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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisor.

If you have sold or transferred all your shares in Next Digital Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities in the Company.

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NEXTDIGITAL

NEXT DIGITAL LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00282)

**(1) VERY SUBSTANTIAL DISPOSAL IN RELATION TO
THE DISPOSAL OF PROPERTY;**

**(2) CONNECTED TRANSACTION
INVOLVING AWARD OF NEW SHARES TO DIRECTORS;**

AND

(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Advisor

 **金融有限公司**
OCTAL Capital Limited

A letter from the Board is set out on pages 5 to 18 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page IBC-1 of this circular. A letter from the Independent Financial Advisor containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages IFA-1 to IFA-12 of this circular.

A notice convening the EGM to be held on Friday, 28 December 2018 at 11:00 a.m. at the Conference Room on the 1st Floor, 3 Chun Kwong Street, Tseung Kwan O Industrial Estate, Tseung Kwan O, New Territories, Hong Kong is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use by the Shareholders in relation to such proposed resolution at the EGM is enclosed therein.

Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy to the share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and the return of the form of proxy will not preclude you from attending and voting in person in the EGM or any adjourned meeting if you so wish.

11 December 2018

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“2014 Share Option Scheme”	the share option scheme adopted by the Company on 31 July 2014
“associate(s)”	has the same meaning as ascribed to it under the Listing Rules
“Award Date”	26 November 2018, being the date on which new Shares are conditionally awarded to Mr. Cheung and Mr. Chow
“Award Shares”	an aggregate of 2,042,238 new Shares to be allotted and issued to Mr. Cheung and Mr. Chow
“Board”	the board of Directors of the Company
“Company”	Next Digital Limited, a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Disposal by way of handover of the Property
“Conditions”	the conditions precedent to Completion
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Consideration”	consideration payable by the Purchaser to the Vendor for the sale and purchase of the Property pursuant to Sale and Purchase Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Property subject to such terms and conditions as set out in the Sale and Purchase Agreement

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be held at the Conference Room on the 1st Floor, 3 Chun Kwong Street, Tseung Kwan O Industrial Estate, Tseung Kwan O, New Territories, Hong Kong on 28 December 2018 at 11:00 a.m. for the purpose of approving, <i>inter alia</i> , (i) the Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) the issue of the relevant Award Shares to Mr. Cheung and Mr. Chow
“Employee Share Award Scheme”	the one-off employee share award scheme of the Company adopted on 12 June 2018
“Escrow Agent”	Chaofu Real Estate Management Co., Ltd., a company incorporated in Taiwan, which is jointly appointed by the Vendor and the Purchaser as escrow agent for the Disposal
“Escrow Agreements”	the two agreements dated 9 November 2018 entered into between (i) the Vendor and the Escrow Agent, and (ii) the Purchaser and the Escrow Agent for, among other things, the stakeholding and release of 95% of the Consideration
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee comprising Mr. Louis Gordon Crovitz, Mr. Mark Lambert Clifford and Mr. Lam Chung Yan, Elic, being all independent non-executive Directors, which is formed to advise to the Independent Shareholders in respect of the issue of the Award Shares
“Independent Financial Advisor”	Octal Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial advisor which has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the issue of the Award Shares

DEFINITIONS

“Independent Shareholders”	all Shareholders other than Mr. Cheung, Mr. Chow and their respective associates
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Director’s knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons of the Company in accordance with the Listing Rules
“Latest Practicable Date”	10 December 2018, being the latest practicable date for ascertaining certain information referred to in this circular prior to the printing thereof
“Leaseback”	the leaseback of the Leaseback Portion of the Property upon Completion by the Purchaser as landlord and the Vendor as tenant
“Leaseback Portion of the Property”	all the buildings and 107 car parking spaces located on the ground floor with the total gross floor area of approximately 8,957.1 square metres constructed on the parcel of land located at 2nd-5th Floors, Nos. 36, 38, 40 and 42, Lane 141, Xing’ai Road, Neihu District, Taipei City 114, Taiwan
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Cheung”	Mr. Cheung Kim Hung, being an executive Director of the Company and chief executive officer of the Group
“Mr. Chow”	Mr. Chow Tat Kuen, Royston, being an executive Director and company secretary of the Company as well as chief financial officer of the Group
“Property”	all that parcel of land with a gross floor area of approximately 4,362.65 square metres located at Nos. 26-5 and 26-7, Jiuzong Section, Neihu District, Taipei City 114, Taiwan and the two blocks of office buildings including 120 car parking spaces (nos. 1-120) with the total gross floor area of approximately 17,418.71 square metres constructed on Nos. 36-50, Lane 141, Xing’ai Road, Neihu District, Taipei City 114, Taiwan

DEFINITIONS

“Purchaser”	Taiwan Life Insurance Co., Ltd., a company incorporated in Taiwan with limited liability, a wholly-owned subsidiary of CTBC Financial Holding Co., Ltd., the issued shares of which are listed on the main board of the Taiwan Stock Exchange (Stock Code: 2891)
“Regulations on Real Estate Appraisal”	a regulation issued by an order of the Ministry of the Interior of Taiwan Taineidizi No. 9077692 as at 17 October 2001, which sets out, <i>inter alia</i> , the general principles, appraisal procedures and approaches (including but not limited to the comparison approach and income approach), for valuation of properties
“Remaining Group”	the Group subsequent to the Disposal
“Sale and Purchase Agreement”	the agreement entered into between the Vendor and the Purchaser dated 9 November 2018 for, among other things, the sale and purchase of the Property
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Taiwan”	Taiwan, Republic of China
“Taiwan Stock Exchange”	The Taiwan Stock Exchange Corporation
“Vendor”	Easy Finder Publishing Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“Zhan-Mao Real Estate Appraisers Firm”	Zhan-Mao Real Estate Appraisers Firm (展茂不動產估價師聯合事務所), an independent professional property valuer engaged for the purpose of valuation of the Property
“%”	per cent

LETTER FROM THE BOARD

NEXTDIGITAL

NEXT DIGITAL LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00282)

Non-Executive Directors:

Lai Chee Ying (*Non-executive Chairman*)

Ip Yut Kin

Executive Directors:

Cheung Kim Hung

Chow Tat Kuen, Royston

*Registered Office and Principal Place of
Business in Hong Kong:*

1st Floor, 8 Chun Ying Street

Tseung Kwan O Industrial Estate

Tseung Kwan O

New Territories

Hong Kong

Independent Non-executive Directors:

Louis Gordon Crovitz

Mark Lambert Clifford

Lam Chung Yan, Elic

11 December 2018

To the Shareholders

Dear Sir or Madam,

**(1) VERY SUBSTANTIAL DISPOSAL IN RELATION TO
THE DISPOSAL OF PROPERTY;**

**(2) CONNECTED TRANSACTION
INVOLVING AWARD OF NEW SHARES TO DIRECTORS;**

AND

(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

References are made to the announcement dated 19 November 2018 regarding the Disposal and the announcement dated 26 November 2018 regarding the award of new Shares to the Directors.

LETTER FROM THE BOARD

The purposes of this circular are to provide you with (i) further details of the Disposal; (ii) further details of the Award Shares, including the letter of recommendations from the Independent Board Committee and the letter from the Independent Financial Advisor, (iii) other information as required to be disclosed under the Listing Rules; and (iv) the notice of the EGM.

SALE AND PURCHASE AGREEMENT

On 9 November 2018, the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser in relation to the Disposal. Pursuant to the Sale and Purchase Agreement, the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Property for a Consideration of NT\$1,793.9 million* (equivalent to approximately HK\$454.7 million*) (business tax included) subject to and upon, *inter alia*, the terms of the Sale and Purchase Agreement.

Set out below are the principal terms of the Sale and Purchase Agreement:

Date : 9 November 2018

Parties : (1) Vendor, an indirect wholly-owned subsidiary of the Company
(2) Purchaser

The Property

The Property comprises two blocks of office building and 120 car parking spaces located at Nos. 36-50, Lane 141, Xing'ai Road, Neihu District, Taipei City 114, Taiwan. Portions of the Property are currently being leased out to third parties and the remaining portions thereof are being leased out to intra-group subsidiaries of the Company for their business operation in Taiwan. Vacant possession of the Property shall be delivered at Completion on an "as is" basis subject to the existing tenancies.

The Property was acquired by the Vendor in October 2002 at the purchase price of NT\$861.0 million* (equivalent to approximately HK\$229.0 million* calculated at the exchange rate of HK\$1.0 = NT\$3.7594 at the material time).

A loan facility in the amount of NT\$1,000.0 million* (equivalent to approximately HK\$253.5 million*), which was obtained by the Vendor from O-Bank Co., Ltd. for the purpose of financing the general working capital of the Group, is secured by a charge over the Property. In addition, the Company has given corporate guarantee in respect of the said loan facility. The outstanding principal amount under the said loan facility secured by the Property is NT\$1,000.0 million* (equivalent to approximately HK\$253.5 million*) as at the Latest Practicable Date. The said loan facility shall be fully repaid upon Completion.

LETTER FROM THE BOARD

Based on the audited financial statements of the Vendor for the years ended 31 March 2018 and 31 March 2017, the net loss attributable to the Property for the financial years ended 31 March 2018 and 2017 were approximately HK\$3.1 million* and HK\$2.4 million* respectively both before and after taxation. Rental income in the amounts of approximately HK\$17.4 million* and HK\$16.1 million* were generated from leasing of the Property for the financial years ended 31 March 2018 and 31 March 2017 respectively and the net operating expenses of approximately HK\$20.5 million* and HK\$18.5 million* were incurred for the financial years ended 31 March 2018 and 31 March 2017 respectively, as reflected in the audited financial statements of the Vendor for the years ended 31 March 2018 and 31 March 2017.

Consideration and payment terms

The Consideration for the Disposal is NT\$1,793.9 million* (equivalent to approximately HK\$454.7 million*) (business tax included), which was arrived at after arm's length negotiation between the Vendor and the Purchaser on normal commercial terms with reference to the valuation of the Property, the development potential of the Property as it would be costly for the Company to install technological facilities and equipment in the Property for creating a cyber office to accommodate for its business needs due to the age of the Property and the recent prevailing market conditions of the property market in Taiwan taking into account the unfavourable trade and diplomatic conditions under the current government in view of the declining annual growth rates for exportation and consumer price index in Taiwan as compared to the last quarter of the year, uncertainties surrounding the election in Taiwan as well as the declining valuation results.

The Property was valued at approximately NT\$1,743.3 million* (equivalent to approximately HK\$441.9 million*) as at 11 October 2018 according to the valuation report issued by Zhan-Mao Real Estate Appraisers Firm adopting (i) the comparison approach with reference to the sale of comparable properties and (ii) the income approach, which compares the estimated annual gross rental income and operational expenses of comparable properties, the approaches, procedures and standards of which are set out in the Regulations on Real Estate Appraisal, as well as the prevailing valuation practice and rules of thumb in Taiwan, which made reference to the sales of comparable properties as available in the market, which were selected based on the criteria of, *inter alia*, reliability and recency of the transaction values and the degree of similarity in (i) location and neighbourhood; (ii) tenure; and (iii) construction materials with the Property in accordance with Article 27 of the Regulations on Real Estate Appraisal.

The said valuation report has been issued in compliance with the requirements set out in Chapter 5 of the Listing Rules.

LETTER FROM THE BOARD

The Consideration shall be payable by the Purchaser by four instalments in cash in the following manner:

- (1) 1st instalment of NT\$538.2 million* (equivalent to approximately HK\$136.4 million*), being 30% and part payment of the Consideration which shall be paid by the Purchaser provided that (i) the existing tenant of the Property does not give notice to exercise its pre-emptive right to purchase the Property within 10 days of receiving a written notice from the Vendor or the Vendor has obtained a written waiver from said existing tenant indicating its consent to waive its pre-emptive right; and (ii) within 3 days of passing of the EGM and obtaining the necessary approvals from the Stock Exchange (if any);
- (2) 2nd instalment of NT\$358.8 million* (equivalent to approximately HK\$91.0 million*), being a further 20% and part payment of the Consideration which shall be paid by the Purchaser at the time when all the relevant documents necessary for effecting transfer of title in the Property have been prepared and executed with company chops affixed;
- (3) 3rd instalment of NT\$807.2 million* (equivalent to approximately HK\$204.6 million*), being a further 45% and part payment of the Consideration which shall be paid by the Purchaser within 3 working days of collection of the land value increment tax invoice and deed tax invoice in respect of the Disposal; and
- (4) 4th instalment of NT\$89.7 million* (equivalent to approximately HK\$22.7 million*) (subject to any deduction for any outstanding tax payable and loan facilities repayable by the Vendor), being a further 5% and part payment of the Consideration which shall be paid by the Purchaser (i) after effecting release of the legal charge over the Property by the Vendor and within 3 days from the land administration agent's notification of completion of all title transfer registration procedures; and (ii) at the time of delivering possession of the Property.

The Vendor and the Purchaser have respectively entered into the Escrow Agreements with the Escrow Agent, pursuant to which the 1st instalment, 2nd instalment and 3rd instalment of the Consideration shall be paid by the Purchaser to CTBC Bank Co., Ltd., which shall be stakeheld and released by the Escrow Agent upon Completion in accordance with the terms of the Escrow Agreements.

LETTER FROM THE BOARD

Pre-emptive rights of the existing tenant

The Vendor shall notify the existing tenant of the Property of the Disposal forthwith upon signing of the Sale and Purchase Agreement. If, within 10 days of receipt of the Vendor's notice, the said existing tenant indicates its intention to exercise its pre-emptive rights to purchase the Property or any part thereof, whether subject to ancillary conditions, the Sale and Purchase Agreement shall be of no further effect and deemed terminated. In that event, the Vendor and the Purchaser shall return to the other party all documents, any part of the Consideration paid and other items delivered for the Disposal.

If the said existing tenant were to exercise its pre-emptive rights, the consideration to be paid and the terms for purchase of the Property would be the same as that is payable by and are binding on the Purchaser.

The Vendor has been notified by the existing tenant it has no intention to exercise the said pre-emptive right.

Leaseback

Pursuant to the Sale and Purchase Agreement, the Vendor and the Purchaser shall enter into a tenancy agreement for the Leaseback in relation to the Leaseback Portion of the Property, the gross floor area of which equals approximately 8,957.1 square metres and constitutes approximately 51.4% of the total gross floor area of the office buildings of the Property, and have the same notarized prior to the Purchaser's payment of the 3rd instalment of the Consideration.

The term of the Leaseback shall be 10 years and shall not be terminated during the first 5 years. The monthly rent payable by the Group for each square metre of the buildings and each car parking space of the Leaseback Portion of the Property during the period of the Leaseback shall be NT\$320.0* (equivalent to approximately HK\$81.1*) and NT\$2,500.0* (equivalent to approximately HK\$633.7*) per month (tax included) respectively, which amount to a total monthly rent of NT\$2.0 million* (equivalent to approximately HK\$0.5 million*) (tax included) and shall be increased by 3% once every 3 years.

The monthly rent payable for the Leaseback was determined based on the comparable prevailing market charging rates sourced by the real estate agent, taking into account that an additional NT\$500 of management fees shall be payable on each car parking space for the Leaseback.

LETTER FROM THE BOARD

Taxation and charges

- (1) The taxation and charges (including house tax, land value tax, utility charges, utility fund, maintenance fees and management fees) payable in connection with the Property accrued on or before the date of delivery of the Property shall be borne by the Vendor and those accrued on or after the date of delivery of the Property shall be borne by the Purchaser;
- (2) The stamps tax, registration tariffs and deed tax payable upon transfer of title of the Property shall be borne by the Purchaser;
- (3) The registration charges for the transfer in the title of the Property shall be borne by the Purchaser;
- (4) The registration charges for release of charges and the land value increment tax payable upon transfer of the title to the Property shall be borne by the Vendor; and
- (5) The construction benefit fee (i) which has been assessed (including any portion that has not been collected) prior to the date of signing of the Sale and Purchase Agreement shall be paid by the Vendor; and (ii) which is not due prior to the date of signing of the Sale and Purchase Agreement shall be borne by the Vendor unless otherwise agreed by the Purchaser.

Conditions

Completion is conditional upon, among others, (i) the approval of the Disposal by the Shareholders at the EGM to be convened in accordance with the requirements of the Listing Rules and (ii) any other necessary approval from the Stock Exchange, on or before Completion.

If the Conditions cannot be fulfilled on or before Completion, the Sale and Purchase Agreement will become null and void and of no further effect. In that event, the Vendor and the Purchaser shall return to the other party all documents, any part of the Consideration paid and other items delivered for the Disposal.

INFORMATION ON THE COMPANY AND THE VENDOR

The Company's principal activity is to operate as an investment holding company. The Group is principally engaged in internet advertising, internet subscription, content provision and development of mobile games and apps in Hong Kong, Taiwan and North America. It is also engaged in sales of newspapers, books and magazines and provision of newspapers, books and magazines printing and advertising services in Hong Kong, Taiwan, North America, Europe and Australasia.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Vendor, an indirect wholly-owned subsidiary of the Company, is principally engaged in the business of provision of lease properties for its fellow subsidiaries.

INFORMATION ON THE PURCHASER

The Purchaser is principally engaged in insurance business and provision of financial services. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties of and not connected with the Company or any of its subsidiaries and its connected persons (as defined under the Listing Rules) as at the Latest Practicable Date.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Directors considered that the Disposal enables the Company to realize cash and unlock the value in its investment in the Property at fair market value. The net proceeds to be received by the Vendor from the Disposal will strengthen the cashflow of the Company and enhance working capital condition of the Company to allow for reallocation of its resources for future development.

The Directors considered that the Sale and Purchase Agreement is of normal commercial terms, fair and reasonable, and the Disposal is in the interests of the Company and its Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL

Taking into account the carrying value (which represents the book value) of approximately HK\$180.8 million* at 31 October 2018 of the Property as recorded in the fixed assets register as well as the management accounts of the Company as at 31 October 2018, upon Completion, a gain in the estimated sum of HK\$273.9 million* before tax and expenses is expected to accrue to the Group as a result of the Disposal. The rental income will be decreased by approximately HK\$12.1 million* per annum and an annual expenditure in the amount of approximately HK\$6.1 million* is expected to be incurred by the Group as a result of the Leaseback. Nevertheless, finance costs are expected to reduce by approximately HK\$5.9 million* per annum after repayment of certain bank borrowings.

Shareholders and potential investors of the Company should note that the above expectation is for illustrative purpose only. The actual accounting gain or loss in connection with the Disposal is dependent on the net carrying value of the Property as at the date of Completion in the consolidated financial statements of the Group for the year ending 31 March 2019 and may be different from the amount calculated above.

LETTER FROM THE BOARD

The Company continues to own one block of office building in Taiwan and given that the Group will continue to utilize the Leaseback Portion of the Property upon Completion, it would be sufficient for its business operation in Taiwan as the Company intends to focus on its digital business and the Disposal will not affect the Company's business operation.

USE OF PROCEEDS

The net proceeds of approximately NT\$1,747.6 million* to be received by the Vendor from the Disposal will improve the overall cash position of the Group for general working capital purpose as well as for future opportunities that may arise. Subject to actual circumstances and decision of the Board, the Company intends to apply (i) approximately NT\$1,000.0 million* for repaying the bank loan to O-Bank Co., Ltd. and discharging the charge over the Property; (ii) approximately NT\$400.0 million* for repaying a bank loan; and (iii) the remaining NT\$347.6 million* for general working capital, including investment and furtherance of development in its digital business division.

While the Group intends to continue to operate its print business in (*inter alia*) Taiwan after Completion, in view of the current trend of digitalization in the media industry (which is due to customer preferences having continued to shift away from print publications towards digital media and apparent in the consistently large user base of 5.1 million monthly unique visitors in Hong Kong, 11.9 million monthly unique visitors in Taiwan, 1.5 million monthly unique visitors in the USA and 389,000 monthly unique visitors in Canada in the Group's digital news platform for the six months ended 30 September 2018), the Group intends to apply the proceeds from the Disposal for investment in online content creation, developing its digital content collaboration offering for advertisers and increasing its data analysis to optimize revenue generation across the Group's whole range of content inventory.

THE SHARE AWARDS

The Board has, on 26 November 2018 (being the Award Date), conditionally awarded the Award Shares to Mr. Cheung and Mr. Chow, being all the executive Directors, subject to conditions and compliance with the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The key terms of the proposed issued of Award Shares are set out below.

1. Mr. Cheung Kim Hung

Number of new Shares conditionally awarded	:	1,117,699 Shares, representing approximately 0.04% of the existing total issued Shares and 0.04% of the total issued Shares as enlarged by the issue of all the Award Shares (assuming no change in the total issued Shares between the Latest Practicable Date and the date of issue of all Award Shares)
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LETTER FROM THE BOARD

- Subscription price : As the Shares are to be issued as awards, a nominal amount of HK\$10.00 will be payable by Mr. Cheung on the issue of Award Shares
- Value of Award Shares : Approximately HK\$252,600 in aggregate which is calculated using the closing price of the Share of HK\$0.226 on the Award Date
- Conditions and timing of issue : The proposed issue of Award Shares is subject to the following conditions:
- (a) Independent Shareholders approving the issue of the Award Shares; and
 - (b) the Stock Exchange granting the listing of and permission to deal in the Award Shares.

Subject to Mr. Cheung remaining as a Director on the issue date, 1,117,699 new Shares will be issued on the date of EGM upon obtaining Independent Shareholders' approval.

2. Mr. Chow Tat Kuen, Royston

- Number of new Shares conditionally awarded : 924,539 Shares, representing approximately 0.04% of the existing total issued Shares and 0.04% of the total issued Shares as enlarged by the issue of all the Award Shares (assuming no change in the total issued Shares between the Latest Practicable Date and the date of issue of all Award Shares)
- Subscription price : As the Shares are to be issued as awards, a nominal amount of HK\$10.00 will be payable by Mr. Chow on the issue of Award Shares
- Value of Award Shares : Approximately HK\$208,946 in aggregate which is calculated using the closing price of the Share of HK\$0.226 on the Award Date

LETTER FROM THE BOARD

Conditions and timing of issue : The proposed issue of Award Shares is subject to the following conditions:

- (a) Independent Shareholders approving the issue of the Award Shares; and
- (b) the Stock Exchange granting the listing of and permission to deal in the Award Shares.

Subject to Mr. Chow remaining as a Director on the issue date, 924,539 new Shares will be issued on the date of EGM upon obtaining Independent Shareholders' approval.

For the purposes of Part XV of the SFO, Mr. Cheung does not have any interest in the Shares as at the Latest Practicable Date. Mr. Chow is interested in 300,000 Shares and holds outstanding options exercisable into 1,500,000 Shares, which in aggregate representing approximately 0.07% of the total issued Shares as at the Latest Practicable Date.

A total of HK\$20.00 is payable by Mr. Cheung and Mr. Chow for subscription of all the Award Shares. There will be no net proceeds (and therefore no net price per Award Share) from issue of the Award Shares after deduction of expenses. Based on aggregate gross proceeds of HK\$20.00 and a total of 2,042,238 Award Shares, the issue price per Award Share is HK\$0.226.

Assuming there is no change in the total issued Shares after the Latest Practicable Date, the 2,042,238 Award Shares in total represent approximately 0.08% of the total issued Shares as at the Latest Practicable Date and approximately 0.08% of the total issued Shares of the Company as enlarged by the issue of all the Award Shares.

Pursuant to the general mandate granted to the Board at the annual general meeting of the Company held on 27 July 2018, the Company is authorized to allot and issue up to 263,416,948 new Shares, representing 10% of the entire issued Shares on the date of passing of the relevant resolution at such annual general meeting. The proposed issue of Award Shares, if so approved, shall be issued under the said general mandate, which has not been utilized since the date of its grant.

LETTER FROM THE BOARD

The Award Shares have no nominal value and, if and when issued and fully paid, will be free and clear of all liens, encumbrances, equities or other third parties rights and will rank *pari passu* in all respects among themselves and with all other Shares in issue at that time, with the right to receive all dividends and other distributions on the Award Shares declared, made or paid on or after the date of allotment, and the Award Shares are not subject to any vesting condition. Mr. Cheung and Mr. Chow will therefore have the right to dispose the Award Shares and/or exercise the rights underlying the Award Shares in accordance with their own wishes once the Award Shares are issued and allotted to them.

REASONS FOR THE ISSUE OF AWARD SHARES

The Group is principally engaged in internet advertising, internet subscription, content provision and development of mobile games and apps in Hong Kong, Taiwan and North America. It is also engaged in sales of newspapers, books and magazines and provision of newspapers, books and magazines printing and advertising services in Hong Kong, Taiwan, North America, Europe and Australasia.

Currently, the Board comprises two executive Directors, namely, Mr. Cheung and Mr. Chow, both of whom have been employed by the Group for more than twenty years. As connected persons of the Company, they were not eligible for the Employee Share Award Scheme which was adopted in June 2018 even though they were in fact employees of the Group. Under the Employee Share Award Scheme, awardees who had attained employment with any member of the Group for one year or more as at the award date would each receive an offer for award shares allotted and issued in his/her name which were valued, by reference to the issue price of the award shares as at the award date, to be approximately the same as his/her latest monthly salary as recorded by the Group, and were not subject to any vesting conditions. The proposed issue of the Award Shares provides an additional form of reward for their contribution to the Group at the time, valued to be approximately the same as the latest monthly salary of Mr. Cheung and Mr. Chow as recorded by the Group and is comparable to the Employee Share Award Scheme, which aims to cultivate a sense of belonging and ownership among staff and increase talent retention and morale. The number of Award Shares was determined by the Board taking into consideration the terms and the number of Shares awarded under the Employee Share Award Scheme and recommendation of the remuneration committee of the Company. Furthermore, the issue of the Award Shares allows the Company to provide incentives to Mr. Cheung and Mr. Chow without incurring any actual cash outflow. In this regard, the Board (excluding the executive Directors) is of the view that the terms of issue of the Award Shares to Mr. Cheung and Mr. Chow are fair and reasonable and in the interests of the Shareholders as a whole.

LETTER FROM THE BOARD

IMPLICATIONS UNDER THE LISTING RULES

The Disposal

As one of the applicable percentage ratios (as defined in the Listing Rules) calculated in accordance with Rule 14.07 of the Listing Rules exceeds 75%, the Disposal contemplated under the Sale and Purchase Agreement constitutes a very substantial disposal of the Company and is therefore subject to reporting, announcement, circular and Shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, none of the Shareholders has a material interest in the Disposal contemplated under the Sale and Purchase Agreement as at the Latest Practicable Date, and as such, no Shareholder is required to abstain from voting at the EGM to approve the Disposal.

Award of new Shares to Directors

Mr. Cheung and Mr. Chow, being Directors, are connected persons of the Company. Accordingly, the proposed issue of Award Shares is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The EGM will be convened at which Independent Shareholders will consider and vote by way of poll on the proposed issue of the Award Shares to Mr. Cheung and Mr. Chow respectively. Each of Mr. Cheung and Mr. Chow, and their respective associates, are required to abstain from voting on the relevant resolution in respect of proposed issue of the Award Shares. An Independent Financial Advisor has been appointed to advise the Independent Board Committee as to whether the terms of issue of the Award Shares are fair and reasonable and whether they are in the interests of the Company and the Shareholders as a whole, and the Independent Board Committee will advise the Independent Shareholders as to how to vote on the resolution approving the issue of the Award Shares at the EGM.

Mr. Cheung and Mr. Chow, being the awardees of the Award Shares, are considered as having material interests in the proposed issue and therefore, each of Mr. Cheung and Mr. Chow has abstained from voting on the Board resolution approving his award.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Award Shares to be issued to Mr. Cheung and Mr. Chow.

LETTER FROM THE BOARD

EGM

The Company will convene the EGM at the Conference Room on the 1st Floor, 3 Chun Kwong Street, Tseung Kwan O Industrial Estate, Tseung Kwan O, New Territories, Hong Kong on Friday, 28 December 2018 at 11:00 a.m. at which resolutions will be proposed for the purpose of considering and if thought fit, approving, among others, (i) the Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) the issue of the relevant Award Shares to Mr. Cheung and Mr. Chow. The notice of the EGM is set out on pages EGM-1 to EGM-3 of this circular. Any connected person with a material interest in the grant of Award Shares, and any Shareholder with a material interest in the grant of Award Shares and their respective associates, will not vote on the relevant resolutions to be proposed at the EGM.

Mr. Cheung and Mr. Chow, being the awardees of the Award Shares, are considered as having material interests in the grant of Award Shares. As at the Latest Practicable Date, Mr. Chow is interested in 300,000 Shares and holds outstanding options exercisable into 1,500,000 Shares, which in aggregate representing approximately 0.07% of the total issued Shares of the Company as at the Latest Practicable Date. Mr. Cheung does not hold any Shares as at the Latest Practicable Date but if he holds any Shares on the date of the EGM, he and his associate(s) (to the extent they hold any Shares) are required to abstain from voting on the relevant resolutions in which they are interested at the EGM. As far as the Company is aware, except for Mr. Cheung, Mr. Chow and their associates, no other Shareholder is required to abstain from voting at the EGM.

A form of proxy for use in connection with the EGM is enclosed herewith.

Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible to the Company's share registrar in Hong Kong at Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and in any event by no later than 48 hours before the time appointed for the holding of the EGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish. If you attend and vote at the EGM, the authority of your proxy will be revoked.

Pursuant to Rule 13.39(4) of the Listing Rules, voting by the Shareholders at the EGM will be by poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules after the EGM.

LETTER FROM THE BOARD

RECOMMENDATIONS

The Disposal

The Board considers that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolutions to approve the Sale and Purchase Agreement and the transactions respectively contemplated thereunder at the EGM.

Award of new Shares to Directors

Having considered the reasons set out in the section headed “Reasons for the issue of Award Shares” in this circular, the Directors (excluding the executive Directors) are of the view that the terms of issue of the Award Shares to Mr. Cheung and Mr. Chow are fair and reasonable and in the interests of the Shareholders as a whole. Accordingly, the Directors (excluding the executive Directors) recommend all Independent Shareholders to vote in favour of the ordinary resolutions approving the issue of the relevant Award Shares to Mr. Cheung and Mr. Chow at the EGM.

FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

* *This figure has been rounded to the nearest tenth of a million and, where applicable and unless otherwise specified, the exchange rate of HK\$1.00 = NT\$3.945 is used for the purpose of this circular for reference only.*

Yours faithfully
By Order of the Board
Next Digital Limited
Chow Tat Kuen, Royston
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

NEXTDIGITAL

NEXT DIGITAL LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00282)

11 December 2018

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION
INVOLVING AWARD OF NEW SHARES TO DIRECTORS**

We refer to the circular of Next Digital Limited (the “**Company**”) dated 11 December 2018 (the “**Circular**”) of which this letter forms part. Terms used in this letter shall have the same meaning as defined in the Circular unless the context requires otherwise.

We have been authorized by the Board to form the Independent Board Committee to advise the Independent Shareholders on whether the terms of the issue of the Award Shares are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Octal Capital Limited has been appointed as the independent financial advisor to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the issue of the Award Shares and whether they are in the interests of the Company and the Shareholders as a whole. We wish to draw your attention to the letter from Octal Capital Limited as set out on pages IFA-1 to IFA-12 of the Circular and the letter from the Board as set out on pages 5 to 18 of the Circular.

Having considered, among other matters, the factors and reasons considered by, and the opinion of Octal Capital Limited stated in its letter, we consider that the terms of the issue of Award Shares are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the proposed ordinary resolutions in relation to the Award Shares at the EGM.

Yours faithfully
For and on behalf of
the Independent Board Committee
Louis Gordon Crovitz
Mark Lambert Clifford
Lam Chung Yan, Elic
Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

The following is the letter of advice in relation to the issue of the Award Shares from Octal Capital Limited to the Independent Board Committee and Independent Shareholders prepared for the purpose of inclusion in this circular.



Octal Capital Limited
801-805, 8th Floor, Nan Fung Tower
88 Connaught Road Central
Hong Kong

11 December 2018

To the Independent Board Committee and the Independent Shareholders

Dear Sirs/Madams,

CONNECTED TRANSACTION INVOLVING AWARD OF NEW SHARES TO DIRECTORS

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the issue of the Award Shares to the executive Directors and terms thereof, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) of the circular to the Shareholders dated 11 December 2018 (the “**Circular**”) and in which this letter is reproduced. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

As set out in the Letter from the Board, on 26 November 2018, the Company has conditionally awarded the Award Shares to Mr. Cheung Kim Hung (“**Mr. Cheung**”) and Mr. Chow Tat Kuen, Royston (“**Mr. Chow**”), being the executive Directors (the “**Executive Directors**”), subject to conditions and compliance with the reporting, announcement and Independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

The Executive Directors are connected persons of the Company. Accordingly, the issue of the Award Shares by the Company to the Executive Directors is subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. The EGM will be convened at which Independent Shareholders will consider and vote by way of poll on the issue of the Award Shares to the Executive Directors. The Executive Directors, being the awardees of the Award Shares, are considered as having material interests in

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

the grant of Award Shares. As at the Latest Practicable Date, for the purposes of Part XV of the SFO, Mr. Cheung did not have any interest in the Shares. Mr. Chow was interested in 300,000 Shares and held outstanding options exercisable into 1,500,000 Shares, which in aggregate representing approximately 0.07% of the total issued Shares as at the Latest Practicable Date. Each of the Executive Directors, and their respective are required to abstain from voting at the EGM on the relevant resolution in respect of proposed issue of the Award Shares.

We, Octal Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of issue of the Award Shares are fair and reasonable and whether they are in the interests of the Company and the Shareholders as a whole.

We are not connected with the Directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or associates and are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. During the last two years, we did not have any engagement with the Company, the Executive Directors and no arrangement exists whereby we will receive any fees or benefits from the Company or the Directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or associates or the Executive Directors or any of their associates.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also relied on our discussion with the Directors and management of the Company regarding the Group, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and management of the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, the Executive Directors or their respective associates nor have we carried out any independent verification of the information supplied.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the issue of the Award Shares to the Executive Directors, we have considered the following principal factors and reasons:

1. Background information of the awardees

Mr. Cheung was appointed as an executive Director of the Company, chief executive officer of the Group, a member of the nomination committee of the Company and an authorized representative of the Company pursuant to Rule 3.05 of the Listing Rules with effect from 1 February 2018 and is currently the publisher of Apple Daily. Mr. Cheung worked in the Group from 1991 to 2005, he left the Group and re-joined in 2010. He has been appointed as the chief executive officer – publishing since June 2016 to oversee the Group's newspapers and magazines operations in both Hong Kong and Taiwan. Mr. Cheung was also appointed as the deputy chief executive officer of the Group in October 2017. He has over 25 years of journalist experience. Mr. Cheung graduated from The Chinese University of Hong Kong and holds a Bachelor's degree in Social Science (Journalism). Mr. Cheung currently has an employment contract with the Company's wholly-owned subsidiary, but subject to retirement by rotation and re-election pursuant to the Company's articles of association.

Mr. Chow was appointed as an executive Director of the Company, chief financial officer of the Group and an authorized representative of the Company with effect from 1 January 2016. He is also a member of the remuneration committee and the company secretary of the Company, as well as the chief operating officer of Apple Daily Printing Limited and Paramount Printing Company Limited. Prior to joining the Group in 1992, Mr. Chow held senior management accounting positions with several leading financial institutions in Hong Kong and Australia. Mr. Chow graduated from the University of New South Wales, Australia and holds a Bachelor's degree of Commerce in Accounting and a Master's degree of Commerce in Finance. He is also a member of the CPA Australia and The Hong Kong Institute of Certified Public Accountants. Mr. Chow currently has an employment contract with the Company's wholly-owned subsidiary, but subject to retirement by rotation and re-election pursuant to the Company's articles of association.

The current remuneration package of Mr. Cheung and Mr. Chow including a senior executive bonus is determined with reference to his job responsibilities, the Group's performance and profitability as well as market benchmarks in the industry. They will also be entitled to a director's fee per annum, subject to review by the remuneration committee of the Company and the approval of the Board from time to time, with reference to their responsibilities and prevailing market practices, further subject to an authority being granted by the Shareholders at the annual general meeting of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

2. Reasons for the issue of the Award Shares

The Group is principally engaged in internet advertising, internet subscription, content provision and development of mobile games and apps in Hong Kong, Taiwan and North America. It is also engaged in sales of newspapers, books and magazines and provision of newspapers, books and magazines printing and advertising services in Hong Kong, Taiwan, North America, Europe and Australasia.

According to the Letter from the Board, we note that the issue of the Award Shares provides an additional form of reward for their contribution on similar terms as those award shares offered to the full-time employees of any member of the Group (the “**Selected Employees**”) as selected by the Board in its discretion on 28 June 2018 under the Employee Share Award Scheme. For details of the Employee Share Award Scheme, please refer to the announcement of the Company dated 12 June 2018. The Award Shares represent the latest monthly salary of the Executive Directors as recorded by the Group and is comparable to the Employee Share Award Scheme. The number of Award Shares was determined by the Board taking into consideration the terms and the number of Shares awarded under the Employee Share Award Scheme and recommendation of the remuneration committee of the Company.

We note that the Executive Directors are the members of the Board and also hold management positions of the Group. The issue of the Award Shares, representing approximately the same as their latest monthly salary, is an incentive measure with a view to encouraging long-term commitment to the Company and aligning the interests of the Executive Directors directly to that of the Shareholders’ through ownership of Shares.

Furthermore, the Award Shares to the Executive Directors is a form of equity award providing them with a direct economic interest in attaining the long term business objectives of the Group. The Company has considered other alternatives to reward the Executive Directors, including increasing the directors’ salaries by cash payment and the grant of share options. However, after considering the current remuneration package of the Executive Directors including the directors’ salaries, share options and shares award entitlements of the Selected Employees, the Company has resolved to issue the Award Shares to the Executive Directors in order to ensure that they enjoy the same remuneration package as for the other employees.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

In respect of the alternative of increasing the directors' salaries, it will incur cash outflow by the Company and it cannot serve the purpose of giving rewards in equity form to enable the awardees to enjoy the potential growth of the Company. In respect of the alternative of granting of share options, exercising the share options will require payment of subscription price by the option holder who can only enjoy the potential reward if and when the option holder realizes the exercised shares above the subscription price. As for the issue of the Award Shares, each of the Executive Directors are only required to pay a nominal subscription price of HK\$10.00 for the Award Shares. Given the Company intends to attract, motivate and retain the Executive Directors to participate in, and contribute to, the future development and growth of the Group, the Company considers that the issue of the Award Shares is an appropriate means to award the Executive Directors.

Having considered that the issue of the Award Shares (i) is an incentive measure with a view to encouraging long-term commitment to the Company and aligning the interests of the Executive Directors directly to that of the Shareholders' through ownership of Shares; (ii) represents same remuneration package as for the Selected Employees; and (iii) will not lead to any actual cash outflow by the Group, we consider that the issue of the Award Shares to the Executive Directors is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the issue of the Award Shares

The principal terms of the issue of the Award Shares to the Executive Directors are set out as follows:

Number of new Shares conditionally awarded	:	1,117,699 Shares, representing approximately 0.04% of the existing total issued Shares and 0.04% of the total issued Shares as enlarged by the issue of all the Award Shares (assuming no change in the total issued Shares between the Latest Practicable Date and the date of issue of all Award Shares) to be issued to Mr. Cheung
		924,539 Shares, representing approximately 0.04% of the existing total issued Shares and 0.04% of the total issued Shares as enlarged by the issue of all the Award Shares (assuming no change in the total issued Shares between the Latest Practicable Date and the date of issue of all Award Shares) to be issued to Mr. Chow

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

- Subscription price** : As the Shares are to be issued as awards, a nominal sum of HK\$10.00 will be payable by each of the Executive Directors on the issue of their Award Shares
- Value of Award Shares** : Approximately HK\$461,546 in aggregate which is calculated using the closing price of the Share of HK\$0.226 on the Award Date
- Conditions and timing of issue** : The proposed issue of Award Shares are subject to the following conditions:
- (a) Independent Shareholders approving the issue of the Award Shares; and
 - (b) the Stock Exchange granting the listing of and permission to deal in the Award Shares.

Subject to the Mr. Cheung and Mr. Chow remaining as Directors on the issue date, 1,117,699 and 924,539 new Shares will be issued on the date of EGM upon obtaining Independent Shareholders' approval respectively.

To assess the fairness and reasonableness of the terms of the issue of the Award Shares, we have compared such terms with the Employee Share Award Scheme. The Employee Share Award Scheme was an incentive measure with a view to aligning the interest of Selected Employees directly to that of the Shareholders' through ownership of Shares, and thereby encouraging employees' further contribution to the Group. The award shares under the Employee Share Award Scheme were unconditional awards to the Selected Employees in addition to their normal monthly salary. The subscription money for the award shares under the Employee Share Award Scheme were fully paid by member(s) of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

Under the Employee Share Award Scheme, all Selected Employees who were in full-time employment with the Group were entitled to award shares provided that no connected person of the Company, or employees whose employment with the Group was/were not subject to contractual renewal or the subject of any employment termination notice as at the date of adoption of the Employee Share Award Scheme should be eligible to participate in the Employee Share Award Scheme. The Selected Employees' entitlements under the Employee Share Award Scheme, subject to their acceptance by signing and returning to the Company the reply slips accompanying the offer letters. The closing price of the Shares as at the date of the Employee Share Award Scheme had been adopted as the issue price of the award shares under the Employee Share Award Scheme. Further, we noted that the Award Shares will rank *pari passu* in all respects among themselves and with all other Shares in issue at that time (including the award shares under the Employee Share Award Scheme), with the right to receive all dividends and other distributions on the Award Shares declared, made or paid on or after the date of allotment. The Award Shares are not subject to any vesting condition. The Executive Directors will have the right to dispose the Award Shares and/or exercise the rights underlying the Award Shares in accordance with their own wishes once the Award Shares are issued and allotted to them.

Upon comparison the terms of the issue of the Award Shares with the Employee Share Award Scheme, we noted that the terms of those are similar, under which both the issue price has been adopted on the same basis (i.e. the award date) with no premium over or discount to the closing price of the Shares. Having considered (i) the Executive Directors are the senior management of the Group and responsible to the operation of the Group; and (ii) the general terms of the issue of the Award Shares to the Executive Directors, in particular the basis of issue price, the ranking of the Award Shares and the non-vesting condition, are same with those to the Employee Share Award Scheme, we consider that the issue of the Award Shares is fair and reasonable so far as the Independent Shareholders are concerned and it is on normal commercial terms.

We have also compared such terms with those of other share awards granted by comparable companies which are listed on the Stock Exchange. Given the Award Shares to be issued to the Executive Directors, who hold management positions of the Group and in fact are employees of the Group, we have researched relevant transactions of the listed companies in the website of the Stock Exchange. To our best knowledge, we have identified 26 comparable issuance by 21 companies (the "**Comparables**") which had announced the granting of award shares to their employees and/or directors during the period (the "**Review Period**") from 26 May 2018, being six months preceding the Award Date, to the Latest Practicable Date for comparison purposes. As the Executive Directors are the Directors and also the employees of the Group, we consider that the Comparables involving share awards granted to employees and/or directors are comparable to the Company's proposal to issue Award Shares to the Executive Directors. Moreover, we consider that the length of the Review Period is a commonly adopted time span for our analysis which covers sufficient number of comparable companies to reflect the current practice in the market in respect of the granting of award shares. This could also avoid a biased result obtained within a short period of time. Based on the aforesaid selection criteria, we consider that the list of the Comparables is an exhaustive list.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

A comparison of the terms of the issue of the Award Shares and those of the Comparables is set out in Table 1 below.

Table 1 – Issue Terms of the Comparables and the Company

Company name (stock code)	Date of announcement	Awardee(s)	Percentage of total number of award shares to the total issued share capital	Percentage of number of award shares to each individual awardee to the total issued share capital	Vesting period
WuXi Biologics (Cayman) Inc. (2269)	20 November 2018	124 employees	0.080%	N/A <i>(Note 1)</i>	Not mentioned
China Youzan Limited (8083)	19 November 2018	251 employees	2.340%	N/A <i>(Note 1)</i>	Not mentioned
IGG INC (799)	9 November 2018	Non connected awardees	0.030%	N/A <i>(Note 1)</i>	25% on 9 November 2019 25% on 9 November 2020 25% on 9 November 2021 25% on 9 November 2022
KWG Group Holdings Limited (1813)	18 October 2018	An employee	0.006%	0.006%	1/3 on 19 January 2019 1/3 on 19 January 2020 1/3 on 19 January 2021
Jacobson Pharma Corporation Limited (2633)	16 October 2018	Directors, other connected awardees and employees	0.360%	N/A <i>(Note 1)</i>	23 January 2019
Sino-i Technology Limited (250)	9 October 2018	3 connected awardees and 2 non connected awardees	9.100%	0.302% – 7.891% for connected awardees <i>(Note 1)</i>	Not mentioned
Alibaba Pictures Group Limited (1060)	26 September 2018	85 employees	0.200%	N/A <i>(Note 1)</i>	Not mentioned
KWG Group Holdings Limited (1813)	21 September 2018	12 non connected awardees and 14 connected awardees	0.130%	N/A <i>(Note 1)</i>	1/3 on 19 January 2019 1/3 on 19 January 2020 1/3 on 19 January 2021
AGTech Holdings Limited (8279)	11 September 2018	Director, other connected awardees and non connected awardees	0.670%	0.063% for director <i>(Note 1)</i>	around 4 years
Da Ming International Holdings Limited (1090)	11 September 2018	Directors and employees	0.288%	0.002% – 0.011% for the directors <i>(Note 1)</i>	3 October 2018
Branding China Group Limited (863)	7 September 2018	159 non connected awardees	3.900%	N/A <i>(Note 1)</i>	2/3 on 3 September 2020 1/3 on 3 September 2021

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

Company name (stock code)	Date of announcement	Awardee(s)	Percentage of total number of award shares to the total issued share capital	Percentage of number of award shares to each individual awardee to the total issued share capital	Vesting period
China Youzan Limited (8083)	7 September 2018	388 non connected awardees	4.280%	N/A (Note 1)	Not mentioned
China Resources Phoenix Healthcare Holdings Company Limited (1515)	3 September 2018	Directors and employees	1.810%	0.023% – 0.115% for directors (Note 1)	around 3 years
YTO Express (International) Holdings Limited (6123)	31 August 2018	4 connected awardees and 38 non connected awardees	2.500%	0.120% – 0.192% for connected awardees (Note 1)	30% on 31 August 2019 30% on 31 August 2020 40% on 31 August 2021
Shangri-La Asia Limited (69)	30 August 2018	4 executives and 2 directors	0.120%	N/A (Note 1)	For executives 5.7% on 20 July 2018 13.8% on 1 April 2019 13.8% on 1 April 2020 66.7% on 1 April 2021 For directors 14.7% on 1 April 2019 14.7% on 1 April 2020 70.6% on 1 April 2021
IGG INC (799)	23 August 2018	Connected awardee and non connected awardees	0.110%	0.004% for connected awardee (Note 1)	25% on 23 August 2019 25% on 23 August 2020 25% on 23 August 2021 25% on 23 August 2022
Li & Fung Limited (494)	23 August 2018	Directors, other connected awardees and non connected awardees	0.790%	0.015% – 0.039% for directors (Note 1)	around 4 years
Sinosoft Technology Group Limited (1297)	22 August 2018	113 employees	1.310%	N/A (Note 1)	Nil
WuXi Biologics (Cayman) Inc. (2269)	21 August 2018	202 employees	0.110%	N/A (Note 1)	Not mentioned
CIFI Holdings (Group) Co. Ltd. (884)	16 August 2018	A director	0.040%	0.040%	17 August 2018
Tencent Holdings Limited (700)	6 July 2018	15,457 non connected awardees	0.181%	N/A (Note 1)	Not mentioned
SmarTone Telecommunications Holdings Limited (315)	29 June 2018	3 directors, 5 other connected awardees and 318 non connected awardees	0.170%	0.007% – 0.010% for directors (Note 1)	30% on first and second anniversaries date 40% on third anniversary date

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

Company name (stock code)	Date of announcement	Awardee(s)	Percentage of total number of award shares to the total issued share capital	Percentage of number of award shares to each individual awardee to the total issued share capital	Vesting period
CIMC Enric Holdings Limited (3899)	26 June 2018	5 directors, 36 other connected awardees and 459 non connected awardees	2.560%	0.020% – 0.061% for directors (Note 1)	around 3 years
Altus Holdings Limited (8149)	25 June 2018	2 employees	0.600%	N/A (Note 1)	31 December 2021
Esprit Holdings Limited (330)	22 June 2018	A director	0.110%	0.110%	22 June 2021
WuXi Biologics (Cayman) Inc. (2269)	13 June 2018	170 employees	0.060%	N/A (Note 1)	Not mentioned
		Maximum	9.100%	7.891%	around 4 years
		Minimum	0.006%	0.002%	Nil
The Company (282)	26 November 2018	Directors	0.08%	0.04%	Nil

Source: the website of the Stock Exchange

Note 1: No disclosure of the percentages of number of award shares to each individual awardee to the total issued share capital was made in the announcements of the Comparables.

As shown in the Table 1, the percentage of total number of award shares to the total issued share capital of the Comparables ranges from approximately 0.006% to 9.100% while the percentage of number of award shares to each individual awardee to the total issued share capital of the Comparables ranges from approximately 0.002% to 7.891%. The vesting period of the Comparables ranges from nil to around four years. In comparison with the Comparables, the percentage of total number of Award Shares to the total issued share capital of the Company of approximately 0.08% is within the range of the Comparables. The percentage of number of Award Shares to each of the Executive Directors to the total issued share capital of the Company of approximately 0.04% and 0.04% respectively, are within the range of the Comparables. As there is no vesting condition for the issue of the Award Shares, the issue of the Award Shares falls into the range of the Comparable. In summary, in view of the Award Shares (i) represent additional monthly salary for the Executive Directors; and (ii) account for insignificant portion of the total issued Shares when comparing to the Comparables, we are of the view that the terms of non-vesting condition for the issue of the Award Shares is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

The above comparisons with the Comparables are for illustrative purposes only as each of the Comparables may not be entirely comparable to the Group in terms of business activities, market capitalization, scale of operations, financial positions, business performance, future prospects and other relevant criteria. All these factors may affect the terms of issues of award shares as indicated by the varied range of results in our comparison. Therefore, in forming our opinion, we have considered the results of the above comparison together with all other factors stated in this letter as a whole.

Having considered the abovementioned factors, we consider that the terms of the issue of the Award Shares are fair and reasonable so far as the Independent Shareholders are concerned and it is on normal commercial terms.

4. Financial effects of the issue of the Award Shares on the Group

Earnings

According to the annual report of the Company for the year ended 31 March 2018, the Group recorded consolidated audited net loss attributable to the Shareholders of approximately HK\$476 million for the year ended 31 March 2018. The issue of the Award Shares will slightly increase the loss of the Group after adding the expenses relating to the issue of the Award Shares and the director's remuneration to be recorded based on the value of the Award Shares of approximately HK\$461,546 in aggregate which is calculated using the closing price of the Share of HK\$0.226 on the Award Date. However, there is no difference in the earnings of the Group between the issue of the Award Shares and the award to be paid by way of cash payment.

Net asset value

According to the annual report of the Company for the year ended 31 March 2018, the Group recorded consolidated net asset value attributable to owners of the Company of approximately HK\$1,320 million. As the issue of the Award Shares will increase share capital of the Group while the increase in director's remuneration will reduce the earnings of the Group, the net effect of the issue of Award Shares on the consolidated net asset value attributable to owners of the Company is minimal.

Cashflow

According to the annual report of the Company for the year ended 31 March 2018, the Group had bank balances and cash of approximately HK\$304 million as at 31 March 2018. The issue of the Award Shares will have no effect on the cashflow of the Group. However, on comparison with the alternative of the award to be paid by way of cash payment, the issue of the Award Shares can reduce the Group's cash outflow.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

5. Potential dilution to the shareholdings of the existing public Shareholders

Assuming there is no change in the total issued share capital of the Company after the Latest Practicable Date and upon issue of all the Award Shares, Mr. Cheung and Mr. Chow will be interested in 1,117,699 Shares and 924,539 Shares respectively, representing approximately 0.04% and 0.04% of the total issued Shares as enlarged by the issue of the Award Shares respectively.

Given that the dilution effect on the shareholdings of the existing public Shareholders is immaterial and having considered the reasons as detailed in the section headed “Reasons for the issue of the Award Shares” above, and the terms of the issue of the Award Shares are fair and reasonable, we are of the opinion that the shareholding dilution to the Independent Shareholders is acceptable so far as the Independent Shareholders are concerned.

RECOMMENDATION

After taking into account the above principal factors and reasons, we consider that the issue of the Award Shares is on normal commercial terms and in the ordinary and usual course of business of the Group and the terms of the issue of the Award Shares are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Board Committee to advise the Independent Shareholders, and recommend the Independent Shareholders, to vote in favor of the ordinary resolutions to be proposed at the EGM to approve the issue of the Award Shares.

Yours faithfully,

For and on behalf of

Octal Capital Limited

Alan Fung

Louis Chan

Managing Director

Director

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 24 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong. Mr. Louis Chan has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2008. Mr. Chan has more than 16 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong.

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for the three years ended 31 March 2016, 2017 and 2018 are disclosed in the annual reports of the Company in respect of the same year dated 13 June 2016 (pages 94-188), 12 June 2017 (pages 106-195), 11 June 2018 (pages 100-187) and the unaudited financial statements of the Group for the six months ended 30 September 2018, respectively, which have been published on the website of the Company (www.nextdigital.com.hk) and the website of the Stock Exchange (www.hkexnews.hk), and which can be accessed by the direct hyperlinks below:

- (1) annual report of the Company for the year ended 31 March 2016 dated 13 June 2016 (pages 94-188):

<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0627/LTN20160627259.pdf>

- (2) annual report of the Company for the year ended 31 March 2017 dated 12 June 2017 (pages 106-195):

<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0626/LTN20170626305.pdf>

- (3) annual report of the Company for the year ended 31 March 2018 dated 11 June 2018 (pages 100-187):

<http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0626/LTN20180626599.pdf>

- (4) interim report of the Company for the six months ended 30 September 2018 dated 12 November 2018 (pages 34-74):

<http://www.hkexnews.hk/listedco/listconews/SEHK/2018/1127/LTN20181127345.pdf>

2. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the net proceeds from the Disposal and the financial resources available to the Group, including internal resources and existing bank facilities available, the Group has sufficient working capital for its requirements for at least the next 12 months from the date of the Circular.

3. STATEMENT OF INDEBTEDNESS**Borrowings**

At the close of business on 31 October 2018, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had bank loans of approximately HK\$567.8 million were secured by certain land and buildings of the Group. All the bank loans were guaranteed by the Company or one of the Company's subsidiaries.

Contingent liabilities***Pending Litigations***

As at 31 October 2018, 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\$48.4 million (31 March 2018: HK\$40.5 million) as provisions. These provisions were recognized in respect of the outstanding legal proceedings based on advice obtained from the Company's legal counsel.

The Group is also involved in certain litigations with Gossip Daily Limited ("GDL") involving the proposed disposal of Hong Kong Next Magazine and Taiwan Next Magazine in which Next Media Magazines Limited, Ideal Vegas Limited and the Company ("Defendants") are named as defendants and the amount claimed by GDL in the litigation comprises (i) HK\$88.0 million for the return of deposits paid; (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. The Defendants have commenced arbitration proceedings against GDL and also applied for a stay of the litigation proceedings at the Court of First Instance of the High Court of Hong Kong wrongly initiated by GDL, which was granted by the court on 27 August 2018.

General

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables and bills arising in the ordinary course of business, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, or term loans or other borrowings or indebtedness in the nature of borrowing or overdrafts, or liabilities under acceptances or acceptance creditors or hire purchase or finance lease commitments, or outstanding mortgages and charges, or contingent liabilities or guarantees.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2018, being the date to which the latest published audited financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS

The Group is principally engaged in internet advertising, internet subscription, content provision and development of mobile games and apps in Hong Kong, Taiwan and North America. It is also engaged in sales of newspapers, books and magazines and provision of newspapers, books and magazines printing and advertising services in Hong Kong, Taiwan, North America, Europe and Australasia.

The Disposal will enable the Company to realize cash and unlock the value in its investment in the Property at fair market value in order to strengthen the cashflow of the Company and enhance working capital condition of the Company to allow for reallocation of its resources for future development, particularly in online content creation, developing its digital content collaboration offering for advertisers and increasing its data analysis.

For the six months ended 30 September 2018, the print business division recorded a total loss of HK\$238.1 million, which was largely due to the Group's restructuring procedures and incentivization schemes for motivating the employees in the print business division. On the other hand, the total recorded loss of HK\$49.6 million for the digital business division for the same financial period was attributable to the significant operational expenses incurred for developing and strengthening the online content and animation of the online news platform.

As the said restructuring and incentivization procedures, which incurred the significant expenses of approximately HK\$78.4 million, has completed, the Company expects that the loss attributable to the print business division will decrease in the current financial year. For the digital business division, it is also expected that the loss will be minimized once the operation of the Division becomes more well-established and the same will continue to strive to develop more revenue-generating channels, *inter alia*, subscription fees, online advertising revenue, content licensing payments, content sponsorship and in-app purchase of virtual products.

During the current financial year, the Directors expect that with cash and available credit facilities, the Group's financial position will remain stable and the Group's revenue of the current year will not be materially impacted after the Disposal. The Group will closely monitor the market situations and trends and will continue to strengthen its established markets. The Group will seek cooperation and development opportunities with an aim of maximizing the investment returns for its Shareholders.

In respect of the operational prospects of the Group in the current financial year, it is expected that upon the restructuring undergone in the current financial year, the print business division will need fewer labour and office space whilst the Group will continue to commit strategic investment resources to its digital business, including investment in and strengthening the functions of the business development department of the Company, which was established in August 2018. The business development department will adopt a more proactive and dynamic approach to programmatic advertising to realise greater revenue from the Group's digital asset inventory.

**INTRODUCTION TO UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE
REMAINING GROUP**

The following is the unaudited pro forma financial information of the Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the impact of the Disposal as if the Disposal had been taken place on 30 September 2018 for the preparation of unaudited pro forma consolidated statement of financial position; and on 1 April 2017 for the preparation of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows in accordance with Rules 4.29 and 14.68(2)(a)(ii) of the Listing Rules.

The unaudited pro forma consolidated statement of financial position of the Remaining Group is prepared based on the unaudited consolidated statement of financial position of the Group as at 30 September 2018 which has been extracted from the published interim report of the Company for the six months ended 30 September 2018, as if the Disposal had been completed on 30 September 2018 and adjusted to reflect the effect of the Disposal that are (i) directly attributable to the Disposal and (ii) factually supportable. The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group are prepared based on the audited consolidated statement of profit or loss and other comprehensive income of the Group and the audited consolidated statement of cash flows of the Group for the year ended 31 March 2018, respectively, which has been extracted from the published annual report of the Company for the year ended 31 March 2018, as if the Disposal had been completed on 1 April 2017, and adjusted to reflect the effect of the Disposal that are (i) directly attributable to the Disposal and (ii) factually supportable.

As the unaudited pro forma financial information of the Remaining Group was prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position and results of operation of the Remaining Group had the Disposal been completed as at the respective dates to which it is made up to or at any future date.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

	The Group	Pro forma adjustments		Pro forma total for the Remaining Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note 1)	(Note 3)	(Note 6)	
NON-CURRENT ASSETS				
Intangible assets	658,039	–	–	658,039
Property, plant and equipment	1,018,123	(185,773)	–	832,350
Prepaid lease payments	49,873	–	–	49,873
Deposits for acquisition of property, plant and equipment	8,896	–	–	8,896
	<u>1,734,931</u>	<u>(185,773)</u>	<u>–</u>	<u>1,549,158</u>
CURRENT ASSETS				
Inventories	67,525	–	–	67,525
Trade and other receivables	377,605	–	–	377,605
Prepaid lease payments	1,797	–	–	1,797
Amounts due from related parties	5,860	–	–	5,860
Tax recoverable	15,153	–	–	15,153
Restricted bank balances	1,500	–	–	1,500
Bank balances and cash	202,181	437,225	(256,345)	383,061
	<u>671,621</u>	<u>437,225</u>	<u>(256,345)</u>	<u>852,501</u>
CURRENT LIABILITIES				
Trade and other payables	508,641	–	–	508,641
Contracts liabilities	21,742	–	–	21,742
Borrowings	164,060	–	(28,483)	135,577
Provision	48,353	–	–	48,353
Tax liabilities	14,705	–	–	14,705
	<u>757,501</u>	<u>–</u>	<u>(28,483)</u>	<u>729,018</u>
NET CURRENT (LIABILITIES) ASSETS	<u>(85,880)</u>	<u>437,225</u>	<u>(227,862)</u>	<u>123,483</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>1,649,051</u>	<u>251,452</u>	<u>(227,862)</u>	<u>1,672,641</u>

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE REMAINING GROUP

	The Group	Pro forma adjustments		Pro forma total for the Remaining Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note 1)</i>	<i>(Note 3)</i>	<i>(Note 6)</i>	
NON-CURRENT LIABILITIES				
Borrowings	410,151	–	(227,862)	182,289
Retirement benefits plans	37,737	–	–	37,737
Deferred tax liabilities	151,870	–	–	151,870
	<u>599,758</u>	<u>–</u>	<u>(227,862)</u>	<u>371,896</u>
NET ASSETS	<u>1,049,293</u>	<u>251,452</u>	<u>–</u>	<u>1,300,745</u>
CAPITAL AND RESERVES				
Share capital	2,486,157	–	–	2,486,157
Reserves	(1,439,744)	251,452	–	(1,188,292)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
	1,046,413	251,452	–	1,297,865
NON-CONTROLLING INTERESTS				
	2,880	–	–	2,880
TOTAL EQUITY	<u>1,049,293</u>	<u>251,452</u>	<u>–</u>	<u>1,300,745</u>

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	The Group	Pro forma adjustments		Pro forma total for the Remaining Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note 2)	(Note 4)	(Note 5)	
Revenue	1,495,521	–	–	1,495,521
Production costs				
Cost of raw materials consumed	(230,948)	–	–	(230,948)
Other overheads	(329,783)	–	–	(329,783)
Staff costs	(577,773)	–	–	(577,773)
	(1,138,504)	–	–	(1,138,504)
Personnel costs excluding direct production staff costs	(464,279)	–	8,452	(455,827)
Other income	28,114	–	(12,215)	15,899
Net exchange gain	9,525	–	(1,362)	8,163
Depreciation of property, plant and equipment	(85,117)	–	1,923	(83,194)
Release of prepaid lease payments	(1,797)	–	–	(1,797)
Other expenses	(142,007)	–	2,331	(139,676)
Impairment loss recognised in respect of intangible assets	(159,886)	–	–	(159,886)
Allowance for bad and doubtful debts, net	(15,294)	–	–	(15,294)
Finance costs	(10,998)	–	6,064	(4,934)
Gain on disposal of Property	–	249,084	–	249,084
Loss before tax	(484,722)	249,084	5,193	(230,445)
Income tax credit	7,803	–	–	7,803
Loss for the year	(476,919)	249,084	5,193	(222,642)

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE REMAINING GROUP

	The Group	Pro forma adjustments		Pro forma total for the Remaining Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note 2)	(Note 4)	(Note 5)	
Other comprehensive (expenses) income				
<i>Item that will not be reclassified to profit or loss:</i>				
Actuarial loss from remeasurement of defined benefit obligations, net of tax	(451)	–	–	(451)
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translating foreign operations	<u>27,506</u>	<u>–</u>	<u>–</u>	<u>27,506</u>
	<u>(449,864)</u>	<u>249,084</u>	<u>5,193</u>	<u>(195,587)</u>
Loss for the year attributable to:				
Owners of the Company	(475,991)	249,084	5,193	(221,714)
Non-controlling interests	<u>(928)</u>	<u>–</u>	<u>–</u>	<u>(928)</u>
	<u>(476,919)</u>	<u>249,084</u>	<u>5,193</u>	<u>(222,642)</u>
Total comprehensive expense attributable to:				
Owners of the Company	(449,098)	249,084	5,193	(194,821)
Non-controlling interests	<u>(766)</u>	<u>–</u>	<u>–</u>	<u>(766)</u>
	<u>(449,864)</u>	<u>249,084</u>	<u>5,193</u>	<u>(195,587)</u>

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	The Group	Pro forma adjustments			Pro forma total for the Remaining Group
	HK\$'000 (Note 2)	HK\$'000 (Note 4)	HK\$'000 (Note 5)	HK\$'000 (Note 6)	HK\$'000
Loss for the year	(476,919)	249,084	5,193	–	(222,642)
Adjustments for:					
Finance costs	10,998	–	(6,064)	–	4,934
Allowance for bad and doubtful debt, net	15,294	–	–	–	15,294
Share-based payment expense	831	–	–	–	831
Reversal of provision for litigation expense, net	(49,261)	–	–	–	(49,261)
Depreciation of property, plant and equipment	85,117	–	(1,923)	–	83,194
Release of prepaid lease payments	1,797	–	–	–	1,797
Impairment loss recognised in respect of intangible assets	159,886	–	–	–	159,886
Loss (gain) on disposal of property, plant and equipment	270	(249,084)	–	–	(248,814)
Interest income	(772)	–	–	–	(772)
Income tax credit	(7,803)	–	–	–	(7,803)
Operating cash flows before movements in working capital	(260,562)	–	(2,794)	–	(263,356)
Increase in inventories	(10,788)	–	–	–	(10,788)
Decrease in trade and other receivables	52,759	–	–	–	52,759
Increase in amounts due from related parties	(479)	–	–	–	(479)
Increase in trade and other payables	91,005	–	–	–	91,005
Decrease in provision	(9,222)	–	–	–	(9,222)
Decrease in deferred revenue	(3,028)	–	–	–	(3,028)
Decrease in retirement benefits plans	(14,275)	–	–	–	(14,275)
Net cash used in operations	(154,590)	–	(2,794)	–	(157,384)
Income tax refunded	4,474	–	–	–	4,474
NET CASH USED IN OPERATING ACTIVITIES	(150,116)	–	(2,794)	–	(152,910)
INVESTING ACTIVITIES					
Interest received	772	–	–	–	772
Proceeds from disposal of property, plant and equipment	756	437,225	–	–	437,981
Deposit paid for acquisition of property, plant and equipment	(16,099)	–	–	–	(16,099)
Purchase of property, plant and equipment	(18,391)	–	–	–	(18,391)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(32,962)	437,225	–	–	404,263

	The Group	Pro forma adjustments		Pro forma
	HK\$'000 (Note 2)	HK\$'000 (Note 4)	HK\$'000 (Note 5)	total for the Remaining Group HK\$'000
FINANCING ACTIVITIES				
Repayment of bank borrowings	-	-	-	(256,148) (256,148)
Dividends paid to non-controlling interests	(585)	-	-	- (585)
Acquisition of additional interests in subsidiaries	(1)	-	-	- (1)
Interest paid	(10,998)	-	6,064	- (4,934)
NET CASH USED IN FINANCING ACTIVITIES	(11,584)	-	6,064	(256,148) (261,668)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENT				
Cash and cash equivalent at beginning of the year	500,546	-	-	- 500,546
Effect of changes in exchange rates	(2,378)	-	-	- (2,378)
Cash and cash equivalent at end of the year, represented by bank balances and cash	303,506	437,225	3,270	(256,148) 487,853

Notes:

- (1) The figures are extracted from the unaudited consolidated statement of financial position of the Group as at 30 September 2018 as set out in the published interim report of the Company for the six months ended 30 September 2018.
- (2) The figures are extracted from the Group's audited consolidated statement of profit or loss and other comprehensive income and audited consolidated statement of cash flows for the year ended 31 March 2018 as set out in the published annual report of the Company for the year ended 31 March 2018.

- (3) The adjustment represents the pro forma gain on the Disposal as if the Disposal, for pro forma purpose, takes place on 30 September 2018.

HK\$'000

Calculation of pro forma gain on the Disposal:

Consideration received	454,725
Carrying value of the Property as at 30 September 2018	<u>(185,773)</u>
Gain on disposal (before directly attributable expenses)	268,952
Directly attributable expenses (<i>note a</i>)	<u>(17,500)</u>
	<u><u>251,452</u></u>

Net cash received on the Disposal:

Cash received upon the Disposal	454,725
Directly attributable expenses (<i>note a</i>)	<u>(17,500)</u>
	<u><u>437,225</u></u>

- (a) The amount of directly attributable expenses is estimated by directors of the Company. For pro forma purpose, it is assumed that the Group will settle the directly attributable expenses (including legal and professional fee HK\$1.5 million, agent commission HK\$3.6 million, land increment tax HK\$8.1 million and value added tax HK\$4.3 million) by cash at Completion.

The gain or loss on the Disposal is subject to changes at the actual date of completion.

- (4) The adjustment represents the pro forma gain on the Disposal as if the Disposal, for pro forma purpose, takes place on 1 April 2017.

HK\$'000

Calculation of pro forma gain on the Disposal:

Consideration received	454,725
Carrying value of the Property as at 1 April 2017	<u>(188,141)</u>
Gain on disposal (before directly attributable expenses)	266,584
Directly attributable expenses (<i>note a</i>)	<u>(17,500)</u>
	<u><u>249,084</u></u>

Net cash received on the Disposal:

Cash received upon the Disposal	454,725
Directly attributable expenses (<i>note a</i>)	<u>(17,500)</u>
	<u><u>437,225</u></u>

- (a) The amount of directly attributable expenses is estimated by directors of the Company. For pro forma purpose, it is assumed that the Group will settle the directly attributable expenses (including legal and professional fee HK\$1.5 million, agent commission HK\$3.6 million, land increment tax HK\$8.1 million and value added tax HK\$4.3 million) by cash at Completion.

The gain or loss on the Disposal is subject to changes at the actual date of completion.

- (5) For pro forma purpose, assuming the Disposal takes place on 1 April 2017, the rental income received amounted to HK\$12,215,000, depreciation of Property amounted to HK\$1,923,000, personnel costs amounted to HK\$8,452,000, other expenses incurred for maintaining the Property amounted to HK\$2,331,000, net exchange gain amounted to HK\$1,362,000, finance costs incurred for the pledged bank borrowing of the Property amounted to HK\$6,064,000 for the year ended 31 March 2018 included in the book of the Group were reversed.
- (6) Under the Sale and Purchase Agreement, the bank borrowings secured by the charge of the Property shall be repaid upon Completion. As at 1 April 2017 and 30 September 2018, the outstanding bank borrowings secured by the charge of the Property amounted to approximately HK\$256,148,000 and HK\$256,345,000, respectively.
- (7) The above pro forma adjustments will have no continuing effect on the Remaining Group in the subsequent reporting periods.
- (8) No adjustments have been made to reflect any operating results and cash flows or other transactions of the Remaining Group entered into subsequent to 31 March 2018 and 30 September 2018, for the preparation of the unaudited pro forma consolidated statement of profit and loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 March 2018 or the unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 September 2018, respectively.

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.

Deloitte.**德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF NEXT DIGITAL LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Next Digital Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of financial position as at 30 September 2018, the unaudited pro forma statement of profit or loss and other comprehensive income for the year ended 31 March 2018, the unaudited pro forma statement of cash flows for the year ended 31 March 2018 and related notes as set out on pages II-1 to II-9 of the circular issued by the Company dated 11 December 2018 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-7 to II-9 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed very substantial disposal in relation to the Disposal of Property on the Group's financial position as at 30 September 2018 and the Group's financial performance and cash flows for the year ended 31 March 2018 as if the transaction had taken place at 30 September 2018 and 1 April 2017, respectively. As part of this process, information about the Group's financial position as at 30 September 2018, has been extracted by the Directors from the Group's financial statements for the six months ended 30 September 2018, on which review report has been published. Information about financial performance and cash flows for the year ended 31 March 2018 has been extracted by the Directors from the Group's financial statements for the year ended 31 March 2018, on which an auditor's report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2018 or 1 April 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 11 December 2018

MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed very substantial disposal in relation to the Disposal of Property on the Group's financial position as at 30 September 2018 and the Group's financial performance and cash flows for the year ended 31 March 2018 as if the transaction had taken place at 30 September 2018 and 1 April 2017, respectively. As part of this process, information about the Group's financial position as at 30 September 2018, has been extracted by the Directors from the Group's financial statements for the six months ended 30 September 2018, on which review report has been published. Information about financial performance and cash flows for the year ended 31 March 2018 has been extracted by the Directors from the Group's financial statements for the year ended 31 March 2018, on which an auditor's report has been published. The pro forma adjustments were not put through in the year ended 31 March 2017.

Review of Results

For the year ended 31 March 2018, the Remaining Group reported consolidated revenue of HK\$1,495.5 million, representing a decrease of 16.2% over last year. Net loss for the year was HK\$222.6 million, compared with last year's net loss of HK\$394.0 million. Loss per Share for the year was HK\$9.1 cents versus last year's loss per Share of HK16.2 cents.

Financial Position

The Remaining Group finances its operations principally with cash flow generated by its continuing operating activities and bank facilities from its principal bankers. As at 30 September 2018, the Remaining Group recorded net cash of approximately HK\$384.6 million, including restricted bank balances.

As at 30 September 2018, the Remaining Group had available banking facilities of a total of HK\$322.9 million, of which HK\$321.4 million had been utilised. The Remaining Group's bank borrowings amounted to HK\$317.9 million, with a maturity profile spread over a period of five years and approximately HK\$226.7 million repayable within three years. There was no seasonality in the Remaining Group's bank borrowing requirements, and all the monies borrowed bore interest at floating rates. The Remaining Group's bank borrowings are denominated in HK\$ and NT\$.

As at 30 September 2018, the Remaining Group's aggregate bank balances and cash reserves, including restricted bank balances, amounted to HK\$384.6 million (31 March 2018: HK\$489.4 million). The Remaining Group's current ratio on the same date was 116.9%, compared to 164.4% as at 31 March 2018. On the same date, its gearing ratio amounted to 13.2%, compared to 8.8% as at 31 March 2018. These figures were calculated by dividing its long-term liabilities, including current portions, by total asset value. During the period from 1 April 2018 to 30 September 2018, the Remaining Group drew down a bank loan of NT\$400.0 million (equivalent to HK\$102.5 million) from a bank in Taiwan and obtained a new short term revolving loan of NT\$40.0 million (equivalent to HK\$10.3 million) from a bank in Taiwan. New bank loans raised were for general working capital purposes.

Operating Expenses

The total operating expenses of the Remaining Group for the year ended 31 March 2018 were approximately HK\$1,975.1 million, of which approximately HK\$560.7 million was essential production cost and HK\$1,033.6 million was personnel cost, accounting for approximately 37.5% and 69.1% of revenue respectively while the amounts for the year ended 31 March 2017 were approximately HK\$604.5 million and HK\$1,125.1 million respectively, accounting for approximately 33.9% and 63.1% of the revenue respectively.

Finance Costs

During the year ended 31 March 2018, the Remaining Group incurred HK\$4.9 million in finance costs, compared with approximately HK\$10.0 million for the year ended 31 March 2017. The Remaining Group relied on bank borrowings to finance its trading activities and property's mortgage, the decrease in finance costs paid during the year ended 31 March 2018 was mainly due to the decrease in bank borrowings by HK\$256.1 million.

Financial Resources and Treasury Policies

The Remaining Group continues to adhere to prudent treasury policies. The Remaining Group continued to insure against major receivables in order to lower the risks of credit sales and to ensure that funds would be recovered on a timely basis, hence fulfilling the requirements for debt repayments and working capital commitments.

As at 30 September 2018, the Remaining Group had bank deposits and cash balances (including pledged bank deposits) of approximately HK\$384.6 million, of which no bank deposits were pledged to secure financing facilities granted to the Remaining Group.

The Remaining Group had net current assets of approximately HK\$123.5 million as at 30 September 2018 as compared with HK\$385.1 million as at 31 March 2018. The current ratio (current assets divided by current liabilities) changed to approximately 116.9% as at 30 September 2018 from 164.4% as at 31 March 2018.

The Remaining Group had a total of approximately HK\$319.3 million financing facilities from banks as at 31 October 2018, of which approximately HK\$317.9 million, mainly denominated in NT\$ and HK\$ with floating interest rates, had been drawn down to finance the Remaining Group's working capital purposes, capital expenditures and for other acquisition opportunities.

The gearing ratio (net debt divided by total asset value) as at 30 September 2018 was approximately 13.2% while it was 8.8% as at 31 March 2018. Current portion of borrowings accounted for approximately HK\$135.6 million and HK\$Nil of the Remaining Group as at 30 September 2018 and 31 March 2018, respectively.

Cash Flow

For the year ended 31 March 2018, the Remaining Group generated net cash outflow of HK\$152.9 million from its operating activities, as compared to net cash outflow of approximately HK\$52.0 million for the year ended 31 March 2017. The increase in net cash outflow from operating activities was primarily due to the increase in operating loss during the year.

Net cash inflow of approximately HK\$404.3 million for the year ended 31 March 2018 was mainly from investment activities for the year and mainly resulted from the Remaining Group's net proceeds of HK\$437.2 million from disposal of the Property. Net cash outflow of approximately HK\$261.7 million for the year ended 31 March 2018 was from financing activities and mainly resulted from the Remaining Group's repayment of bank borrowings of HK\$256.1 million.

Banks deposits (none of which was pledged as at 31 March 2018) and cash balances of the Remaining Group amounted to approximately HK\$487.9 million as at 31 March 2018, mainly denominated in HK\$ and NT\$.

Foreign Exchange Exposures

The Remaining 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 2018, the Remaining Group's net currency exposure stood at NT\$2,515.4 million (equivalent to HK\$644.8 million), a decrease of 1.6% on the figure of NT\$2,556.1 million (equivalent to HK\$689.4 million) as at 31 March 2018.

The Remaining Group's capital expenditure for the six months ended 30 September 2018 totalled HK\$17.0 million (six months ended 30 September 2017: HK\$16.8 million). As at 30 September 2018, the Remaining Group's outstanding capital commitments were HK\$16.1 million (31 March 2018: HK\$3.3 million).

Charge on the Remaining Group Assets

As at 31 October 2018, four commercial and industrial land and buildings held by the Remaining Group all located in Taiwan have been charged to banks for securing bank loan facilities in the total amount of NT\$1,240 million granted to the Remaining Group, for which the Group has provided corporate guarantee. These financing facilities had been fully utilized at the end of the reporting period.

Significant Investment Held by the Remaining Group

As at 31 October 2018, the Remaining Group does not hold any significant investment.

Material Acquisitions and Disposals

In the course of the financial year ended 31 March 2018, the Company has not entered into any contract for material acquisitions or disposals of its subsidiaries and/or associated companies.

Developments within Segments

As at the Latest Practicable Date, the Remaining Group's operating segments are digital business and print business. The principal activities of the digital business segment are internet advertising, internet subscription, content provision and development of mobile games and apps in Hong Kong, Taiwan and North America. The principal activities of the print business segment are sales of newspapers, books and magazines and provision of newspapers, books and magazines printing and advertising services in Hong Kong, Taiwan, North America, Europe and Australasia.

As at the Latest Practicable Date, there has been no change to the said operating segments and developments within the same since 30 September 2018.

Future Plans for Material Investments or Capital Assets

The Remaining Group will continue to invest in developing the technology and talent required to achieve growth in its digital business. The Remaining Group's business development department will establish relationships with advertisers and optimise revenue generation across the Remaining Group's whole range of content inventory. The Remaining Group will also invest in data analysis techniques to maximise its revenue.

Pursuant to a loan agreement entered into between the Group and the Company's controlling shareholder dated 8 November 2018, the Remaining Group will continue to receive an unsecured, interest-free, 36-month term loan facility to the Company of an aggregate maximum principal amount of HK\$500.0 million, which may be drawn down as necessary to meet the Remaining Group's working capital requirement.

Contingent Liabilities

Reference is made to the information contained in the section of "Contingent Liabilities" on page I-2 in Appendix I of this circular.

Employment, Share Option Scheme, Training and Development

As at 31 March 2018, the Remaining Group employed a total of 2,687 employees, of whom 1,328 were in Hong Kong, 1,351 were in Taiwan and 8 in other countries, following a restructuring.

In June 2018, the Remaining Group introduced a groundbreaking share award scheme for its employees in Hong Kong and Taiwan. All permanent employees were given Shares in the Company equivalent to the value of either one month's or a half month's salary without any vesting period, which they were free to hold or sell at their own discretion once Shares have been granted. This scheme, unprecedented among the Hong Kong and Taiwan media sector, aims to cultivate a sense of belonging and ownership among staff and increase talent retention and morale.

In order to attract and retain talent, the Remaining Group also introduced a number of employee wellbeing initiatives. Employees now enjoy free refreshments in the office and free gifts such as moon cakes and fresh seasonal fruits for festivals and holidays. The staff canteens in both the Hong Kong and Taiwan offices are currently undergoing renovation.

There were no material changes to the policies regarding employee remuneration, bonuses, share incentive schemes and staff development disclosed in the 2017/18 annual report of the Company.

For the year ended 31 March 2018, the total staff costs of the Remaining Group amounted to HK\$1,033.6 million, compared to HK\$1,125.1 million incurred for the last year.

The following is the text of a letter, summary of values and valuation certificate, prepared for the purpose of incorporation in this circular received from Zhan-Mao Real Estate Appraisers Firm, in connection with its valuation as at 11 October 2018 of the Property.

Zhan-Mao Real Estate Appraisers Firm
1/F, No. 7 Chongdao Road, East District,
Tainan City
Tel: (886) 06-269-5784
Fax: (886) 06-267-1022
www.zhan-mao.com



11 December 2018

The Board of Directors
Next Digital Limited
1/F., 8 Chun Ying Street,
Tseung Kwan O Industrial Estate,
Tseung Kwan O,
New Territories, Hong Kong

Dear Sirs,

PRELIMINARY

In accordance with the instructions given by the management of Easy Finder Publishing Limited, a Hong Kong company, we valued the property interests to be disposed of by the Company located in Taiwan. We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 11 October 2018 (the “Valuation Date”).

BASIS OF VALUATION

Market value: it refers to the reasonable value, expressed as a monetary amount, of a marketable real estate between a willing buyer and a willing seller whose actions are prudent and guided by professional knowledge and under no influence of coercion. The transaction is completed through appropriate marketing and under normal conditions.

In valuing the property interests, we have complied with the requirements set out in the Regulations on Real Estate Appraisal issued by an order of the Ministry of the Interior of Republic of China (Taiwan) (2001) Taineidizi No. 9077692 (中華民國內政部(2001)台內地字第 9077692號令) as at 17 October 2001 and the Real Estate Appraiser Act issued by an order of the President (2000) Huazongyiyizi No. 8900237130 (總統(2000)華總一義字第 8900237130 號令) as at 4 October 2000, as well as various announcements published by ROCREAA (中華民國不動產估價師公會全國聯合會).

VALUATION ASSUMPTIONS

- (1) Unless specifically stated in the this valuation report, the ownership of the valued subject shall be regarded to be in normal condition and marketable.
- (2) Unless specifically stated in this valuation report, the valuation process is carried out without considering the assumption of mortgage or other rights of the real estate.
- (3) The valuation report is based on the assumption that the owner of the real estate is responsible and reliable, and that the management of the real estate will remain stable.
- (4) The information herein cited from others is considered to be true and reliable by the appraiser after due verification.
- (5) The land and the structures constructed on the valued subject are considered to be in normal condition, without any latent or undiscovered condition affecting the value of the real estate. This valuation report, therefore, takes no responsibility for those conditions being latent or unable to be discovered during ordinary inspection.

SITE INSPECTION

We have inspected the exterior and, where possible, the interior of the property. Unless specifically stated in the valuation report, the risk factors of the valued subject that may or may not exist are excluded from the inspection scope of the appraiser. The real estate appraiser does not possess any knowledge or skill to understand the internal substances or potential dangers of the real estate, nor has any qualification to detect those substances. The existence of materials like asbestos, urea, amine/formaldehyde foam insulators and other potentially dangerous materials could affect the value of the real estate. In the valuation report, we have assumed that there is no such material in the valued subject that would reduce the value of the real estate. The valuation report assumes no responsibility for such situation and the expertise or engineering knowledge used to discover such situation. Users of the valuation report shall engage experts in this field for analysis if necessary. However, we have assumed in the valuation that the exterior and interior decoration of the property is satisfactory on the Valuation Date and that there is no illegal construction or structural alteration.

VALUATION METHODOLOGY

This valuation was performed mainly with the comparison approach and income approach. The real estate was valued by taking into consideration of its type, market supply and demand and transaction practice and with reference to the cases of comparable transactions in the relevant market.

Comparison approach: it refers to a method of calculating the value of the valued subject based on the value of the comparative subject, through comparison, analysis and adjustment, etc. The final value is the comparative value.

Extracts of the details of the comparative subjects are as follows:

Items	Comparative subject 1	Comparative subject 2	Comparative subject 3
Address of the property	2/F, No. 191-210 Xinhu Third Road, Neihu District	3/F, No. 131-160 Xinhu First Road, Neihu District	7/F, No.31-60 Diding Road Lot 1, Neihu District
Date of value	August 2017	February 2018	June 2018
Registered usage of the property	Industrial usage	Industrial usage with little public damage	Strategic industry
Age of the property (year)	16.9	8.5	4.7
Structure	Reinforced concrete	Reinforced concrete	Reinforced concrete
Total consideration (NT\$)	31,370,000	43,280,000	102,000,000
Unit price per m ² of the property (NT\$/m ²)	123,399	147,078	108,499

1 m²=0.3025ping

Income approach: it refers to calculating the value of the valued subject by applying the appropriate capitalization rate of the income at the time of the value date to the objective net income of the valued subject in the next average one-year period.

Extracts of the details of the comparative subjects are as follows:

Items	Comparative subject 4	Comparative subject 5	Comparative subject 6
Address of the property	5/F, No. 121-150 Xinhu Third Road, Neihu District	6/F, No. 131-160 Xinhu First Road, Neihu District	5/F, No. 31-60 Xinhu First Road, Neihu District
Date of value	October 2018	October 2018	April 2017
Registered usage of the property	Industrial usage	Industrial usage with little public damage	Industrial usage with little public damage
Age of the property (year)	15.4	9.3	4.9
Structure	Reinforced concrete	Reinforced concrete	Reinforced concrete
Monthly rental (NT\$)	97,000	89,200	72,000
Unit price per m ² (NT\$/m ²)	322	304	253

1 m²=0.3025ping

Such value of the Property was determined at the proportion of 50% and 50% for the valuations of the valued subject using the comparison approach and the income approach based on the relevant experience and practical circumstances.

SOURCE OF INFORMATION

- (I) The status of the real estate is based on the electronic transcripts issued by Taipei City Zhongshan Land Office of Republic of China as at 11 October 2018 and the photocopy of lease provided by the client.
- (II) The specific conditions and regional environmental content of the real estate are gathered through on-site investigation in person and verification of records according to relevant information such as urban planning and cadastre.
- (III) The value of the real estate is assessed on the basis of on-site visits to the transactions, income and cost information of the valued subject, together with the archives of our firm.

TITLE INVESTIGATIONS

We have caused searches to be made at Taipei City Zhongshan Land Office of Republic of China (Taiwan) in respect of the property in Taiwan. Where possible, we have searched the original documents to verify the existing titles to the property interests in Taiwan and any material encumbrances that might be attached to the property.

CURRENCY & EXCHANGE RATE

Unless otherwise stated, all monetary sums stated in this report are in New Taiwan Dollars (NT\$).

Our valuation is summarised below and the valuation certificate is attached.

Yours faithfully,

For and on behalf of

Zhan-Mao Real Estate Appraisers Firm

Chang Shih-Hsien

Real Estate Appraiser

Zhan-Mao Asset Management Consultant Co., Ltd

General Manager

Zhan-Mao Real Estate Appraisers Firm

Director

Note: Mr Chang Shih-Hsien holds a credit degree in Real Estate Appraisal in Kun Shan University and he is a Registered Professional Real Estate Appraiser with over 25 years' experience in valuations in China, Taiwan, Vietnam and other Asia Pacific Regions. Mr. Chang is one of the real estate appraisers on the "list of property appraisers for undertaking valuation for incorporation or reference in listing particulars and circulars and valuations in connection with takeovers and mergers" as well as a Registered Real Estate Appraiser of the Taiwan Association of Real Estate Appraisers.

All the valuations conducted in Taiwan are carried out by Zhan-Mao Real Estate Appraisers Firm and led by Mr Chang Shih-Hsien (membership certificate of Association of Real Estate Appraisers: (107) Nanshigushizhengzi No.006).

SUMMARY OF VALUATION

The property interest owned by your group in Taiwan

No.	Property	Market value in existing state as at 11 October 2018	Interest attributable to your group	Market value in existing state attributable to your group as at 11 October 2018
1.	The 20 units situated at No. 36, Lane 141, Xing'ai Road, Neihu District, Taipei, Taiwan, the 22 ramp flat parking spaces on basement level 1 thereof and 38 ramp flat parking spaces on basement level 2 thereof (as Building A), and the 21 units situated at No. 42-1, Lane 141, Xing'ai Road, Neihu District, Taipei, Taiwan, the 21 ramp flat parking spaces on basement level 1 thereof and 39 ramp flat parking spaces on basement level 2 thereof (as Building B)	NT\$1,743,273,793	100%	NT\$1,743,273,793
Total:		NT\$1,743,273,793		NT\$1,743,273,793

VALUATION CERTIFICATE

The property interest owned by your group in Taiwan

Property	Description and tenure	Particulars of occupancy	Market value in	Market value in
			existing state as at 11 October 2018	existing state attributable to your group as at 11 October 2018
The 20 units situated at No. 36, Lane 141, Xing'ai Road, Neihu District, Taipei, Taiwan, the 22 ramp flat parking spaces on basement level 1 thereof and 38 ramp flat parking spaces on basement level 2 thereof (as Building A), and the 21 units situated at No. 42-1, Lane 141, Xing'ai Road, Neihu District, Taipei, Taiwan, the 21 ramp flat parking spaces on basement level 1 thereof and 39 ramp flat parking spaces on basement level 2 thereof (as Building B)	The property consists of the first, second, third, fourth and fifth floors of No.36, No.38, No.40, No.42 and 22 ramp flat parking spaces on basement level 1 and 38 ramp flat parking spaces on basement level 2 in Lane 141, Xing'ai Road, Neihu District, Taipei, Taiwan (as Building A), and the first, second, third, fourth and fifth floors of No.42-1, No.46, No.48, No.50 together with sixth floor of No.50 and 21 ramp flat parking spaces on basement level 1 and 39 ramp flat parking spaces on basement level 2 in Lane 141, Xing'ai Road, Neihu District, Taipei, Taiwan (as Building B). Construction of the property completed in 2002 and consists of two office buildings, one of which has two levels of basement and 5 storeys above the ground and the other has two levels of basement and 6 storeys above the ground. The gross floor area is 17,418.6096 square meters (equivalent to 5,269.1294 Ping). The basement level 1 has 43 parking spaces and basement level 2 has 77 parking spaces.	The whole Property has been leased out and the vacancy rate is 0%	NT\$1,743,273,793	NT\$1,743,273,793
	The land value tax shall be levied for the period from 1 January to 31 December of each year. The latest land value tax payable is NT\$1,725,395 (from 1 January 2018 to 31 December 2018). The house tax shall be levied for the period from 1 July to 30 June of each year. The latest house tax payable is NT\$1,303,599 (from 1 July 2017 to 30 June 2018).			

Note:

Pursuant to Land Registration Transcription No.472194 and Building Registration Transcription No. 472216 both dated 11 October 2018, the registered owner of the property which consists of two parcels of land, with land registration numbers of No.26-5 and No.26-7, and certain buildings with building registration numbers of No.1934-1937, No.1942-1945, No.1950-1953, No.1958-1961, No.1966-1969, No.1974, No.1938-1941, No.1946-1949, No.1954-1957, No.1962-1965, No.1970-1973, No.2615 in Jiuzong Section, Neihu District, Taipei, is Easy Finder Publishing Limited.

1. Pursuant to the above land and building registration transcriptions, the property is subject to a mortgage for a loan facility of NT\$1,000,000,000 owing to O-Bank Co., Ltd. with an expiry date on 14 September 2023.
2. The property is classified as property held for investment based on its purpose. The property is used for leasing to third parties and intra-group occupation.
3. Pursuant to Land Registration Transcription No. 472194 and Building Registration Transcription No. 472216 both dated 11 October 2018, after making enquiries, we found the property is not subject to any registration restrictions, impoundment, provisional attachment or otherwise. In addition, according to the legal staff of the client of this engagement, the property is not subject to any existing litigation.
4. Given that there is no obvious reason to doubt that there is any potential pollution or that the property is subject to any restrictions, to the best of our knowledge and belief, the property is considered to be in compliance with the requirements under the relevant regulations relating to environmental protection and therefore not subject to any restrictions.
5. Portions of the property have been contracted to lease, the terms of which are as follows:
 - (i) The 1/F portion and flat roof of Building A has been leased to Next TV Broadcasting Limited for a term of 10 years commencing from 1 June 2013 and expiring on 31 May 2023 at a monthly rent of approximately NT\$415,293 (tax included).

Rent review provisions: The rent of the leasing subject shall be made upward adjustments in the 4th lease year and 7th lease year respectively based on the cumulative average annual growth rate of the “consumer price index (house rent)” in the year preceding that announced by Directorate-General of Budget, Accounting and Statistics, Executive Council, Taiwan (namely January to December in the 104th year of the Republic of China and January to December in the 107th year of the Republic of China).

Pre-emptive right to lease: If the Lessor intends to lease the leasing subject to a third party upon the expiry of the lease period (including the extended period(s)), the Lessor shall notify the Lessee in writing of the rent, lease period and other material covenant conditions of the leasing subject proposed to be leased by the third party. If the Lessee intends to lease the leasing subject on the same terms as the above, the Lessee shall deliver its intention of exercising its pre-emptive right to lease to the Lessor in writing within 10 days of receiving the written notice from the Lessor and then both parties shall enter into a separate lease agreement on the same terms as the above. If the Lessor does not receive the notice from the Lessee within the said specified time limit, the Lessee shall be deemed as not exercising its pre-emptive right.

- (ii) 1-6/F of Building B has been leased to Next TV Broadcasting Limited for a term of 10 years commencing from 1 June 2013 and expiring on 31 May 2023 at a monthly rent of approximately NT\$2,273,627 (tax included).

Rent review provisions: The rent of the leasing subject shall be made upward adjustments in the 4th lease year and 7th lease year respectively based on the cumulative average annual growth rate of the “consumer price index (house rent)” in the previous year (namely January to December in the 104th year of the Republic of China and January to December in the 107th year of the Republic of China) announced by Directorate-General of Budget, Accounting and Statistics, Executive Council, Taiwan.

Pre-emptive right to lease: If the Lessor intends to lease the leasing subject to a third party upon the expiry of the lease period (including the extended period(s)), the Lessor shall notify the Lessee in writing of the rent, lease period and other material covenant conditions of the leasing subject proposed to be leased by the third party. If the Lessee intends to lease the leasing subject on the same terms as the above, the Lessee shall deliver its intention of exercising its pre-emptive right to lease to the Lessor in writing within 10 days of receiving the written notice from the Lessor and then both parties shall enter into a separate lease covenant on the same terms as the above. If the Lessor does not receive the notice from the Lessee within the said specified time limit, the Lessee shall be deemed as not exercising its pre-emptive right to lease.

Pre-emptive right to purchase the leasing subject:

During the lease period, if the Lessor intends to sell the leasing subject to a third party, unless the third party is a related party or connected person of the Lessor, the Lessee is entitled to the pre-emptive right to purchase the leasing subject. In such case, the Lessor shall notify the Lessee of the conditions of the transaction in writing prior to disposal of the leasing subject, and the Lessee shall decide on whether to exercise its pre-emptive right to purchase the leasing subject on the same terms within 10 days of receiving the notice. If the Lessor does not receive the notice from the Lessee within the said specified time limit, the Lessee shall be deemed as not exercising its pre-emptive right to purchase and the Lessor shall be entitled to sell the leasing subject to the third party. If the Lessor transfers the leasing subject to a related party or connected person of the Lessor, the Lessor shall procure such related party or connected person to agree to grant such pre-emptive right to purchase to the Lessee.

Upon the Lessee’s exercise of the pre-emptive right to purchase, the transaction shall be subject to announcement, disclosure and shareholders’ approval requirements (if required) under the relevant laws applicable to Next Digital Limited, a Hong Kong company and the shareholder of the Lessor, and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

- (iii) No. 36, No. 38, No. 40 and No. 42 of the property has been leased to the Taiwan branch of Apple Daily Publication Development Limited, a Hong Kong company, for a term of 3 years commencing from 1 April 2016 and expiring on 31 March 2019 at a monthly rent of approximately NT\$1,620,731 (tax included).

Rent review provisions: Both parties agree that the annual rental cap shall be NT\$19,448,772 (tax included).

Rental outgoings and expenses:

approximately HK\$20,500,000 in 2017/4/1-2018/03/31

approximately HK\$18,500,000 in 2016/4/1-2017/3/31

- (iv) The property management fees payable by Next TV Broadcasting Limited commencing from 1 June 2016 is approximately NT\$1,288,509 (tax included) per month.

Note: The said NT\$1,288,509 includes the management fees for Buildings A, B, C, D and E, the total gross floor area of which is 6,082.23 ping and the average management fee for each ping is NT\$211.85.

The management fees for Buildings A and B (with total gross floor area of 2,422.36 ping), which are the subject of this transaction, is NT\$513,177 (tax included).

Management fees review provisions: The management fees shall be made upward adjustments in the 4th year and 7th year respectively based on the cumulative average annual growth rate of the “consumer price index (house rent)” in the previous year (namely January to December in the 104th year of the Republic of China and January to December in the 107th year of the Republic of China) announced by Directorate-General of Budget, Accounting and Statistics, Executive Council, Taiwan.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTEREST

(i) Directors' and chief executive's interests and short positions in securities

As at the Latest Practicable Date, the interests and short positions of the Directors, chief executive and their associates in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register maintained by the Company under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers (the “**Model Code**”), were as follows:

Long position in ordinary Shares in the Company

Name of Director	Nature of interests	Interest in number of Shares	Approximate percentage of shareholding of the Company
Mr. LAI Chee Ying (“ Mr. Lai ”)	Personal	1,720,594,935	71.32%
	Corporate	93,124,000	
	Other	64,938,230	
Mr. IP Yut Kin	Personal	10,200,377	0.49%
	Family	2,630,000	
Mr. CHOW Tat Kuen, Royston	Personal	300,000	0.01%

Share Option

Options granted under the 2014 Share Option Scheme as at the Latest Practicable Date are set out below:

Name of Director	Date of grant	Exercise period	Exercise price HK\$	Number of outstanding options
Mr. CHOW Tat Kuen, Royston	03-02-2016	04-02-2016 to 30-07-2024	0.420	1,500,000

(ii) Directors' service contracts

As at the Latest Practicable Date, none of the Directors had any service contract that cannot be terminated by the Group within one year without payment of compensation (other than statutory compensation).

(iii) Interests in the Group's assets, contracts or arrangement significant to the Group

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2018, the date to which the latest published audited financial statements of the Group were made up.

Save and except that a company which is 100% beneficially owned by Mr. Lai, Next Animation Studio Limited and the Company entered into (i) a business framework agreement dated 31 March 2017 in respect of the animation services to be rendered by Next Animation Studio Limited's group to the Group and advertising and supporting services to be rendered by the Group to Next Animation Studio Limited's group; and (ii) an intellectual properties revenue sharing agreement dated 31 March 2017 in respect of the revenue sharing arrangements between the Group and Next Animation Studio Limited's group on revenue generated by the sale of digital content and merchandise developed from Next Animation Studio Limited's intellectual properties, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which has been entered into by the Company or any member of the Group that is subsisting at the date of this circular and is significant in relation to the business of the Group.

(iv) Substantial shareholders' and other persons' interests in securities

As at the Latest Practicable Date, according to the register kept by the Company under section 336 of the SFO, the persons other than a Director or chief executive of the Company who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Long position in ordinary Shares in the Company

Name of substantial shareholder	Capacity/nature of interest	Number of Shares	Approximate percentage of shareholding of the Company
Ms. LI Wan Kam, Teresa	Interest of spouse	1,878,657,165 <i>(Note)</i>	71.32%

Note: Ms. Li was deemed to be interested in these Shares through the interests of her spouse, Mr. Lai.

Save as disclosed above, as at the Latest Practicable Date, according to the register of interests kept by the Company under section 336 of the SFO and so far as was known to the Directors and chief executive of the Company, no other person (other than Directors or chief executive of the Company) had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital (including any options in respect of such capital) carrying rights to vote in all circumstances at general meetings of any other member of the Group.

(v) Directors' interests in competing business

As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors or their respective associates was interested in any business which competes or was likely to compete, either directly or indirectly, with the business of the Group.

3. LITIGATION

Pending litigations

Reference is made to the information contained on the “Contingent liabilities” section on page I-2 of this circular.

Save as disclosed above, as at the Latest Practicable Date, no member of the Group was engaged in any other litigation or arbitration of material importance and no other litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

4. EXPERTS’ QUALIFICATIONS AND CONSENT

The following are the qualifications of the experts who have been named in this circular or have given opinion or advice which are contained in this circular.

Name	Qualification
Deloitte Touche Tohmatsu	certified public accountants
Zhan-Mao Real Estate Appraisers Firm	independent professional property valuer
Octal Capital Limited (collectively the “ Experts ”)	a corporation licensed to carry out Type 1 (dealing in Securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

The Experts have given and have not withdrawn their written consents to the issue of this circular with the inclusion of their letter and/or valuation report and the references to their names in the form and context in which they appear.

As at the Latest Practicable Date, none of the experts was beneficially interested in any direct or indirect shareholdings in any member of the Group, or any right to subscribe for or to nominate persons to subscribe for shares in any members of the Group, or any interests, directly or indirectly, in any assets which have been acquired or disposed of by or leased to or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2018 and 11 October 2018, the dates to which the latest published audited financial statements of the Group and the valuation report of the Property were respectively made up.

5. MATERIAL CONTRACTS

Save for the following contracts as disclosed below, none of the members of the Group has entered into any contracts, not being contracts entered into in the ordinary course of business, which are or may be material within the two years immediately preceding the date of this circular:

- (a) the Sale and Purchase Agreement;
- (b) the shareholder's loan agreement dated 8 November 2018 entered into between the Company as borrower and its controlling shareholder, Mr. Lai, as lender, pursuant to which Mr. Lai agreed to make available to the Company an unsecured 36-month term loan facility in the aggregate maximum principal amount of HK\$500.0 million to finance the general working capital requirements of the Group;
- (c) the sale and purchase agreement dated 25 August 2017 entered into between Next Media Magazines Limited and Ideal Vegas Limited as sellers, the Company as guarantor and Gossip Daily Limited as buyer (as amended and/or supplemented), whereby the Company conditionally agreed to sell the entire issued share capital of Next Magazine Advertising Limited and Next Media Publishing Limited (including the Taiwan Branch) and all such intellectual property rights in connection with, or with the benefits of, the business of the said companies at the consideration of HK\$320,000,000; and
- (d) the side letter dated 27 September 2017 among Next Media Magazines Limited, Ideal Vegas Limited, the Company and Gossip Daily Limited in relation to, *inter alia*, the extension of the initial long stop date and the increase of the initial deposit payable under the said sale and purchase agreement dated 25 August 2017.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection from 9:00 a.m. to 12:30 p.m. and from 1:30 p.m. to 6:00 p.m. on any weekdays (except for Saturday and public holidays) at 1st Floor, 8 Chun Ying Street, Tseung Kwan O Industrial Estate, Tseung Kwan O, New Territories, Hong Kong for a period of 14 days from the date of this circular:

- (i) the new articles of association of the Company;
- (ii) the accountants' report issued by Deloitte Touche Tohmatsu in connection with the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix II to this circular;

- (iii) the valuation certificate and report of the Property prepared by Zhan-Mao Real Estate Appraisers Firm, the text of which is set out in Appendix IV to this circular;
- (iv) the letter from the Independent Board Committee, the text of which is set out on page IBC-1 of this circular;
- (v) the letter from the Independent Financial Advisor, the text of which is set out on pages IFA-1 to IFA-12 of this circular;
- (vi) the written consents referred to under the section headed “Experts’ Qualifications and Consent” in this Appendix;
- (vii) the annual reports of the Company for the three years ended 31 March 2018, 2017 and 2016;
- (viii) the interim report of the Company for the six months ended 30 September 2018;
- (ix) the material contracts referred to in the section headed “Material Contracts” in this Appendix; and
- (x) this circular.

7. MISCELLANEOUS

- (i) the registered office and principal place of business in Hong Kong of the Company are at 1st Floor, 8 Chun Ying Street, Tseung Kwan O Industrial Estate, Tseung Kwan O, New Territories, Hong Kong;
- (ii) the share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong;
- (iii) the company secretary of the Company is Mr. CHOW Tat Kuen, Royston, a fellow member of the Hong Kong Institute of Certified Public Accountants and the CPA Australia; and
- (iv) the English text of this circular shall prevail over the Chinese text in case of inconsistency (save for Appendix IV (Valuation Report on the Property), for which the Chinese text shall prevail over the English text in case of inconsistency).

NOTICE OF EGM

NEXT DIGITAL

NEXT DIGITAL LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00282)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting of Next Digital Limited (the “**Company**”) will be held at the Conference Room on the 1st Floor, 3 Chun Kwong Street, Tseung Kwan O Industrial Estate, Tseung Kwan O, New Territories, Hong Kong on Friday, 28 December 2018 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolutions of the Company (unless otherwise defined, capitalized terms used herein shall have the same meanings as ascribed to them in the circular of the Company dated 11 December 2018):

ORDINARY RESOLUTIONS

“THAT:

- (a) the terms and conditions of the Sale and Purchase Agreement in relation to the sale and purchase of the Property between Easy Finder Publishing Limited as Vendor and Taiwan Life Insurance Co., Ltd. as Purchaser dated 9 November 2018 (a copy of which has been produced to this meeting marked “A” and initialled by the Chairman of this meeting for the purpose of identification) be and are hereby approved, ratified and confirmed;
- (b) the transactions contemplated under the Sale and Purchase Agreement and the implementation thereof be and are hereby approved, ratified and confirmed;
- (c) the execution of the Sale and Purchase Agreement by Mr. Ip Yut Kin, legal representative of the Taiwan branch of the Vendor, Mr. Lei Wei Hsin, or any one director of the Vendor (the “**Designated Persons**”) be and is hereby approved, confirmed and ratified in all respects; and any one of the Designated Persons be and is/are hereby authorized to do such acts or things and execute such documents (and, where necessary, to affix the common seal of the Vendor in accordance with the articles of association of the Vendor) which in his/their opinion may be necessary, desirable or expedient to carry out or to give effect to the Sale and Purchase Agreement and the transactions contemplated under the Sale and Purchase Agreement and to agree to such variations, amendments, supplements or waivers of matters relating thereto as are, in the opinion of the Directors, in the interest of the Company;

NOTICE OF EGM

- (d) the allotment and issue of an aggregate of 1,117,699 ordinary shares of the Company (“**1,117,699 Award Shares**”) to Mr. Cheung Kim Hung, an executive director of the Company, at an aggregate subscription price of HK\$10.00, subject to obtaining approval for the listing of and permission to deal in such 1,117,699 Award Shares, be and is hereby approved and the directors of the Company be and are hereby authorised to do all such acts and things as may be necessary, desirable or expedient in order to give effect to the allotment and issue of the said 1,117,699 Award Shares to Mr. Cheung Kim Hung; and
- (e) the allotment and issue of an aggregate of 924,539 ordinary shares of the Company (“**924,539 Award Shares**”) to Mr. Chow Tat Kuen, Royston, an executive director of the Company, at an aggregate subscription price of HK\$10.00, subject to obtaining approval for the listing of and permission to deal in such 924,539 Award Shares, be and is hereby approved and the directors of the Company be and are hereby authorised to do all such acts and things as may be necessary, desirable or expedient in order to give effect to the allotment and issue of the said 924,539 Award Shares to Mr. Chow Tat Kuen, Royston.”

By Order of the Board
CHOW Tat Kuen, Royston
Executive Director

Hong Kong, 11 December 2018

Notes:

1. Any member of the Company entitled to attend and vote at the Extraordinary General Meeting of the Company is entitled to appoint one or more proxies to attend and vote instead of such member in accordance with the Articles of Association of the Company. A proxy need not be a member of the Company.
2. In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding, the first named being the senior.
3. In order to be valid, the form of proxy together with a power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be deposited with the share registrar of the Company. Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong at least 48 hours before the time for holding the Extraordinary General Meeting of the Company or any adjournment thereof. Completion and return of the form of proxy shall not preclude members from attending and voting in person at the meeting or at any adjournment thereof (as the case may be) should they so wish.

NOTICE OF EGM

4. Pursuant to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, any vote of member at the Extraordinary General Meeting of the Company must be taken by poll except where the chairman of the Extraordinary General Meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

5. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force at or after 9:00 a.m. on 28 December 2018 and/or the Hong Kong Observatory has announced at or before 9:00 a.m. on 28 December 2018 that either of the above mentioned warnings is to be issued within the next two hours, the Extraordinary General Meeting shall automatically be postponed to the next Business Day on which no “black” rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted between the hours from 9:00 a.m. to 11:00 a.m. and in such case the Extraordinary General Meeting shall be held at 11:00 a.m. on that Business Day at the Conference Room on the 1st Floor, 3 Chun Kwong Street, Tseung Kwan O Industrial Estate, Tseung Kwan O, New Territories, Hong Kong. “Business Day”, in this context, shall mean a day (not being Saturday, Sunday or public holiday) on which banks in Hong Kong generally are open for business.