographic location. This will offer a very effective "last mile" solution to local establishments and events, and deliver a new and high quality experience to our readers. Initial pilot testing of the product has validated an overwhelming positive feedback and interest from local merchants. The Group is confident that this initiative will greatly enrich our product offering.

The Group continues to invest and deploy resources to building a strong digital business. The team is dedicated to enhancing our online presence through continuously improving our integrated digital platform and creating original and engaging content through new technologies. Through continuous innovating, the Group will be able to accumulate a loyal viewer base and in turn, open up potential business opportunities and partnerships.

Although the current landscape favours digital sources, traditional print media is still considered mainstream. Therefore, the Group will continue to preserve its leading position in the print media industry through maintaining stringent cost control, making improvements in work flow efficiencies as well as restructuring and streamlining management and operational processes. To secure a presence on the digital media front and maintain ownership of the print media, the Group will upkeep its continued dedication and promise to creating high quality, engaging and creative digital and print content for all audiences.

The rebalancing of economy to the services and consumption sectors with the Belt and Road Initiative will open new opportunities to the media industry. The Group is prepared on all fronts to seize these opportunities and continuously innovate products and services, diversify revenue sources and realise potential synergies.

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/or 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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