



NEXT DIGITAL LIMITED

RESULTS FOR THE YEAR ENDED 31 MARCH 2017

Financial Highlights

Results

	2016/17	2015/16
	HK\$M	HK\$M
Revenue	1,783.8	2,327.7
Loss for the year	(394.0)	(324.2)
Basic Loss Per Share	(16.2) cents	(13.4) cents

Next Digital's total revenue amounted to HK\$1,783.8 million during the year ended 31 March 2017, a decrease of HK\$543.9 million or 23.4% against the figure of HK\$2,327.7 million earned in the previous 12 months. This was primarily attributable to a significant decline in advertising revenue of the Group's print publication in both Hong Kong and Taiwan. Other factors include the downsizing and consolidation of the Group's Newspapers Publication and Printing Division, Books and Magazines Publication and Printing Division, the restructuring of *Taiwan Apple Daily*, *Taiwan Next Magazine* and *Apple Daily* as well as *Next Magazine* in Hong Kong. Also closely associated to this decrease was the drop in circulation income of the Group's publications due to the continued shift in reading habits towards free online media over printed properties.

As digital media have overtaken print as the preferred source of news, our Digital Businesses Division has steadily increased its share of contribution to the Group during the year under review.

The Division's external revenues, consisting primarily of online advertising revenue, together with content licensing payments, games and content sponsorship, and in-app purchase of virtual products, amounted to HK\$649.7 million during the year under review. This represents a decrease of 1.5% on the previous year's figure of HK\$659.7 million, of which, around 76.0% was generated in Hong Kong while the remaining was from Taiwan and others.

The Division recorded a segment loss of HK\$1.2 million during the year under review compared with a segment profit of HK\$35.2 million in the previous 12 months. During the year, the Group was faced with strong competition not only from an increasing arrays of new local entrants on digital media, but also global platforms and social media that are vying for the same advertisers' spending as *Apple Daily*. This had in effect dampened our topline momentum for the moment. But as we further improve our technology infrastructure to gear up for a more proactive monetization strategy, we believe there is a positive prospect for further growth.

The Newspapers Publication and Printing Division continued to account for the larger share of the Group's revenue. However, the Division is under increasing external pressure as advertisers steer away from print advertisements. After careful consideration, the Group decided to increase *Apple Daily's* cover price from HK\$7.0 to HK\$8.0 in November 2016 to cover the increase in costs, both direct and indirect, and strengthen the finances of the newspaper.

During the year under review, the Group focused on the transformation into digital media and maintained the position of the most widely read paid-for newspaper. The Division's revenue for this year amounted to HK\$906.4 million, a decrease of 24.3% against the figure of HK\$1,197.0 million for the last year, which was mainly attributable to the decrease in both print advertising income and circulation income derived from the Group's newspapers, and the impairment loss of HK\$202.4 million of the masthead and the publishing right of *Apple Daily*.

As more and more people favour online news outlet, there is less demand for traditional newspaper and thus the newspaper printing industry has been impacted significantly. The Group's newspaper printing division was affected adversely by the decrease in print runs of not only the Group's newspaper publications but also other newspaper agencies. The division continued to make positive contribution to the Group. It recorded a total revenue of HK\$168.9 million for the year, a decrease of 27.9% on its total revenue of HK\$234.1 million during the previous year. The external revenue of the division amounted to HK\$95.1 million for the year, a decrease of HK\$18.8 million or 16.5% against the figure of HK\$113.9 million achieved last year.

The competition in the magazine market continues to be tense. The shift of reading habits from print properties to free online media has further reduced the revenue stream of the Group's magazines. The revenue for the Books and Magazines Publication and Printing Division was decreased by 51.7% to HK\$227.7 million as compared to last year's figure of HK\$471.0 million.

The Division recorded a segment loss of HK\$161.4 million during the year under review, compared with a segment loss of HK\$425.5 million for the last year, a decrease in loss of HK\$264.1 million. The decrease in loss as compared with last year was mainly attributable to the impairment of the masthead and publishing rights in the previous year of (i) *Sudden Weekly*, in the amount of HK\$96.9 million; (ii) *Next Magazine*, in the amount of HK\$163.3 million; and (iii) *Eat & Travel Weekly*, in the amount of HK\$20.4 million. In addition, the segment loss can be attributed to the significant decrease in advertising revenue and circulation income of the Group's magazines and the expenses involved in consolidating the Division, which includes cessation of publication of *FACE* and *ME!* and the restructuring of *Next Magazine* in Hong Kong.

The Division is following the same path of transforming popular contents from print to both offline and online versions. All of the Group's magazines are now available on an integrated *Apple Daily* platform to broaden its advertisers and audience base for new business opportunities.

Next Digital's commercial printing business is facing keen and tough competition from an increasing number of rival companies from around the world, especially Mainland China. Its operations for the year was also adversely affected as existing clients become increasingly price sensitive and readers continuous shift towards online media sources that reduced the demand of books and magazines.

The total revenue of the commercial printing business for the year ended 31 March 2017 amounted to HK\$96.6 million, which was 26.1% less than its revenue of HK\$130.7 million during the previous year. Of which, revenue from external customers amounted to HK\$70.6 million, a decrease of 3.4% on the preceding year's figure of HK\$73.1 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

In today's day and age, few would argue the increasing presence of technology and digitalization. People no longer depend solely on traditional media outlets such as print publications and television for information and entertainment. More often than not, we see increasing numbers of people shifting everyday activities online such as receiving instantaneous news updates on their mobile devices and sourcing information via videos or livestreams on different platforms. The accessibility of technology outlets today has also altered the way advertisers reach their target audiences. In short, companies must digitalize their advertising effort to maximize impact.

Having realized the inevitable transition early on, the Group has re-aligned its product offering to better serve readers and advertisers alike. The Group has since devoted numerous resources to building a robust digital presence, developing online platforms for all our publications and creating original and engaging content using new technologies such as animation video news, 360-degree and Virtual Reality videos. These innovations have allowed us to accumulate a loyal viewer base. Upon this base, we are able to offer targeted marketing and advertising opportunities to not only large corporations, but also small to mid-size businesses. The Group believes that the wider, underserved SME segment will be an important contributor to its revenue growth in the long run.

Although a digital transformation of the media industry is imminent, conventional print media is still considered mainstream. As a leader in the print media, the Group will safeguard its position through leaner operations and seek additional opportunities to maintain a diversified revenue portfolio.

The Group is currently navigating through difficult waters as the media landscape undergoes a drastic transition from print to digital. For all that the future holds, the Group is prepared on all fronts to embrace the challenges head on and emerge as a stronger organization.

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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Date: 12 June 2017