

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

NEXTDIGITAL

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 2020**

The board of directors (the “Board” or the “Directors”) of Next Digital Limited (the “Company”) announces the unaudited interim results of the Company and its subsidiaries (together, the “Group”) for the six months ended 30 September 2020, 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 2020

		Six months ended	
		30 September	
		2020	2019
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Revenue	3A	569,469	556,294
Production costs			
Cost of raw materials consumed		(55,187)	(92,162)
Other overheads		(148,188)	(176,614)
Staff costs		(234,133)	(256,504)
		(437,508)	(525,280)
Personnel costs excluding direct production staff costs		(186,957)	(209,859)
Other income	3B	42,149	12,966
Gain on disposal of property, plant and equipment		94	4,105
Impairment loss on trade receivables, net		(1,693)	(3,073)
Net exchange loss		(127)	(491)
Depreciation of property, plant and equipment		(34,048)	(30,211)
Depreciation of right-of-use assets		(5,370)	(4,785)
Other expenses	5	(76,909)	(103,932)
Finance costs	6	(14,205)	(5,545)
Loss before tax		(145,105)	(309,811)
Income tax expense	7	(1,187)	(3,491)
Loss for the period	8	(146,292)	(313,302)
Other comprehensive income (expense)			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		8,371	(2,064)
Total comprehensive expense for the period		(137,921)	(315,366)

		Six months ended	
		30 September	
		2020	2019
	<i>NOTE</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Loss for the period attributable to:			
Owners of the Company		(144,881)	(312,389)
Non-controlling interests		(1,411)	(913)
		<u>(146,292)</u>	<u>(313,302)</u>
Total comprehensive expense attributable to:			
Owners of the Company		(136,507)	(314,442)
Non-controlling interests		(1,414)	(924)
		<u>(137,921)</u>	<u>(315,366)</u>
Loss per share	10		
Basic		<u>HK(5.5 cents)</u>	<u>HK(11.8 cents)</u>
Diluted		<u>HK(5.5 cents)</u>	<u>HK(11.8 cents)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020

		30 September 2020 <i>HK\$'000</i> (unaudited)	31 March 2020 <i>HK\$'000</i> (audited)
NON-CURRENT ASSETS			
Intangible assets	11	658,039	658,039
Property, plant and equipment	12	770,463	769,651
Right-of-use assets		98,355	99,159
Deposit for acquisition of property, plant and equipment		6,848	9,378
		1,533,705	1,536,227
CURRENT ASSETS			
Inventories		49,398	48,574
Trade and other receivables	13	194,041	214,518
Amounts due from related parties		5,984	5,249
Tax recoverable		–	609
Restricted bank balances	14	1,500	1,500
Pledged bank deposits	14	36,565	32,566
Bank balances and cash		190,648	137,694
		478,136	440,710
CURRENT LIABILITIES			
Trade and other payables	15	407,306	400,201
Contract liabilities		104,591	47,202
Bank borrowings	16	167,619	161,427
Lease liabilities		7,606	6,967
Provisions	17	45,778	36,967
Tax liabilities		536	–
		733,436	652,764
NET CURRENT LIABILITIES		(255,300)	(212,054)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,278,405	1,324,173

		30 September	31 March
		2020	2020
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(audited)
NON-CURRENT LIABILITIES			
Bank borrowings	16	94,714	114,019
Retirement benefits plans		25,304	25,397
Loan from a shareholder	18	443,524	347,716
Lease liabilities		44,057	44,165
Deferred tax liabilities		149,858	150,034
		<u>757,457</u>	<u>681,331</u>
NET ASSETS		<u>520,948</u>	<u>642,842</u>
CAPITAL AND RESERVES			
Share capital	19	2,486,621	2,486,621
Reserves		<u>(1,963,978)</u>	<u>(1,843,498)</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		522,643	643,123
NON-CONTROLLING INTERESTS		<u>(1,695)</u>	<u>(281)</u>
TOTAL EQUITY		<u>520,948</u>	<u>642,842</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 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 2020 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 2020 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 “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 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\$255,300,000 and HK\$212,054,000 as at 30 September 2020 and 31 March 2020 respectively. On 16 November 2020, the Company entered into a supplemental agreement with a shareholder and director of the Company, Mr. Lai Chee Ying (“Mr. Lai”), which Mr. Lai has agreed to provide an additional unsecured loan to the Company of HK\$106,000,000. Having considered the facility for unsecured shareholder’s loan of an aggregate maximum amount of HK\$756,000,000 obtained on 8 November 2018, 15 November 2019, 10 June 2020 and 16 November 2020 with an aggregate unutilised amount of HK\$256,000,000 as at 30 September 2020, 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 2020 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 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 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group's financial position and financial performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts of application on Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 March 2021.

2.2 Impacts and accounting policies on application of Amendments to HKFRS 3 Definition of a Business

2.2.1 Accounting policies

Business combinations or asset acquisitions

Optional concentration test

Effective from 1 April 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business no further assessment is needed.

2.2.2 Transition and summary of effects

The amendments had no impact on the condensed consolidated financial statements of the Group.

2.3 Accounting policies newly applied by the Group

In addition, the Group has applied the following accounting policies which became relevant to the Group in the current interim period.

2.3.1 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants relate to income that are receivables as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs and recognised in profit or loss in the period in which they become receivables. Such grants are presented under “other income”.

3A. REVENUE

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

Segments	Six months ended 30 September 2020 (unaudited)		Total HK\$'000
	Digital business HK\$'000	Print business HK\$'000	
Type of goods or services			
Internet advertising income, content provision and development of mobile games and apps income	82,769	–	82,769
Online subscription income	220,485	–	220,485
Sales of newspapers	–	149,771	149,771
Newspapers advertising income	–	66,193	66,193
Printing and reprographic services income	–	50,251	50,251
	303,254	266,215	569,469
Geographic markets			
Hong Kong			434,556
Taiwan			102,459
Others			32,454
			569,469
Timing of revenue recognition			
Over time			
– development of mobile games and apps income			509
– online subscription income			220,485
			220,994
At a point in time			348,475
			569,469

Segments	Six months ended 30 September 2019 (unaudited)		Total HK\$'000
	Digital business HK\$'000	Print business HK\$'000	
Type of goods or services			
Internet advertising income, content provision 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
	<u>225,233</u>	<u>331,061</u>	<u>556,294</u>
Geographic markets			
Hong Kong			372,790
Taiwan			164,472
Others			19,032
			<u>556,294</u>
Timing of revenue recognition			
Over time			
– development of mobile games and apps income			319
– online subscription income			47,470
			<u>47,789</u>
At a point in time			
			<u>508,505</u>
			<u>556,294</u>

3B. OTHER INCOME

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Income from sales of waste materials	2,139	3,993
Interest income on bank deposits	314	294
Rental income	4,629	5,337
Government subsidies	32,966	–
Others	2,101	3,342
Total other income	<u>42,149</u>	<u>12,966</u>

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, content provision, 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 2020 (unaudited)

	Digital business HK\$'000	Print business HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE				
External sales	303,254	266,215	–	569,469
Inter-segment sales	165	155,903	(156,068)	–
Total	<u>303,419</u>	<u>422,118</u>	<u>(156,068)</u>	<u>569,469</u>
Segment loss	(31,705)	(102,618)	–	(134,323)
Unallocated expenses				(3,621)
Unallocated income				7,044
Finance costs				<u>(14,205)</u>
Loss before tax				<u><u>(145,105)</u></u>

Six months ended 30 September 2019 (unaudited)

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

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

Segment assets and liabilities

As at 30 September 2020 (unaudited)

	Digital business <i>HK\$'000</i>	Print business <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment assets	886,510	893,713	–	1,780,223
Unallocated assets				<u>231,618</u>
Total assets				<u><u>2,011,841</u></u>
Segment liabilities	(157,841)	(472,175)	–	(630,016)
Unallocated liabilities				<u>(860,877)</u>
Total liabilities				<u><u>(1,490,893)</u></u>

As at 31 March 2020 (audited)

	Digital business <i>HK\$'000</i>	Print business <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment assets	900,393	900,905	–	1,801,298
Unallocated assets				<u>175,639</u>
Total assets				<u><u>1,976,937</u></u>
Segment liabilities	(98,448)	(457,235)	–	(555,683)
Unallocated liabilities				<u>(778,412)</u>
Total liabilities				<u><u>(1,334,095)</u></u>

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, certain 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 2020 (unaudited)

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

	Digital business <i>HK\$'000</i>	Print business <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Addition to property, plant and equipment	8,332	8,547	–	16,879
Depreciation of property, plant and equipment	15,952	18,096	–	34,048
Depreciation of right-of-use assets	–	5,370	–	5,370
Impairment loss on trade receivables, net	285	1,408	–	1,693
Share-based payment expense	–	–	1,189	1,189
Gain on disposal of property, plant and equipment	(8)	(86)	–	(94)
Provision for litigation expense	900	9,126	–	10,026
Other legal and professional fees	1,953	3,112	–	5,065
Redundancy payment	1,630	15,177	–	16,807
Government subsidies	<u>(3,840)</u>	<u>(29,126)</u>	<u>–</u>	<u><u>(32,966)</u></u>

For the six months ended 30 September 2019 (unaudited)

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

	Digital business <i>HK\$'000</i>	Print business <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Addition to property, plant and equipment	10,047	12,782	–	22,829
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
Share-based payment expense	–	–	–	–
Loss (gain) on disposal of property, plant and equipment	108	(4,213)	–	(4,105)
Provision for litigation expense	1,655	9,020	–	10,675
Other legal and professional fees	3,107	3,533	–	6,640
Redundancy payment	518	3,064	–	3,582
Government subsidies	–	–	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

5. OTHER EXPENSES

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Auditor's remuneration	708	991
Provision for litigation expenses	10,026	10,675
Other legal and professional fees	5,065	6,640
Cleaning expenses	4,745	4,653
Donations	1,055	1,195
Entertainment	991	2,165
Insurance	1,940	1,596
Marketing expenses	2,168	14,724
Office supplies and reproduction expenses	1,597	2,531
Rent and rates	2,113	2,418
Repairs and maintenance	9,524	11,518
Telecommunication	4,012	4,172
Transportation	1,332	1,799
Travelling expenses	6,027	11,491
Utilities	16,606	19,491
Others	9,000	7,873
	<u>76,909</u>	<u>103,932</u>

6. FINANCE COSTS

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interests on bank borrowings	2,753	3,406
Interests on lease liabilities	806	817
Imputed interest on loan from a shareholder	10,646	1,322
	<u>14,205</u>	<u>5,545</u>

7. INCOME TAX EXPENSE

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
Hong Kong	1,187	1,449
Taiwan	–	36
	<u>1,187</u>	<u>1,485</u>
Underprovision in prior years:		
Other jurisdictions	–	2,006
	<u>1,187</u>	<u>3,491</u>

Hong Kong Profits Tax is recognised based on managements' 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% (2019: 16.5%) for the six months ended 30 September 2020.

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

8. LOSS FOR THE PERIOD

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging:		
Auditor's remuneration	708	991
Provision for litigation expenses (included in other expenses)	10,026	10,675
Other legal and professional fees (included in other expenses)	5,065	6,640
Share-based payment expense	1,189	–
Depreciation of property, plant and equipment	34,048	30,211
Depreciation of right-of-use assets	5,370	4,785
Redundancy payment (included in personnel costs)	16,807	3,582
	<u>16,807</u>	<u>3,582</u>

9. DIVIDENDS

No interim dividend was proposed for the six months ended 30 September 2020 (six months ended 30 September 2019: nil), nor has any dividend been proposed since the end of the reporting period.

10. LOSS PER SHARE

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

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss		
Loss for the period attributable to the owners of the Company for the purposes of basic and diluted loss per share	<u>(144,881)</u>	<u>(312,389)</u>
Number of shares		
Number of ordinary shares for the purpose of basic and diluted loss per share	<u>2,636,211,725</u>	<u>2,636,211,725</u>

The computation of diluted loss per share for the six months ended 30 September 2020 and 30 September 2019 does not assume the exercise of outstanding share options and award of new shares of the Company since these would result in a decrease in loss per share for both periods.

11. INTANGIBLE ASSETS

**Masthead and
publishing rights**
HK\$'000

COST

At 1 April 2020 (audited) and 30 September 2020 (unaudited) 1,482,799

ACCUMULATED IMPAIRMENT

At 1 April 2020 (audited) and 30 September 2020 (unaudited) 824,760

CARRYING VALUES

At 30 September 2020 (unaudited) 658,039

At 31 March 2020 (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.

12. PROPERTY, PLANT AND EQUIPMENT

HK\$'000

COST

At 1 April 2020 (audited) 2,475,289

Exchange difference 39,303

Additions 16,879

Disposals (26,479)

At 30 September 2020 (unaudited) 2,504,992

ACCUMULATED DEPRECIATION

At 1 April 2020 (audited) 1,705,638

Exchange difference 21,286

Charge for the period 34,048

Eliminated on disposals (26,443)

At 30 September 2020 (unaudited) 1,734,529

CARRYING AMOUNTS

At 30 September 2020 (unaudited) 770,463

At 31 March 2020 (audited) 769,651

13. TRADE AND OTHER RECEIVABLES

	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
Trade receivables	283,578	281,411
Less: impairment loss recognised	<u>(155,144)</u>	<u>(150,608)</u>
	128,434	130,803
Prepayments (<i>Note</i>)	42,346	47,256
Rental and other deposits	11,863	18,295
Others	<u>11,398</u>	<u>18,164</u>
Trade and other receivables	<u>194,041</u>	<u>214,518</u>

Note: Included in the balance are mainly rental and utilities prepayments of HK\$178,000 (31 March 2020: HK\$446,000), value-added tax receivables of HK\$18,741,000 (31 March 2020: HK\$18,007,000) and other prepayments of HK\$23,427,000 (31 March 2020: HK\$28,803,000).

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 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
0–30 days	74,284	65,920
31–90 days	40,131	35,864
91–120 days	6,644	5,889
Over 120 days	<u>7,375</u>	<u>23,130</u>
	<u>128,434</u>	<u>130,803</u>

14. RESTRICTED BANK BALANCES/PLEDGED BANK DEPOSITS

As at 30 September 2020, bank balances amounting to HK\$1,500,000 (31 March 2020: HK\$1,500,000) were restricted for the use of settling certain potential debts and claims as stipulated in a share capital reduction exercise carried out during the year ended 31 March 2015. The restricted bank balances carry fixed interest rate at 0.1% per annum for the period (31 March 2020: 1.4% per annum for the year).

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. These bank deposits amounted to HK\$36,565,000 (31 March 2020: HK\$32,566,000) have been pledged mainly to secure bank guarantee. The pledged deposits carry fixed interest rate of 0.25% to 1.8% per annum for the period (31 March 2020: 0.35% to 1.01% per annum for the year). The pledged bank deposits will be released upon the maturity of relevant bank guarantee.

15. TRADE AND OTHER PAYABLES

	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
Trade payables	33,262	37,761
Accrued staff costs	207,590	186,785
Accrued charges	123,131	137,051
Obligation on pensions – defined contribution plans	1,967	2,313
Other payables	41,356	36,291
	<u>407,306</u>	<u>400,201</u>

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 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
0–30 days	16,327	21,760
31–90 days	10,287	8,105
Over 90 days	6,648	7,896
	<u>33,262</u>	<u>37,761</u>

16. BANK BORROWINGS

	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
Carrying amount repayable		
– within one year	167,619	161,427
– in the second year	47,357	45,607
– in the third year	47,357	45,607
– in the fourth year	–	22,805
	<u>262,333</u>	<u>275,446</u>
Less: Amounts due within one year shown under current liabilities	<u>(167,619)</u>	<u>(161,427)</u>
Amounts shown under non-current liabilities	<u>94,714</u>	<u>114,019</u>

At as 30 September 2020, bank loans comprise balances of HK\$142,071,000 carrying interests at 3 months Taipei Interbank Offered Rate plus 1.55% per annum, HK\$27,028,000 carrying interests at 1 month Taipei Interbank Offered Rate plus 1% per annum, HK\$82,579,000 carrying interests at Taichung Commercial Bank's monthly deposit rate plus 0.89% to 1.94% per annum and HK\$10,655,000 carrying interests at adjustable rates for consumer loans plus 1.5% per annum.

As at 31 March 2020, bank loans comprise balances of HK\$159,626,000 carrying interest at 3 months Taipei Interbank Offered Rate plus 1.55% per annum, HK\$26,030,000 carrying interests at 1 month Taipei Interbank Offered Rate plus 1% per annum, HK\$79,528,000 carrying interests at Taichung Commercial Bank's monthly deposit rate plus 0.89% to 1.94% per annum and HK\$10,262,000 carrying interests at adjustable rates for consumer loans plus 0.73% per annum.

The ranges of effective interest rates (which are equal to contractual interest rates) of borrowings is 1.56% to 2.73% per annum for the period (31 March 2020: 1.76% to 3.0% per annum for the year).

The Group's borrowings are denominated in the New Taiwan Dollar ("NT\$"), functional currencies of the relevant group entities.

As at 30 September 2020, the Group had total unutilised banking facilities of HK\$19,454,000 (31 March 2020: HK\$18,789,000).

17. PROVISIONS

	Litigations HK\$'000
At 1 April 2020 (audited)	36,967
Provision during the period	10,026
Payment during the period	(1,413)
Exchange difference	198
	<hr/>
At 30 September 2020 (unaudited)	45,778
	<hr/> <hr/>

As at 30 September 2020, 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.

18. LOAN FROM A SHAREHOLDER

On 8 November 2018, 15 November 2019, 10 June 2020 and 16 November 2020, the Company entered into an agreement and three supplemental agreements (collectively, “the Loan Agreement”) with Mr. Lai, under which Mr. Lai has agreed to provide an unsecured loan to the Company of an aggregate maximum amount of HK\$756,000,000, which is interest free, and repayable in 36 months. Pursuant to the Loan Agreement, during the current period, the Company obtained the loan totalled HK\$100,000,000 (six months ended 30 September 2019: HK\$200,000,000) from Mr. Lai.

The fair value of the loan from a shareholder during the current period with the principal amount of HK\$100,000,000 (six months ended 30 September 2019: HK\$200,000,000) at the date of its drawdown by the Company is estimated to be totalled HK\$85,162,000 (six months ended 30 September 2019: HK\$170,323,000), using the effective interest rate of 5.5% per annum. The excess of the principal amounts of the loan over the fair value at the date of drawdown, amounted to HK\$14,838,000 (six months ended 30 September 2019: HK\$29,677,000), was accumulated in equity and was included in capital reserve of the Group.

The loan from a shareholder with the aggregate principal amount of HK\$500,000,000 remained outstanding at 30 September 2020 (31 March 2020: HK\$400,000,000).

19. SHARE CAPITAL

	Number of shares		Share capital	
	30 September 2020	31 March 2020	30 September 2020 <i>HK\$'000</i> (unaudited)	31 March 2020 <i>HK\$'000</i> (audited)
Issued and fully paid:				
At beginning and end of the period/ year	<u>2,636,211,725</u>	<u>2,636,211,725</u>	<u>2,486,621</u>	<u>2,486,621</u>

20. EVENT AFTER THE REPORTING PERIOD

In addition to those disclosed elsewhere in these condensed consolidated financial statements, the following event took place subsequent to 30 September 2020.

On 8 October 2020, an additional loan of HK\$150,000,000 was obtained from Mr. Lai. The loan from Mr. Lai with the aggregate principal amount of HK\$650,000,000 remained outstanding up to the date of approval of these condensed consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the six months ended 30 September 2020, the Group's overall revenue slightly increased by 2.4% to HK\$569.5 million (six months ended 30 September 2019: HK\$556.3 million) of which HK\$303.3 million and HK\$266.2 million (six months ended 30 September 2019: HK\$225.2 million and HK\$331.1 million) were attributable to the Digital Business Division and Print Business Division respectively.

The Group recorded an unaudited consolidated loss of HK\$146.3 million for the period, compared with a loss of HK\$313.3 million in the same period of the previous year, representing a decrease in the loss amount of 53.3% or HK\$167.0 million.

This was mainly attributable to a significant increase in online subscription income, which partly offset the sharp fall in digital advertising spending that took hold as the COVID-19 pandemic brought about severe economic downturns in Hong Kong and Taiwan. The Group also received pandemic-related financial support provided by the Hong Kong government to all local enterprises.

As a result, the Company recorded a basic loss per share of HK5.5 cents for the period, as compared to a basic loss per share of HK11.8 cents in the same period of 2019.

OPERATIONAL REVIEW

The Group's operations in Hong Kong and elsewhere accounted for approximately 82.0% of total revenue during the six months ended 30 September 2020, compared with 70.4% in the same period of 2019, while its Taiwan operations contributed 18.0% of total revenue, compared with 29.6% in the corresponding period last year.

The Group's paid digital subscription model gained substantial momentum during the period under review. Its Hong Kong titles recorded remarkable success and radically transformed the Group's revenue mix. Progress in Taiwan was slower, leading the Group to adjust its platform and restructure its operations while remaining committed to its core strategy.

Owing to the pandemic, the Group received support of HK\$33.0 million from the Hong Kong government's Employment Support Scheme for the period of June to August. However, it did not qualify for financial support from the Taiwanese government.

The Group's print business retains a core mainstream readership and registered exceptionally strong sales in the month of August, although the long-term trend towards declining print circulations and advertising revenues continued.

Editorial excellence is the lifeblood of the publishing industry, and the Group continued to invest in its content capabilities across both print and digital, receiving several awards for its editorial achievements during the period.

DIGITAL BUSINESS DIVISION

During the period under review, the Digital Business Division achieved robust growth in online subscription income by deepening the implementation of its ground-breaking paid subscriber model.

As of 30 September 2020, *Apple Daily* had approximately 630,000 paid subscribers from a registered member base of approximately 3.8 million in Hong Kong, representing clear potential for further expansion. During the period, the Group's Customer Growth and Retention ("CGR") team made judicious use of incentives to retain and attract subscribers while locking in upfront revenues, which led to healthy growth and retention levels.

Taiwan Apple Daily's digital platform faced stiff competition from free online content. The Group remained committed to its digital subscription model, but slightly adapted its platform to allow subscribers in Taiwan to enjoy an ad-free experience while offering non-subscribers the option of accessing free content with advertising.

The Group invested in enriching its content creation capabilities and expanding its reader services, including topical conferences, seminars and workshops, in order to boost subscription and advertising revenues. In June, *Apple Daily* also began to translate select articles into English, attracting approximately 800,000 unique visitors and opening the door to an entirely new readership.

The Group's innovative Data Management Platform ("DMP") and state-of-the-art ARC content management system are the twin engines of its hyper-personalisation capabilities, a source of profound competitive advantage. The DMP allows the Group to analyse fine-grained reader habits and preferences, and thus craft tailored opportunities for advertisers. These capabilities have been enhanced by the migration of the Hong Kong and Taiwan editorial operations to the new ARC system in August and September. The Group won numerous awards for its commercial innovations and achievements during the period under review.

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 period under review, the combined platforms for Hong Kong and Taiwan attracted an average monthly page view count of approximately 700 million*, making it one of the leading news sites in the world. *Apple Daily* had a user base of approximately 9.6 million* monthly unique visitors in Hong Kong, approximately 14.3 million* monthly unique visitors in Taiwan, approximately 1.1 million* monthly unique visitors in the USA and approximately 286,000* monthly unique visitors in Canada, which allowed the Group to pursue a variety of advertising revenue generation opportunities. (*Source: Google Analytics)

Apple Daily's digital platform maintained its market leadership in Hong Kong. During the reporting period, the Division's external revenue, which consists of online subscription income, online advertising revenue, content licensing payments, games and content sponsorship and in-app purchase of virtual products, increased by 34.7% or HK\$78.1 million to HK\$303.3 million, compared to HK\$225.2 million for the same period of 2019. Growth in online subscription income was partially offset by a drop in digital advertising revenue, resulting in a net increase in external revenues.

The Digital Business Division's segment loss was HK\$31.7 million during the period under review, compared with a segment loss of HK\$65.0 million in the previous corresponding period, representing a decrease in loss amount of 51.2% or HK\$33.3 million. The reduction in loss amount was achieved through the abovementioned revenue growth as well as cost savings arising from the restructuring of its Taiwan operations.

PRINT BUSINESS DIVISION

During the six months ended 30 September 2020, the total revenue of the Print Business Division was HK\$266.2 million, representing a decrease of 19.6% or HK\$64.9 million compared to the figure of HK\$331.1 million for the same period of the previous year. The Division's revenue accounted for 46.7% of the Group's total revenue, with *Apple Daily* and *Taiwan Apple Daily* remaining the largest contributors to the Division.

The Division's segment loss was HK\$102.6 million during the period under review, a decrease in loss amount of 58.2% or HK\$142.7 million compared with the segment loss of HK\$245.3 million recorded in the same period of 2019. This was primarily attributable to effective cost control during the period.

Newspaper Publications

Apple Daily, known for its signature features of openness, liberalism, vibrancy and the quest for truth, retained its position as one of Hong Kong's best-selling newspapers. Its average net circulation per issue averaged 86,189 copies per day between April and September 2020, compared with 91,288 copies per day in the last corresponding period.

Apple Daily's total revenue was HK\$126.8 million during the period under review, representing an increase of 5.1% or HK\$6.1 million compared to the HK\$120.7 million recorded in the same period last year. Of this, advertising revenue accounted for HK\$31.7 million and circulation income for HK\$95.1 million, representing an increase of 48.1% or HK\$10.3 million and a decrease of 4.2% or HK\$4.2 million as compared to the respective figures of HK\$21.4 million and HK\$99.3 million for the same period of the previous year. The main revenue-contributing advertising categories during the period included the property sector, non-profit organisations, Chinese restaurants, and messages of solidarity and support from across civic society for *Apple Daily*, democracy and the people of Hong Kong.

Taiwan Apple Daily is known for its dynamic style of reporting and emphasis on layout design. Its average net circulation per issue was 82,637 copies per day during the period, compared with 101,776 copies per day in the same period of 2019.

Its total revenue reached HK\$73.2 million during the period under review, a decline of 38.0% or HK\$44.9 million compared to the HK\$118.1 million recorded in the last corresponding period. Of this, advertising revenue accounted for HK\$33.7 million and circulation income for HK\$38.7 million, representing a decrease of 51.4% or HK\$35.7 million and 18.5% or HK\$8.8 million as compared to the respective figures of HK\$69.4 million and HK\$47.5 million for the same period of the previous year. The advertising categories that made the revenue contributions included the property sector, government and political parties, home decoration and furnishings, domestic appliances and the auto industry.

Printing

Apple Daily Printing Limited (“ADPL”), the Group’s newspaper printing operation, recorded revenue of HK\$38.0 million during the period under review, a decrease of 32.7% or HK\$18.5 million compared to the figure of HK\$56.5 million achieved in the last corresponding period.

ADPL realised HK\$11.0 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. This represents a decrease of 59.4% or HK\$16.1 million from the figure of HK\$27.1 million recorded in the same period of 2019.

The Group’s commercial printing operation was adversely affected by continued price competition from Chinese mainland peers, changes to reader preferences and reduced demand stemming from the COVID-19 pandemic, which led to the cancellation of book fairs and a sharp decline in overseas travel. It recorded revenue of HK\$39.2 million for the six months ended 30 September 2020, which was 19.0% or HK\$9.2 million less than the HK\$48.4 million recorded in the same period last year.

PROSPECTS AND OUTLOOK

The shockwaves of the COVID-19 pandemic will continue to pummel the regional economy and media sector, but citizens’ desire to be informed, educated and entertained will remain undimmed. One year after it took the bold step of radically reimagining its core business model, the Group has now established a solid foothold from which to push forward through uncharted terrain and forge a path to profitability.

In the second half of the year, the Group’s primary focus will be to build on the early successes of its digital subscription model by leveraging its unprecedented data-driven personalisation capabilities and superior editorial content. Setting its sights higher still, it will steadily improve online subscription income and advertising revenues through the dedication and savvy of its CGR and sales teams.

The Group will grow its online subscription income by continuing to invest in cutting-edge digital content capabilities and cementing its reputation for creating attention-grabbing content, attracting new readers and fostering customer loyalty. It will also pursue further opportunities in English-language editorial, laying the foundations of a potential future subscription model.

Hyper-personalisation technologies and data-driven insight will become an ever more important source of competitive advantage for the Group. As its cutting-edge DMP system progressively captures and analyses more audience activity, it will be able to generate reader profiles and parse audience behaviour with ever greater precision, allowing the Group to create market-beating targeted placement opportunities for advertisers. The migration to the cutting-edge ARC publishing system, meanwhile, will significantly enhance the Group's ability to produce tailor-made advertising opportunities in the second half of the year, sharpening its edge over local peers.

Traditional print remains the cornerstone of the Group's business. The Group will continue to make appropriate investments in print content while adopting a differentiated editorial strategy focused on high-profile interviews, investigations, analysis, commentary, supplements and special projects.

In the second half of the year, the economies of Hong Kong and Taiwan will continue to suffer the effects of the COVID-19 pandemic, causing further downward pressures on advertising expenditure. However, the Group has decisively aligned its strategy and operations with the contemporary demands of the digital landscape while staying true to its evergreen purpose of serving the public with compelling editorial. Buoyed by the strong momentum of *Apple Daily's* digital platform, the Group will work harder and smarter than ever before to realise the full potential of its paid digital subscription model.

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 2020, the Group recorded net cash of approximately HK\$228.7 million.

During the reporting period, the Group repaid HK\$23.7 million in bank borrowings. As at 30 September 2020, it had available a shareholder's loan of HK\$756.0 million, of which HK\$500.0 million had been drawn down.

As at 30 September 2020, the Group had available banking facilities of a total of HK\$317.5 million, of which HK\$298.1 million had been utilised. The Group's bank borrowings amounted to HK\$262.3 million, with a maturity profile spread over a period of three years and approximately HK\$262.3 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 NT\$.

As at 30 September 2020, restricted bank balances included in the Group's aggregate bank balances and cash reserves amounted to HK\$1.5 million (31 March 2020: HK\$1.5 million). The Group's current ratio on the same date was 65.2%, compared to 67.5% as at 31 March 2020. Its gearing ratio on the same date amounted to 35.1%, compared to 31.5% as at 31 March 2020. These figures were calculated by dividing its long-term liabilities, including current portions, by total asset value.

Assets Pledged

As at 30 September 2020, the Group had pledged its properties situated in Taiwan with an aggregate carrying value of HK\$374.6 million to various banks as security for banking facilities granted to it.

Share Capital

As at 30 September 2020, the Company's total amount of issued and fully paid share capital was HK\$2,486.6 million (31 March 2020: HK\$2,486.6 million) and the total number of issued shares with no par value was 2,636,211,725 shares (31 March 2020: 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.

As at 30 September 2020, the Group's net currency exposure was NT\$964.9 million (equivalent to HK\$257.0 million), an increase of 16.9% on the figure of NT\$825.4 million (equivalent to HK\$211.7 million) as at 31 March 2020.

The Group's capital expenditure for the six months ended 30 September 2020 amounted to HK\$16.9 million (six months ended 30 September 2019: HK\$22.8 million). As at 30 September 2020, the Group's outstanding capital commitments were HK\$0.3 million (31 March 2020: HK\$2.8 million).

Contingent Liabilities

(a) Pending Litigations

As at 30 September 2020, 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\$45.8 million (31 March 2020: HK\$37.0 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) Guarantee

The Group maintains 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 2020, these contingent liabilities amounted to HK\$317.5 million (31 March 2020: HK\$328.8 million), HK\$298.1 million (31 March 2020: HK\$310.0 million) of which has been utilised by certain of its subsidiaries.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2020, the Group had a total of 2,095 employees, of whom 1,228 were in Hong Kong, 866 were in Taiwan and one in the USA.

The Group offers a range of employee wellbeing and career development opportunities with the aim of attracting, cultivating and retaining the best talent in the market. This includes regular training seminars and exercise activities, free fruit and festive seasonal gifts. Digital collaboration tools are used to enhance communication between staff and management and promote a culture of transparency.

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 2019/20 annual report of the Company.

During the period under review, the total staff costs of the Group amounted to HK\$421.1 million, compared to HK\$466.4 million incurred for the same period last year. The change was primarily attributable to a reduction in headcount in Taiwan, following the closure of *Taiwan Next Magazine* in February 2020 and the restructuring of *Taiwan Apple Daily* in June and July 2020.

INTERIM DIVIDEND

The Directors have resolved not to declare an interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: nil).

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the applicable provisions of the Corporate Governance Code as set out in the Appendix 14 to the Listing Rules throughout the six months ended 30 September 2020.

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 to 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 2020.

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 2020.

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 2020.

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 2020 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, 16 November 2020

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:

Executive Directors:

Mr. Lai Chee Ying (*Chairman*)

Mr. Cheung Kim Hung

Mr. Chow Tat Kuen, Royston

Mr. Chang Yue Shing

Independent Non-executive Directors:

Mr. Louis Gordon Crovitz

Dr. Mark Lambert Clifford

Mr. Lam Chung Yan, Elic

Non-executive Director:

Mr. Ip Yut Kin