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

**VERY SUBSTANTIAL DISPOSAL IN RELATION TO
THE DISPOSAL OF PROPERTY
AND
RESUMPTION OF TRADING**

THE DISPOSAL

On 9 November 2018, the Vendor 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.

LISTING RULES IMPLICATIONS

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.

An EGM will be convened to consider and, if thought fit, to approve the Disposal. 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 and as such, no Shareholder is required to abstain from voting at the EGM to approve the Disposal.

A circular containing, *inter alia*, further details of the Disposal and a notice of the EGM will be despatched to the Shareholders as soon as practicable and not later than 15 business days from the publication of this announcement.

Shareholders and investors should note that the Disposal is subject to, *inter alia*, Shareholders' approval at the EGM and therefore the Disposal may or may not be effected. As such, Shareholders and investors are urged to exercise caution when dealing in the Shares.

RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange was halted at the request of the Company with effect from 3:27 p.m. on 9 November 2018 pending the issue of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 20 November 2018.

INTRODUCTION

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).

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, which have been used by the Vendor for its business operation in Taiwan. Portions of the Property are currently being leased out and 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 date of this announcement. The said loan facility shall be fully repaid upon Completion.

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 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 and uncertainties surrounding the upcoming 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 Appraisers Firm based on 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.

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, the Purchaser and the Escrow Agent shall enter into the Escrow Agreement, 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 Agreement.

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 was 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.

Leaseback

The Vendor and the Purchaser agree to 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 shall be increased by 3% once every 3 years.

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.

As at the date of this announcement, 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 date of this announcement.

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.

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.

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, 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.

IMPLICATIONS UNDER THE LISTING RULES

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.

An EGM will be convened to consider and, if thought fit, to approve the Disposal. 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 and as such, no Shareholder is required to abstain from voting at the EGM to approve the Disposal.

The Company expects that a circular containing, *inter alia*, further details of the Disposal and a notice of the EGM will be despatched to the Shareholders as soon as practicable and not later than 15 business days from the publication of this announcement.

GENERAL

Shareholders and investors should note that the Disposal is subject to, *inter alia*, Shareholders' approval at the EGM and therefore the Disposal may or may not be effected. As such, Shareholders and investors are urged to exercise caution when dealing in the Shares.

RESUMPTION OF TRADING

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DEFINITIONS

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

“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
“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
“EGM”	the extraordinary general meeting of the Company to be held for the purpose of approving, <i>inter alia</i> , the Disposal and the transaction contemplated under the Sale and Purchase Agreement
“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 Agreement”	the agreement to be entered into between the Vendor, 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 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
“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 2 nd -5 th 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
“NT\$”	New Taiwan Dollars, the lawful currency of Taiwan
“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
“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)
“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
“Share(s)”	ordinary share(s) of simple average of HK\$0.94 each in the share capital 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
“%”	per cent

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

Hong Kong, 19 November 2018

** This figure has been rounded to the nearest tenth of a million and, where applicable and unless otherwise specified, the exchange rate of HK\$1.0 = NT\$3.945 is used for the purpose of this announcement for reference only.*

As at the date of this announcement, the Board comprises:

Non-Executive Directors:

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

Independent Non-executive Directors:

Mr. Louis Gordon Crovitz
 Mr. Mark Lambert Clifford
 Mr. Lam Chung Yan, Elic

Executive Directors:

Mr. Cheung Kim Hung
 Mr. Chow Tat Kuen, Royston