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**MAJOR TRANSACTION
IN RELATION TO
THE DISPOSAL OF TARGET COMPANIES AND
INTELLECTUAL PROPERTY RIGHTS**

All capitalised terms used in this circular have the meanings set out in the section headed "Definitions" of this circular.

A letter from the Board (as defined in this circular) is set out on pages 8 to 23 of this circular.

29 September 2017

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DEFINITIONS

In this circular, the following terms or expressions shall have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors of the Company
“Business”	the business of, and in connection with, the publication and selling of magazines and other printed and electronic materials, and the selling of magazines advertising space, whether in Hong Kong, Taiwan or elsewhere, and whether in physical or electronic form, under the titles of “Next Magazine” (壹週刊), “Next Plus” (壹週Plus), “Sudden Weekly” (忽然1周), “FACE”, “Easy Finder HK” (壹本便利), “ME!”, “Next+One”, and their corresponding titles, mobile applications and media channels in any languages and other variants, such other businesses of NMAL, NMPL and the TW Branch, and any other businesses ancillary or incidental to the foregoing
“Business Day(s)”	any day (other than a Saturday, Sunday or public holiday) on which banks are generally open for business in Hong Kong and Taiwan
“Business IPs”	all such Intellectual Property Rights in connection with, or for the benefits of, the Business
“Buyer”	Gossip Daily Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by an independent third party
“Clearance Period”	the period commencing from the Safe-Harbour Completion Date and ending on the day immediately before the Final Completion Date or 31 December 2017, whichever occurs earlier
“Company”	Next Digital Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 00282)
“Completion”	completion of the sale and purchase of the Sale Shares

DEFINITIONS

“Completion Date”	the date on which Completion shall take place, being the fifth Business Day after all the Conditions having been satisfied or (if applicable) waived by the Buyer, subject to the Safe-Harbour Completion taking place whereupon part of the transactions contemplated under the SPA will, subject to obtaining of the Outstanding Governmental Clearance (or the same being deemed to have been obtained) on or before 31 December 2017 and the giving of written notice by the Sellers to the Buyer confirming the same, be transacted on the Business Day after the date of the Sellers’ said notice
“Conditions”	the conditions as set out in the “Conditions” section under the heading “Sale and Purchase Agreement” of this circular
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Consideration”	HK\$320,000,000
“Copyrights”	copyright works, registrations and applications, and includes any copyrightable subject matter embodied in works, including Software, photographs, images, pictures, drawings, databases, archives, corporate policies, operating procedures, manager toolkits and employee training materials, whether in electronic form, physical form or otherwise
“Director(s)”	director(s) of the Company
“Disposal”	the transactions contemplated under the SPA in relation to the Sellers’ disposal of the entire issued share capital of the Target Companies and the Business IPs
“Earnest Money”	a sum of HK\$10,000,000 paid to the Sellers
“Final Completion”	completion of the sale and purchase, and assignment of, the Sale Shares and the Business IPs (other than the Safe-Harbour Assets) in such manners that will give the Buyer such rights, benefits and interest in the Sale Shares and the Business IPs no less favourable than the case if Completion were allowed to take place on the Completion Date

DEFINITIONS

“Final Completion Date”	the tenth Business Day after the date of the Outstanding Governmental Clearance has been or is deemed to have been obtained (or such later day as may be agreed between the Sellers and the Buyer)
“Governmental Body”	any government, government department, commission, board, bureau, agency, regulatory authority, instrumentality, judicial or administrative body, tax court or tribunal, domestic or foreign, federal, state, central, provincial or local, having jurisdiction over the subject matter in question, including those of Hong Kong and Taiwan
“Group”	the Company and its subsidiaries
“Guarantor”	the Company
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Initial Deposit”	an amount of HK\$60,000,000 (including the Earnest Money) paid by the Buyer to the Sellers as deposit for the transactions contemplated under the SPA (as amended and/or supplemented by the Side Letter)
“Initial Long Stop Date”	31 October 2017 (as extended pursuant to the Side Letter), being the latest date by which the Sellers and the Guarantor shall use all reasonable endeavours to fulfil or procure the fulfilment of the Conditions

DEFINITIONS

“Intellectual Property Rights”	in relation to a person, all Patents, Trademarks, Copyrights, and any registrations, applications and renewals for any of the foregoing, and all other intellectual property rights in inventions, trade secrets, manufacturing processes, technology, know-how, confidential and proprietary information, ideas, developments, drawings, specifications, bills of material, business contacts, contact lists, marketing information, sales and promotional information, business plans, Software and all programmer notes and other documentation and tools that would allow a programmer of ordinary skill to maintain, enhance, and create derivative works of such Software, test reports, component lists, manuals, instructions, catalogues, processes, designs, and registrations and applications for registration therefor, model numbers, telephone numbers, web addresses, web sites, electronic records of drawings and tooling and other electronic engineering tools, and all other economic and proprietary rights, in each case owned or licensed by such person or used in such person’s business
“Latest Practicable Date”	28 September 2017, being the latest date by which certain information in this circular is ascertained prior to publication
“Listing Rules”	the Rules Governing the Listing of Securities of the Stock Exchange
“Mr. Lai”	Mr. Lai Chee Ying, Jimmy, the controlling Shareholder of the Company holding 1,786,533,165 Shares as at the date of this circular, representing approximately 73.46% of the total issued Shares
“NMAL”	Next Magazine Advertising Limited, a company incorporated in Hong Kong with limited liability and an indirect subsidiary of the Company
“NMPL”	Next Media Publishing Limited, a company incorporated in Hong Kong with limited liability and an indirect subsidiary of the Company
“NT\$”	New Taiwan dollar, the lawful currency of Taiwan

DEFINITIONS

“Operating Loss”	with respect to a period of time and a person, any net loss of such person, excluding: (i) intragroup management fees and royalty income, (ii) severance payment and payment in lieu, and (iii) general provision for bad debt
“Outstanding Government Clearance”	indication (if any) from any Governmental Body (whether in writing or oral form) that the sale and purchase of the Sale Shares and/or the assignment of the Business IPs, or any part thereof, and/or the suitability or qualification of the Buyer (or its ultimate beneficial owner) to exercise control over the Target Companies or the Business is or will be subject to government investigation, inquiry or clearance
“Patent”	patents and patent applications, including any provisionals, continuations, continuations-in-part, divisionals, counterparts, reissues, renewals, foreign correspondence, re-examination certifications and applications for any of the foregoing and all related disclosures, in any country or jurisdiction
“Remaining Assets”	any of the Sale Shares and/or the Business IPs other than the Safe-Harbour Assets
“Safe-Harbour Assets”	such part of the Business, Sale Shares and/or Business IPs that do not conflict with the Outstanding Governmental Clearance
“Safe-Harbour Completion”	completion of the sale and purchase and assignment of the Safe-Harbour Assets
“Safe-Harbour Completion Date”	the tenth Business Day after the date of the Safe-Harbour Notice, or such later day as agreed between the Sellers and the Buyer for the Safe-Harbour Completion to take place
“Safe-Harbour Notice”	a notice served by the Buyer to the Sellers on or before the fifth Business Day immediately before the Initial Long Stop Date in relation to the Outstanding Governmental Clearance
“Sale Shares”	Sale Shares (A) and Sale Shares (B)

DEFINITIONS

“Sale Shares (A)”	1,000 shares of NMAL, comprising 100% of the total issued shares in NMAL
“Sale Shares (B)”	10,282,778 shares of NMPL, comprising 100% of the total issued shares in NMPL
“Seller A”	Next Media Magazines Limited, a company incorporated in Hong Kong with limited liability and the immediate holding company of Next Magazine Advertising Limited
“Seller B”	Ideal Vegas Limited, a company incorporated in the British Virgin Islands with limited liability and the immediate holding company of Next Media Publishing Limited and its Taiwan branch
“Seller Group Person”	the Guarantor and its affiliates and associates (including the Sellers but, unless otherwise specified, excluding the Target Companies)
“Sellers”	the Seller A and the Seller B
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Side Letter”	the letter agreement dated 27 September 2017 among the parties to the SPA in relation to, among other things, the extension of the Initial Long Stop Date and the increase of the Initial Deposit
“SPA”	the sale and purchase agreement dated 25 August 2017 entered into between Seller A, Seller B, the Guarantor and the Buyer (as amended and/or supplemented by the Side Letter)
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)

DEFINITIONS

“Software”	computer programs and systems, whether embodied in software, firmware or otherwise, including software compilations, software implementations of algorithms, software tool sets, compilers, and software models and methodologies (each regardless of the stage of development or completion, and whether in object code (i.e., machine-readable) or source code (i.e., readable and understandable by a programmer of ordinary skill) form), and including all: (i) media on which any of the foregoing is recorded; (ii) forms in which any of the foregoing is embodied (whether in source code, object code, executable code or human readable form); (iii) translation, ported versions and modifications of any of the foregoing; and (iv) licences in relation to the use and commercialisation of any of the foregoing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Taiwan”	Republic of China on the islands of Taiwan
“Target Companies”	NMAL and NMPL (including the TW Branch)
“Trademarks”	trademarks and service marks (whether registered or unregistered), trade names, service names, domain names, website, logos, trade dress and designs
“TW Branch”	Next Media Publishing Limited, Taiwan Branch (香港商壹傳媒出版有限公司台灣分公司)
“%”	per cent.

LETTER FROM THE BOARD

NEXT DIGITAL
NEXT DIGITAL LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00282)

Board of Directors:

Non-Executive Director

Mr. Ip Yut Kin *(Non-executive Chairman)*

Executive Directors

Mr. Cheung Ka Sing, Cassian

Mr. Chow Tat Kuen, Royston

Independent Non-Executive Directors

Mr. Wong Chi Hong, Frank

Dr. Lee Ka Yam, Danny

Dr. Bradley Jay Hamm

Registered Office:

1/F., 8 Chun Ying Street

Tseung Kwan O Industrial Estate

Tseung Kwan O

New Territories

Hong Kong

29 September 2017

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION
IN RELATION TO
THE DISPOSAL OF TARGET COMPANIES AND
INTELLECTUAL PROPERTY RIGHTS**

A. INTRODUCTION

Reference is made to the announcement of the Company dated 25 August 2017 in relation to the SPA and the Disposal contemplated thereunder. The purpose of this circular is to provide you with further information on the SPA and the Disposal.

LETTER FROM THE BOARD

B. SALE AND PURCHASE AGREEMENT

On 25 August 2017 (after trading hours), the Sellers (being indirect wholly-owned subsidiaries of the Company), the Guarantor (the Company) and the Buyer (an independent third party) entered into the SPA pursuant to which the Sellers have conditionally agreed to sell and the Buyer has conditionally agreed to purchase the entire issued share capital of the Target Companies and the Business IPs at the Consideration at HK\$320,000,000 in accordance with the terms and conditions of the SPA. A summary of the principal terms of the SPA is set out below.

Date:	25 August 2017 (after trading hours)
Parties:	(1) Next Media Magazines Limited (as Seller A) (2) Ideal Vegas Limited (as Seller B) (3) Next Digital Limited (as Guarantor) (4) Gossip Daily Limited (as Buyer)
Assets to be disposed of:	The entire issued share capital of the Target Companies and the Business IPs
Consideration:	The maximum amount of consideration payable by the Buyer to the Sellers for the Sale Shares and the Business IPs is HK\$320,000,000, subject to the adjustment provisions described in paragraph 3 below.

The Consideration is to be satisfied as follows:

- (1) upon the execution of the SPA and the Side Letter, the Buyer shall pay to the Sellers the Initial Deposit, being an aggregate amount of HK\$60,000,000 (whereas HK\$40,000,000 shall be applied and credited to the Sellers at Safe-Harbour Completion and the remainder to be applied and credited to the Sellers at Final Completion, or, where Safe-Harbour Completion does not take place, the whole sum will be applied and credited to the Sellers at Completion), which sum includes the Earnest Money which has already been paid by the Buyer as announced by the Company on 17 July 2017;

LETTER FROM THE BOARD

- (2) at Safe-Harbour Completion, the Buyer shall pay to the Sellers HK\$150,000,000 and HK\$95,000,000 at Final Completion thereafter, or, if there is no Safe-Harbour Completion and the parties proceed to Completion, the Buyer shall at Completion pay to the Sellers HK\$245,000,000;
- (3) as of Completion (or Safe-Harbour Completion as the case may be), the Buyer shall retain an aggregate amount of HK\$15,000,000 (being approximately 4.69% of the Consideration), comprising the following sums to be separately released as follows:
 - (a) HK\$5,000,000, which will be released to the Sellers upon settlement of the adjustments underlying a completion statement to be delivered and satisfaction of certain financial benchmarks underlying the Target Companies' operations;
 - (b) HK\$2,000,000, which will be released to the Sellers upon necessary registration of certain Business IPs as specified under the SPA in the name of the Buyer or its nominee having completed;
 - (c) HK\$2,000,000, which will be released to the Sellers in four equal installments payable within 5 Business Days following the end of each six-month period after the Completion Date (being the earlier of the date of Safe-Harbour Completion or Final Completion) with deductions therefrom costs and expenses underlying certain legal proceedings for which the Sellers have agreed to bear; and
 - (d) HK\$6,000,000, which will be released to the Sellers within five Business Days after six months from the Completion Date (being the earlier of the date of Safe-Harbour Completion or Final Completion) subject to Sellers' compliance with the relevant indemnity undertakings under the SPA.

LETTER FROM THE BOARD

The Consideration was determined on an arm's length basis taking into account the interests of the Sellers and the financial position of the Target Companies, including their total assets of approximately HK\$317.3 million as at 31 March 2017 and their combined losses of HK\$92.6 million for the year ended 31 March 2017. In arriving at the Consideration, the Company did not conduct any valuation benchmarking with comparable transactions.

The Buyer has undertaken under the SPA to provide (or cause to be provided), after Completion and in such instalments and stages as may be determined by its board of directors in the Buyer's best interest, working capital of a total amount not less than HK\$180,000,000 to the Business for its continual operations and developments.

Refund of deposits: If Completion or Safe-Harbour Completion (as the case may be) does not take place:

- (i) as a result of the wilful default of any of the Sellers or the Guarantor (including any breach of any exclusivity undertakings) and there is no wilful default of the Buyer, then the Sellers shall jointly and severally refund the Initial Deposit in full (without interest) to the Buyer, plus paying the Buyer an additional amount equivalent to the full amount of the Initial Deposit as liquidated damages; or
- (ii) as a result of the wilful default of the Buyer and there is no wilful default of any of the Sellers or the Guarantor, then the Sellers shall have the right to forfeit the Initial Deposit as liquidated damages.

LETTER FROM THE BOARD

If, after Safe-Harbour Completion having taken place, Final Completion does not take place:

- (i) as a result of the wilful default of any of the Sellers or the Guarantor (including any breach of any exclusivity undertaking) and there is no wilful default of the Buyer, then the Sellers shall jointly and severally refund HK\$20,000,000 as part of the Initial Deposit attributable to Final Completion in full (without interest) to the Buyer, plus paying the Buyer an additional HK\$20,000,000 as liquidated damages;
- (ii) as a result of the wilful default of the Buyer and there is no wilful default of any of the Sellers or the Guarantor, then the Sellers shall have the right to forfeit HK\$20,000,000 as part of the Initial Deposit attributable to Final Completion as liquidated damages; or
- (iii) as a result of the Buyer serving a termination notice on the ground that there is no reasonable prospect of obtaining any Outstanding Government Clearance on or before 31 December 2017, and there being no wilful default of the Buyer, then the Sellers shall jointly and severally refund HK\$20,000,000 as part of the Initial Deposit attributable to Final Completion in full (without interest) to the Buyer, subject to set-off relating to the sums described in paragraph (c) in the sub-section headed "Safe-Harbour Completion" below.

Conditions:

Completion is conditional upon the satisfaction, or waiver (as the case may be) by the Buyer, of all conditions below on or before the Initial Long Stop Date:

- (1) Seller A has become the sole legal and beneficial owner of all Sale Shares (A), free of all encumbrances;
- (2) Seller B has become the sole legal and beneficial owner of all Sale Shares (B), free of all encumbrances;

LETTER FROM THE BOARD

- (3) each of the warranties given by the Sellers and the Guarantor under the SPA remaining complete, true, accurate and not misleading;
- (4) all conditions precedent under the deed of assignment to be entered into on or around the Completion Date in respect of the assignment of the Business IPs in favour of the Buyer having been satisfied;
- (5) the Sellers have performed all their respective obligations, covenants or agreements that are required to be performed or fulfilled before the Completion Date;
- (6) the Guarantor (for itself and on behalf of all other Seller Group Persons and their respective affiliates and associated persons) has settled or waived all indebtedness owed by any Target Company to any Seller;
- (7) not less than half (as compared with the position as at the date of the SPA) of the Target Companies' respective employees as mutually agreed between the Sellers and the Buyer remain in the employ of the relevant Target Company and have not served any resignation notice or indicated an intention to resign;
- (8) The Sellers having demonstrated to the satisfaction of the Buyer that:
 - (a) the audited financial statements of the Target Companies do not contain any material variation from the draft(s) previously provided to the Buyer;

LETTER FROM THE BOARD

- (b) total liabilities less current assets of the Target Companies as at the Completion Date does not exceed HK\$20,000,000 in aggregate;
- (c) the Target Companies have maintained photo library or backcopy archive in relation to the Business consistent with industry practices and standards normally expected of publications of similar nature;
- (d) the total contingent liability of NMPL for its employees' retirement benefits and service-year-related employment benefits as of the end of the month immediately before the Completion Date does not exceed HK\$40,000,000;
- (e) the aggregate amount of Operating Losses of the Target Companies in each of the last three financial years ended on 31 March 2015, 2016 and 2017 and the 12-month period between 1 July 2016 and 30 June 2017 does not exceed HK\$80,000,000; and
- (f) all existing or potential proceedings against the Target Companies arising from or in relation to any matter, event or circumstance that exists prior to the Completion Date have been sufficiently covered by professional indemnity insurance and will not be adversely affected by the transactions contemplated under the SPA;

LETTER FROM THE BOARD

- (9) there has not occurred any event, change or effect which has resulted or is likely to result in a material adverse change or any other material adverse deterioration in the position of prospects of the Business or either of the Target Companies, and no material contingent liability has been arisen which if occurred would result in such a material adverse change or material adverse deterioration;
- (10) all notices of transfer in connection with the change of control of the Business has become complete within the meaning in section 4 of Transfer of Business (Protection of Creditors) Ordinance (Chapter 49 of the Laws of Hong Kong); and
- (11) the Buyer and the relevant Seller Group Person have entered into such agreements, each on prevailing market terms, for:
 - (a) the provision of printing services by such Seller Group Person to the Target Companies or for their Business after the Completion; and
 - (b) granting by such Seller Group Person to the Target Companies such licence to occupy the premises in Taiwan after Completion.

The Buyer may at any time waive in writing, in whole or in part and whether absolutely or conditionally, any of the Conditions. As of the Latest Practicable Date, save for conditions (1), (2), (10) and (11) above, none of the above conditions to Completion has been satisfied.

LETTER FROM THE BOARD

Completion: Completion shall occur on the fifth Business Day after all the Conditions having being satisfied or (if applicable) waived by the Buyer, subject to the Safe-Harbour Completion taking place whereupon part of the transactions contemplated under the SPA will, subject to obtaining of the Outstanding Governmental Clearance (or the same being deemed to have been obtained) on or before 31 December 2017 and the giving of written notice by the Sellers to the Buyer confirming the same, be transacted on the tenth Business Day after the date of the Sellers' said notice.

If the Conditions have not been satisfied or where applicable, waived, on or before the Initial Long Stop Date, the Buyer may, at its sole discretion and by written notice to the Sellers proceed to Completion as far as practicable, postpone the Initial Long Stop Date to a date that is not more than 15 Business Days thereafter, or terminate the SPA.

On 27 September 2017, the Buyer, the Sellers and the Guarantor executed the Side Letter to extend the Initial Long Stop Date to 31 October 2017. In consideration of such agreement, the Buyer has agreed to (i) increase the Initial Deposit from HK\$40,000,000 to HK\$60,000,000 and pay such increment within 5 Business Days after the date of the Side Letter, and (ii) reimburse (subject to a monthly cap of HK\$5,000,000 or pro-rata portions thereof as applicable) the Sellers of such Operating Losses in respect of the Safe-Harbour Assets for the period commencing on 1 October 2017 and ending on the Completion Date or (if applicable) the Safe-Harbour Completion Date. Save as disclosed above, all other terms and conditions of the SPA remain unchanged.

LETTER FROM THE BOARD

**Safe-Harbour
Completion:**

To prevent any potential interruption of closing the transaction as a result of matters beyond the control of the Buyer and the Sellers, the parties have agreed on a Safe-Harbour Completion if it is necessary. If, on or before the fifth Business Day immediately before the Initial Long Stop Date, the Buyer serves to the Sellers a Safe-Harbour Notice that, in its reasonable opinion, there exists indication from any Governmental Body (whether in writing or oral form) that the sale and purchase of the Sale Shares and/or the assignment of the Business IPs, or any part thereof, and/or the suitability or qualification of the Buyer (or its ultimate beneficial owner) to exercise control over the Target Companies or the Business is or will be subject to Outstanding Governmental Clearance, then:

- (a) the Sellers and the Buyer shall only be obliged to proceed to Safe-Harbour Completion;
- (b) the Initial Long Stop Date will be extended to 31 December 2017;
- (c) the Buyer will reimburse the Sellers for the Operating Losses incurred in relation to that part of the Business of which Completion has not yet taken place, Sale Shares and/or Business IPs retained by the Sellers during the Clearance Period, subject to a monthly ceiling (or a pro rata amount thereof) equivalent to the lower of:
 - (i) HK\$5,000,000; and
 - (ii) the actual amount of such Operating Losses as certified by a director of each of the Sellers with such supporting documents as the Buyer may reasonably request;

LETTER FROM THE BOARD

- (d) the Buyer shall notify the Sellers on or before 31 December 2017, that:
 - (i) either the relevant Outstanding Governmental Clearance has been or is deemed to have been obtained, in which case the Sellers and the Buyer shall proceed to Final Completion on the Final Completion Date, upon which each of the Sellers and the Buyer shall perform their respective obligations in respect of the Remaining Assets with such modifications as may be agreed between the Sellers and the Buyer; or
 - (ii) there is no reasonable prospects of obtaining any Outstanding Governmental Clearance, in which case the SPA shall terminate in respect of the Remaining Assets and the Buyer shall reimburse the Sellers in accordance with (c) above.

The Buyer shall use its reasonable commercial endeavours to obtain any Outstanding Governmental Clearance as soon as reasonably practicable and keep the Sellers updated of the progress thereof on a regular basis, and the Sellers and the Guarantor shall use their respective reasonable commercial endeavours to cooperate with and assist the Buyer to obtain any Outstanding Governmental Clearance. As of the Latest Practicable Date, the Sellers have not received any Safe-Harbour Notice from the Buyer.

Guarantee:

In consideration of the Buyer entering into the SPA, the Guarantor shall guarantee the due and punctual performance of all present and future obligations of each of the Sellers under or in connection with the SPA if and when they become performable in accordance with the terms of the SPA.

LETTER FROM THE BOARD

C. REASONS FOR AND BENEFITS OF THE DISPOSAL

In the rapidly evolving media industry, the popularity of print media is being challenged by digital media. As disclosed in the 2016/17 annual report of the Company, there has been a significant drop in the revenue of books and magazines publication and printing division for the year ended 31 March 2017 as compared to that of the same period in 2015/16. Such decline was mainly attributable to the sluggish economy, overall declining market demand for printed publications both in Hong Kong and Taiwan during the year, and the shift of reading habits towards digital publications in the media industry. Also, the competition in the magazine market continues to be intense. The revenue for the books and magazines publication and printing division for the year ended 31 March 2017 decreased by 51.7% to HK\$227.7 million as compared to HK\$471.0 million for the year ended 31 March 2016. To face the digital transformation of the media industry, the Group has re-aligned its product offering to better serve readers and advertisers alike.

The Group has been devoting numerous resources to build a robust digital presence, developing online platforms for all of its publications and creating original and engaging content using new technology such as animation video news, 360-degree and virtual reality (“VR”) videos. Such technology has allowed the Group to provide creative, useful and attractive mobile apps and help to build up a loyal viewer base. With such development, the Group is able to offer targeted marketing and advertising opportunities to not only large corporations, but also small to mid-size enterprises (“SME”). The Group believes that the wider, currently underserved SME segment will be an important contributor to its revenue growth in the long run. The e-classified division of the Group will continue to invest in penetrating this untapped market segment. The Group will also continue to develop its online games business with a view to launching a series of new games.

While the Group’s print media operations in newspaper and other magazines will remain one of its backbone businesses, the Group’s strong brand equity and ability to generate quality news contents are believed to be conducive to a robust growth of the Group’s digital advertising revenue in the years to come.

LETTER FROM THE BOARD

In view of the above, and taking into account (i) the Target Companies' combined losses of HK\$92.6 million for the year ended 31 March 2017, (ii) the nil carrying value of the masthead and publishing rights of *Next Magazine* as at 31 March 2017 according to valuations carried out in the Company's usual course of annual audit, and (iii) the nil net book value of the Business IPs, the Directors consider that the Disposal presents a good opportunity for the Group to realise its investment with a considerable gain on disposal of approximately HK\$278.2 million expected to be recorded (please refer to the Section headed "H. Financial Effects of the Disposal on the Group" for details). The sale proceeds are also expected to enhance the Group's working capital position in meeting its financial needs and funding for future business ventures. Accordingly, the Directors consider that the terms of the SPA were determined after arm's length negotiations between the parties and on normal commercial terms and the terms thereof are fair and reasonable and in the interest of the Group and the Shareholders as a whole.

As at the Latest Practicable Date, the Board has no intention and has not entered into any agreement, undertaking or arrangement to dispose or downsize the Group's existing businesses and major operating assets, or acquire any new businesses.

D. INFORMATION ON THE TARGET COMPANIES

NMAL and NMPL are principally engaged in the Businesses, which mainly encompass the publication and selling of magazines and other printed or electronic materials, and the selling of magazines advertising space under the titles of "*Next Magazine*" (壹週刊) and "*Next Plus*" (壹週Plus). The major operating asset of NMAL and NMPL is the ownership of the mastheads of the magazines related to the Business as listed above. Intellectual Property Rights under the titles of "*Sudden Weekly*" (忽然1周), "*FACE*", "*Easy Finder HK*" (壹本便利), "*ME!*" and "*Next+One*", which are related to the Business, are owned by the Company's other subsidiaries.

"*Next Magazine*" is a weekly magazine that is published in Hong Kong and Taiwan, with an online version available for subscription from Hong Kong, that covers current affairs, political, economic, social and business news and entertainment news. "*Next Magazine*" has a long-standing history and is an established name amongst the mainstream publications in circulation in Hong Kong.

"*Next Plus*" is a mobile app that covers current affairs, political, economic, social and business news and entertainment news. "*Sudden Weekly*" was a women-oriented entertainment magazine that was published in Hong Kong. It ceased publication in August 2015. "*Me!*" was a weekly magazine that was published in Hong Kong and covered cosmetics and fashion. It ceased publication in May 2016. "*Easy Finder HK*" was a weekly magazine which was published in Hong Kong and mainly provided information on new products. Its readers were predominately youth and students. It changed its name to "*FACE*" in May 2007. "*FACE*" covered entertainment, anime, fashion design and leading technology. It ceased publication in April 2016. "*Next+One*" was weekly magazine and covered current fashion, beauty and luxury.

LETTER FROM THE BOARD

Business IPs refers to all such Trademarks, domain names and mobile applications in connection with the Business.

Financial information of the Target Companies

The combined financial highlights of the Target Companies for the years ended 31 March 2015, 31 March 2016 and 31 March 2017 are as follows:

	Year ended 31 March 2017 <i>HK\$'000</i> (audited)	Year ended 31 March 2016 <i>HK\$'000</i> (audited)	Year ended 31 March 2015 <i>HK\$'000</i> (audited)
Turnover	114,470	206,611	299,477
Net (Loss)/Profit for the Year	(92,550)	(25,298)	19,239
	As at 31 March 2017 <i>HK\$'000</i> (audited)	As at 31 March 2016 <i>HK\$'000</i> (audited)	As at 31 March 2015 <i>HK\$'000</i> (audited)
Total Assets	317,308	429,677	452,561
Total Liabilities	49,414	71,391	68,650
Net Assets	267,894	358,286	383,911

E. INFORMATION ON THE SELLERS AND THE GUARANTOR

Seller A is a private limited company incorporated in Hong Kong and is indirectly wholly-owned by the Company. Seller A is an investment holding company and its principal business activity is the holding of ownership interests in NMAL. NMAL is a private limited company incorporated in Hong Kong and is indirectly wholly-owned by the Company.

Seller B is a private limited company incorporated in the British Virgin Islands and is indirectly wholly-owned by the Company. Seller B is an investment holding company and its principal business activity is the holding of ownership interests in NMPL and its Taiwan branch. NMPL is a private limited company incorporated in Hong Kong and is indirectly wholly-owned by the Company.

LETTER FROM THE BOARD

The Company is the Guarantor under the SPA. The Group's main business activities are publication in newspapers, magazines and books in Hong Kong and Taiwan in digital and printed forms. It also sells advertising space in those forms and receives subscriptions on the web versions. Furthermore, it provides printing and reprographic services and develops mobile and online games and apps.

F. INFORMATION ON THE BUYER

The Buyer is a private limited company incorporated in the British Virgin Islands and is an investment holding company. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Buyer and its ultimate beneficial owner are independent third parties of the Company and its connected persons.

G. LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.06 of the Listing Rules in respect of the Disposal exceed 25% but are less than 75%, the Disposal constitutes a major transaction of the Company and is subject to notification, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has a material interest in the Disposal and is required to abstain from voting for the resolution to approve the Disposal, should the Disposal be put forward to the Shareholders to approve at a general meeting of the Company.

Mr. Lai, the controlling Shareholder of the Company holding 1,786,533,165 Shares (representing approximately 73.46% of the total issued Shares) as at the Latest Practicable Date, having the right to attend and vote at any general meeting of the Company has given his written approval of the Disposal. The written shareholder's approval from Mr. Lai is accepted in lieu of holding a general meeting and no general meeting of the Company is required to be convened for the approval of the Disposal pursuant to Rule 14.44 of the Listing Rules.

H. FINANCIAL EFFECTS OF THE DISPOSAL ON THE GROUP

Immediately after Final Completion, the Company will cease to have any shareholding in the Target Companies and accordingly, the Target Companies will cease to be subsidiaries of the Company and the financial results of the Target Companies will no longer be consolidated into the Group's financial statements.

LETTER FROM THE BOARD

Upon Final Completion, the Group is expected to record a gain on disposal of the Target Companies and Business IPs of approximately HK\$278.2 million, which is arrived at on the basis of the Consideration, and deducting from it (i) the net book value of the Business IPs (which is nil), (ii) the adjusted net asset of the Target Companies to be transferred of approximately HK\$8.7 million (as adjusted from the Target Companies' net assets as at 31 March 2017 in the amount of approximately HK\$267.9 million taking into account the effect of (a) the unaudited combined losses of the Target Companies during April 2017 to July 2017 in the aggregate amount of approximately HK\$31.1 million, and (b) the proposed distribution (by way of dividend) of all aggregate retained earnings by the Target Companies prior to Completion, which are estimated to be in the amount of approximately HK\$228.1 million), (iii) partial retention amount and settlement of litigation claim to be written off in the total amount of approximately HK\$31.0 million, and (iv) the professional fees of approximately HK\$2.1 million expected to be incurred in respect of the Disposal. As a result of the Disposal, the revenue of the Group for the twelve months ending 31 March 2018 will decrease by HK\$114.5 million and the Group's net loss for the same period will decrease by HK\$92.6 million. The Group will settle or waive all intra-group indebtedness with NMAL and NMPL. Dividends and/or distributions will be made in respect of all amounts of retained earnings of NMAL and NMPL immediately before Completion.

The Group intends to apply the net sale proceeds of HK\$278.2 million as repayment of bank borrowings and working capital for the development of the Group's business ventures, such as the e-classified.

I. ADDITIONAL INFORMATION

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

Yours faithfully,
By Order of the Board
Ip Yut Kin
Non-executive Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 March 2015, 2016 and 2017 are disclosed in the following documents respectively which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.nextdigital.com.hk/investor/):

- the Company's annual report for the year ended 31 March 2015 (<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0626/LTN20150626590.pdf>);
- the Company's annual report for the year ended 31 March 2016 (<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0627/LTN20160627259.pdf>); and
- the Company's annual report for the year ended 31 March 2017 (<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0626/LTN20170626305.pdf>).

2. INDEBTEDNESS

Bank Borrowings

The total carrying amounts of the Group's outstanding bank borrowings as at 31 August 2017 were approximately HK\$466.8 million. The bank borrowings were guaranteed by Next Digital Limited and secured by freehold land and buildings of certain subsidiaries of the Group located in Taiwan.

Contingent liabilities

In connection with the acquisition of Database Gateway Limited and its subsidiaries (the "Acquired Group") on 26 October 2001, the Group may be subject to contingent liabilities including all payments, claims, suits, damages and settlement payments and any associated costs and expenses arising, made or incurred after 26 October 2001 arising out of or in connection with (1) any third party claims made against the Acquired Group on and before 26 October 2001, (2) defamation claims, claims for infringement of intellectual property rights and other proceedings and claims which may in the future arise from the content of the newspapers and magazines published by the Acquired Group on and at any time before 26 October 2001, and (3) the contractor dispute with UDL Contracting Limited. Mr. Lai, a controlling shareholder of the Company, has undertaken to provide unlimited personal indemnities to the Acquired Group against all contingent liabilities (the "Indemnity"). In relation to the Indemnity, Mr. Lai also procured a bank guarantee of HK\$60,000,000 for a term of three years up to 25 October 2016 and the guarantee was renewed on 26 October 2016 for a further term of three years up to 25 October 2019, in favour of the Company and the Acquired Group in respect of his obligations under the Indemnity. As at 31 August 2017, no amount has been recognised as liabilities.

Save as disclosed above or as otherwise mentioned herein, and apart from group liabilities and normal accounts payables in the ordinary course of business as at 31 August 2017, the Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities.

3. 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 internally generated cash flows and existing bank facilities available, the Group has sufficient working capital for its requirements for at least 12 months from the date of this Circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group's main business activities are publication in newspapers, magazines and books in Hong Kong and Taiwan in digital and printed forms. It also sells advertising space in those forms and receives subscriptions on the web versions. Furthermore, it provides printing and reprographic services and develops mobile and online games and apps.

Upon Final Completion of the Disposal, the Group will focus on developing its other existing media products whilst continuing to evaluate other business opportunities with a view to creating value for Shareholders. The Group will re-align its product offering to better serve readers and advertisers alike for the newspaper. The Group will further devote numerous resources to build a robust digital presence, developing online platforms for all its publications and creating original and engaging content using new technologies such as animation video news, 360-degree and virtual reality videos. It will offer targeted marketing and advertising opportunities to not only large corporations, but also small to mid-size businesses. The Group believes that the wider, currently under-served SME segment will be an important contributor to the Group's revenue growth in the long run.

Discussion on Digital Businesses Division

As digital media has overtaken print media as the preferred source of news, the Company's digital businesses division has steadily increased its share of contribution to the Group during the financial year ended 31 March 2017.

The Division's external revenues, consisting primarily of online advertising revenue, together with content licensing payments, games and content sponsorship, and in-app purchase of virtual products, amounted to HK\$649.7 million for the year ended 31 March 2017. This represents a decrease of 1.5% on the previous year's figure of HK\$659.7 million for the year ended 31 March 2016, of which, around 76.0% was generated in Hong Kong while the remaining was from Taiwan and other regions.

The Division recorded a segment loss of HK\$1.2 million for the year ended 31 March 2017 compared with a segment profit of HK\$35.2 million in the previous year. During the year, the Group faced strong competition not only from an increasing arrays of new local entrants on digital media, but also global platforms and social media that are vying for the same advertisers' spending as *Apple Daily*. This had in effect dampened the Group's topline momentum for the moment. But as the Group further improves its technology infrastructure to gear up for a more proactive monetization strategy, the Group believes there is a positive prospect for further growth.

Despite heightened competition from both local media and, more significantly global platforms that have increased their focus on news contents, the digital version of *Apple Daily* maintained its dominant position as the most-visited online news destination in Hong Kong and Taiwan, with a highly successful market reach of over 75%. The Group's key digital strategy is to leverage *Apple Daily*'s user base of 4.5 million monthly unique visitors in Hong Kong and over 12 million in Taiwan by offering more lifestyle contents and creating more monetization opportunities with new products. As the *Apple Daily* news website becomes a daily frequented destination for the majority of the news followers, it has also become a popular destination for user generated contents (UGC). It is not unusual that many of the most spontaneous and viral news stories have found its way to the *Apple Daily* platform, enriching the users' choice of contents and giving them an unlimited source of information.

All of the Group's magazine contents are now available on an integrated *Apple Daily* platform, so that a cross platform synergy can be realized on a "super app". As such, the number of readers and page views of the Group's magazines are all consolidated with that of *Apple Daily* and seeing a healthy growth for the Group's future development in this respect. In addition, *Apple Daily* launched a VR app ("VR App"), the first of its kind in Hong Kong, and created new excitements for both the Group's users and advertisers. The launch of the VR App was supported with a free VR cardboard for all *Apple Daily* newspaper purchasers, making use of the printed paper's extensive distribution base.

In North America, *Apple Daily's* localized version has built up significant traffic. As at 31 March 2017, *Apple Daily* has recorded over 1.6 million monthly unique visitors in the USA, and close to half a million in Canada, showing the popularity of the title among the overseas Chinese population.

The Group has always regarded the small to medium size businesses as one of the backbones of Hong Kong's economic success. This market has been underserved in the digital space. The e-classified division of the Group has continued to invest in penetrating this untapped market segment, and has now gained a solid foothold in this segment. Over 10,000 businesses in Hong Kong have been listed on the digital red page on *Apple Daily*, paving the way for a more diversified client base for the Group that are also benefiting from the location based digital technology of the *Apple Daily* App. The Group's online games business has stabilized over the reporting year and a line-up of new games has been launched in the second half of the year.

Prospect of Digital Businesses Division

The Group has since devoted numerous resources to building a robust digital presence, developing online platforms for all its publications and creating original and engaging content using new technologies such as animation video news, 360-degree and Virtual Reality videos. These innovations have allowed the Group to accumulate a loyal viewer base. With such development, the Group is able to offer targeted marketing and advertising opportunities to not only large corporations, but also small to mid-size enterprises ("SME"). The Group believes that the wider, currently underserved SME segment will be an important contributor to its revenue growth in the long run.

Discussion on Newspapers Publication and Printing Division

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

During the financial year ended 31 March 2017, the Group focused on the transformation into digital media and maintained the position of the most widely read paid-for newspaper. The Division's revenue for the year ended 31 March 2017 amounted to HK\$906.4 million, a decrease of 24.3% against the figure of HK\$1,197.0 million for the year ended 31 March 2016, which was mainly attributable to the decrease in both print advertising income and circulation income derived from the Group's newspapers, and the impairment loss of HK\$202.4 million of the masthead and publishing right of *Apple Daily*.

Apple Daily

Since the inception, *Apple Daily* has been known for its bold reporting style, vibrant and contemporary layout. These attributes have enabled *Apple Daily* to stand out amidst numerous competing newspapers. As at 31 March 2017, *Apple Daily* continues to dominate and retain its leadership position as the most widely read paid-for newspaper in Hong Kong. Its daily sales between July and December 2016 averaged 130,230 copies, compared with 149,739 in the same period of 2015.

During the financial year ended 31 March 2017, *Apple Daily's* revenue amounted to HK\$347.8 million, a 24.1% decrease on the previous year's figure of HK\$458.3 million. The advertising revenue for the year ended 31 March 2017 was HK\$141.1 million, a 38.8% decrease on the previous year's total of HK\$230.6 million. The main sources of the Group's advertising revenue were from health food, travel, loan, pharmaceutical items and automobile.

Due to the continued contraction of sales in the newspaper, *Apple Daily's* circulation revenue for the year decreased to HK\$206.7 million, which was 9.2% lower than the previous year's figure of HK\$227.7 million.

Taiwan Apple Daily

Building upon *Apple Daily's* success in Hong Kong, *Taiwan Apple Daily* was introduced to the island in 2003. *Taiwan Apple Daily* built on the readers' preference for lively and informative reporting and soon gained loyal and widespread readership.

The switch of advertising spending from print to digital accelerates significantly in Taiwan. During the financial year ended 31 March 2017, *Taiwan Apple Daily's* total revenue stood at HK\$440.2 million, a decrease of 26.0% on the previous year's HK\$594.7 million. Advertising revenue accounted for HK\$290.5 million of this revenue, 28.1% less than the figure of HK\$403.9 million recorded for the preceding 12 months, whereas its circulation revenue accounted for HK\$148.3 million, 21.6% less than the figure of HK\$189.1 million a year earlier. The main sources of advertising revenue were generated from property, decoration and furnishings sectors, IT, department stores and automobiles.

Taiwan Sharp Daily

Taiwan Sharp Daily, the Group's free daily newspaper launched in October 2006, has been distributed to travelers with a daily mix of news, entertainment and features at Taipei Rapid Transit's subway stations every morning from Monday to Friday with a daily average of 103,975 copies between January and December 2016.

This free daily newspaper has proved to be popular with advertisers, in particular, small local advertisers who cannot afford expensive island-wide advertising campaigns, as it offers cost-efficient access to the commuters.

During the financial year ended 31 March 2017, the major advertisers for *Taiwan Sharp Daily* were mainly from department stores, restaurants, banking, food and computer, communications, and consumer electronics sectors.

Apple Daily Printing Limited (“ADPL”)

As more and more people favour online news outlets, there is less demand for traditional newspapers and thus the newspaper printing industry has been impacted significantly. The Group’s newspaper printing division was affected adversely by the decrease in print runs of not only the Group’s newspaper publications but also other newspaper agencies. ADPL continued to make positive contribution to the Group. It recorded a total revenue of HK\$168.9 million for the year ended 31 March 2017, a decrease of 27.9% on its total revenue of HK\$234.1 million during the year ended 31 March 2016. The external revenue of ADPL amounted to HK\$95.1 million for the year ended 31 March 2017, a decrease of HK\$18.8 million or 16.5% against the figure of HK\$113.9 million achieved in the year ended 31 March 2016.

Prospect of Newspapers Publication and Printing Division

As a leader in the print media, the Group will safeguard its position through leaner operations and seek additional opportunities to maintain a diversified revenue portfolio. The Group’s strong brand equity and ability to generate quality news contents are believed to be conducive to a robust growth of the Group’s digital advertising revenue in the years to come.

Discussion on Books and Magazines Publication and Printing Division

The competition in the magazine market continues to be tense. The shift of reading habits from print properties to free online media has further reduced the revenue stream of the Group’s magazines. The Company’s commercial printing business is facing keen and tough competition from an increasing number of rival companies from around the world, especially Mainland China. The Group’s operations for the year ended 31 March 2017 was also adversely affected as existing clients became increasingly price sensitive and readers continuously shift toward online media sources that reduced the demand of books and magazines.

During the financial year ended 31 March 2017, the Group continued its magazine consolidation to maintain competitiveness and enhance value to its readers. Since 6 April 2016, *Ketchup*, *Auto Express* and *Trading Express* were sold as a bundle at a selling price of HK\$10.0. In June 2016, *Auto Express* and *Trading Express* were bundled with *Next Magazine* and *Eat & Travel Weekly* as a new bundle to enhance the appeal of *Next Magazine* at the same selling price of HK\$20.0.

The total revenue of the commercial printing business for the year ended 31 March 2017 amounted to HK\$96.6 million, which was 26.1% less than its revenue of HK\$130.7 million recorded in the previous year. Of which, revenue from external customers amounted to HK\$70.6 million, a decrease of 3.4% on the preceding year's figure of HK\$73.1 million. This was mainly attributable to the cessation of publication and/or decrease in print runs of the Group's magazines as well as the decrease in external printing orders.

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

Prospect of Books and Magazines Publication and Printing Division

Although sales of physical books are affected by digital, physical book reading experience cannot be completely replaced by digital. As a leader in the print media, the Group is committed to improving the quality of print and raising reading experience of readers, so that people are still willing to pay the money to buy the physical books. On the other hand, the Group will control the operational cost and efficiency strictly in order to compete with other printing companies in terms of speed, quality and price.

The Group intends to explore more source of income. For instance, *Eat & Travel Weekly* changed from print version to digital version with a view to broadening its advertising income base. Following the Disposal, *Trading Express* and *Job Finder* (currently known as *JF Digital*) are expected to be distributed for free in newsstands and convenient stores around Hong Kong.

5. MATERIAL ADVERSE CHANGE

The Directors confirmed that, as at the Latest Practicable Date, they are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2017, being the date to which the latest published audited consolidated financial statements of the Company were made up.

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. INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or the chief executive of the Company were taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in the Listing Rules were as follows:

(i) Long positions in ordinary Shares and underlying Shares

Name of Director/ Chief Executive	Personal interests	Number of Shares			Other interests	Interests in underlying Shares/equity derivatives	Total Shares	Percentage of Company's issued share capital
		Family interests	Corporate interests					
Ip Yut Kin	10,200,377	2,630,000	-	-	2,500,000 (Note 1)	15,330,377	0.63	
Cheung Ka Sing, Cassian	18,172,000	-	-	-	34,000,000 (Note 1)	52,172,000	2.15	
Chow Tat Kuen, Royston	300,000	-	-	-	4,156,000 (Note 1)	4,456,000	0.18	
Wong Chi Hong, Frank	300,000	-	-	-	510,000 (Note 1)	810,000	0.03	
Lee Ka Yam, Danny	300,000	-	-	-	510,000 (Note 1)	810,000	0.03	
Bradley Jay Hamm	300,000 (Note 2)	-	-	-	510,000 (Note 1)	810,000	0.03	

(ii) Long position in underlying shares of the Company's associated corporations

nxTomo Ltd.

Name of Director/Chief Executive	Personal interests	Number of Shares			Other interests	Interests in underlying shares/equity derivatives	Total shares	Percentage of issued share capital
		Family interests	Corporate interests					
Cheung Ka Sing, Cassian	-	-	-	-	50,000 (Note 3)	-	0.50	

nxTomo Games Limited

Name of Director/Chief Executive	Personal interests	Number of Shares			Other interests	Interests in underlying shares/equity derivatives	Total shares	Percentage of issued share capital
		Family interests	Corporate interests					
Cheung Ka Sing, Cassian	-	-	-	-	50,000 (Note 3)	-	0.49	

Notes:

- (1) These interests represent options granted to the Directors as beneficial owners under the share option schemes adopted by the Company.
- (2) These interests include award shares granted subject to vesting conditions to the Director as beneficial owners. As of the Latest Practicable Date, 200,000 of such awarded shares had been vested and the remaining 100,000 shares remain to be issued on 13 April 2018.
- (3) These interests represent options granted to the Director as a beneficial owner under the share option scheme adopted by the respective associated corporations of the Company as stated.

Save as disclosed above, as at the Latest Practicable Date, to the knowledge of the Company, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

3. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than Directors or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Number of Shares/ Underlying Shares held	Percentage of issued share capital
Lai Chee Ying, Jimmy	1,786,533,165	73.46
Li Wan Kam, Teresa	1,786,533,165 <i>(Note 1)</i>	73.46
David Michael Webb	122,136,000 <i>(Note 2)</i>	5.02

Notes:

- (1) These Shares represent the same total number of Shares held by Mr. Lai, Ms. Li Wan Kam, Teresa is the spouse of Mr. Lai and is deemed to be interested in these Shares.
- (2) 81,900,000 Shares are held by Preferable Situation Assets Limited, a company which is 100% controlled by Mr. David Michael Webb.

Save as disclosed herein, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, there was no other person, other than Directors or chief executive of the Company and (in the case of the other members of the Group) other than the Company, who had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to Section 336 of the SFO.

4. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates (within the meaning of the Listing Rules) had an interest in any business that competes with or is likely to compete, directly or indirectly, with the business of the Group.

5. INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 March 2017 (being the date to which the latest published audited accounts of the Company were made up).

6. INTERESTS IN CONTRACT OR ARRANGEMENT

As at the Latest Practicable Date, there was no contract or arrangement in which any Director was materially interested in and which was significant in relation to the business of the Group.

7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into a service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

8. LITIGATION

As at the Latest Practicable Date, so far as was known to the Directors, none of the members of the Group was engaged in any litigation, arbitration or administration proceedings of material importance and there was no litigation, arbitration or administration proceedings or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

9. MATERIAL CONTRACTS

The members of the Group had, within the date of two years immediately preceding the Latest Practicable Date, entered into the following contracts which were or might be material, other than contracts in the ordinary course of business of the Group:

- (i) the SPA and the Side Letter;
- (ii) the sale and purchase agreement dated 10 January 2017 entered into between the Company and Next Multi-media Entertainment Services Limited, whereby the Company agreed to purchase the urgent power supply equipment from Next Multi-media Entertainment Services Limited for a consideration of NT\$1,388,901 (equivalent to approximately HK\$367,528.64);

- (iii) the sale and purchase agreement dated 10 January 2017 entered into between the Company and Next Media Broadcasting Limited, whereby the Company agreed to sell the urgent power supply equipment to Next Media Broadcasting Limited for a consideration of NT\$752,931 (equivalent to approximately HK\$199,239.33);
- (iv) the sale and purchase agreement dated 8 June 2016 entered into between Amazing Sino International Limited, an indirect wholly-owned subsidiary of the Company and a shareholder of Apple Daily Publication Development Limited (“ADPDL”), in relation to the sale and purchase of 216,688 shares, representing 2.0% of the total issued shares of ADPDL from Mr. Ip Yut Kin at a consideration of HK\$8,840,870; and
- (v) the sale and purchase agreement dated 1 January 2016 entered into between Amazing Sino International Limited, an indirect wholly-owned subsidiary of the Company and a shareholder of ADPDL, in relation to the sale and purchase of 108,344 shares, representing 1.0% of the total issued shares of ADPDL from Mr. Ting Ka Yu, Stephen at a consideration of HK\$4,420,435.

* *for the purpose of conversion of amounts stated in NT\$ into HK\$ in this circular, a conversion of NT\$1:HK\$0.2646 is adopted for illustration purpose only and does not constitute a representation that any amounts in NT\$ or HK\$ have been, could have been or may be converted out such or at any other rate at all.*

10. GENERAL

- (i) The company secretary of the Company is Mr. Chow Tat Kuen, Royston, a member of The Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant of Australia.
- (ii) The registered office and principal place of business of the Company is situated at 1st Floor, 8 Chun Ying Street, Tseung Kwan O Industrial Estate, Tseung Kwan O, New Territories, Hong Kong.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the place of business of the Company in Hong Kong at 1st Floor, 8 Chun Ying Street, Tseung Kwan O Industrial Estate, Tseung Kwan O, New Territories, Hong Kong, during normal business hours on any Business Day from the date of this circular up to and including 13 October 2017:

- (i) the articles of association of the Company;
- (ii) the annual reports of the Company for the two years ended 31 March 2016 and 31 March 2017;
- (iii) the material contracts referred to in the section headed "9. Material Contracts" in this Appendix; and
- (iv) this circular.