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NEXT DIGITAL

NEXT DIGITAL LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00282)

DISCLOSEABLE TRANSACTION DISPOSAL OF THE PROPERTY

THE DISPOSAL

On 28 February 2019 (after trading hours), 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 agreed to sell, and the Purchaser agreed to purchase, the Property for a Consideration of NT\$310.0 million* (equivalent to approximately HK\$78.9 million*) on the basis that the Property be sold free from encumbrances, subject to the terms of the Sale and Purchase Agreement.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in the Listing Rules) calculated in accordance with Rule 14.07 of the Listing Rules is more than 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company and is therefore subject to the notification and announcement requirements pursuant to Chapter 14 of the Listing Rules.

INTRODUCTION

The Company refers to the announcement dated 25 February 2019 regarding the letter of intent in relation to the proposed Disposal of the Property.

On 28 February 2019 (after trading hours), the Vendor, an indirect non 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 agreed to sell, and the Purchaser agreed to purchase, the Property for a Consideration of NT\$310.0 million* (equivalent to approximately HK\$78.9 million*) on the basis that the Property be sold free from encumbrances.

SALE AND PURCHASE AGREEMENT

The key terms of the Sale and Purchase Agreement are set out below.

- Date:** 28 February 2019
- Parties:** (1) Apple Daily Publication Development Limited, an indirect non wholly-owned subsidiary of the Company
- (2) Rich Sou Technology Co., Ltd. (大鏗科技股份有限公司)

The Property

The Property comprises all that parcel of land with a gross floor area of approximately 6,538.3 square metres located at 68 Bengong 5th Road, Gangshan District, Kaohsiung City, Taiwan and the 3-storey building thereon with the total gross floor area of approximately 7,829.5 square metres. Vacant possession of the Property shall be delivered at Completion on an “as is” basis.

A Loan in the amount of NT\$400.0 million* (equivalent to approximately HK\$101.9 million*), which was obtained by the Vendor from Taichung Commercial Bank Co., Ltd. for the purpose of financing the general working capital of the Group, is secured, *inter alia*, by the Charge.

Based on the management accounts 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\$27.9 million* and HK\$28.5 million* respectively both before and after taxation. Net operating expenses attributable to the Property for the financial years ended 31 March 2018 and 31 March 2017 were approximately HK\$27.9 million* and HK\$28.5 million* respectively, as reflected in the management accounts of the Vendor for the years ended 31 March 2018 and 31 March 2017.

Consideration

The Consideration for the Disposal is NT\$310.0 million* (equivalent to approximately HK\$78.9 million*), which was arrived at after arm’s length negotiation between the Vendor and the Purchaser on normal commercial terms with reference to, *inter alia*, the market value of the Property, the development potential of the Property as it would be costly for the Company to maintain the facilities and equipment in the Property for the print business 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.

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

- (1) 1st instalment of NT\$31.0 million* (equivalent to approximately HK\$7.9 million*), being 10% and part payment of the Consideration which has been paid by the Purchaser upon signing of the Sale and Purchase Agreement;
- (2) 2nd instalment of NT\$62.0 million* (equivalent to approximately HK\$15.8 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; and
- (3) 3rd instalment of NT\$217.0 million* (equivalent to approximately HK\$55.2 million*), being a further 70% and part payment of the Consideration which shall be paid by the Purchaser within 5 days of issue of the tax invoice.

In accordance with the terms of the Sale and Purchase Agreement, the Vendor and the Purchaser has entered into the Escrow Agreements with the Escrow Agent respectively on 28 February 2019, 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.

Taxation and charges

- (1) The taxation and charges (including house tax, land tax, utility charges, telephone charges and management fees) payable in connection with the Property accrued before the date of delivery of the Property shall be borne by the Vendor and those accrued after the date of delivery of the Property shall be borne by the Purchaser;
- (2) the land value increment tax shall be borne by the Vendor;
- (3) The stamps tax, registration charges and deed tax payable upon transfer of title of the Property shall be borne by the Purchaser;
- (4) The cost of the Escrow Agreements shall be borne by the parties in equal shares; and
- (5) The construction benefit fee (i) which is being collected but has not been paid prior to the transfer of the title to the Property shall be paid by the Vendor; and (ii) which is not being collected due prior to the transfer of the title to the Property but a notice of collection has been issued shall be borne by the Purchaser.

Completion

The Property shall be delivered to the Purchaser after completion of the registration of transfer of ownership and other relevant registrations or discharges, and shall not be later than 30 June 2019. In the event that the Vendor is unable to deliver the Property at the expiration of the aforesaid time limit, the Vendor shall be liable to liquidated damages at 0.02% of the Consideration for each day of delay starting from 1 July 2019. If the delay exceeds 15 days and the Vendor thereafter fails to deliver the Property within the fixed time specified by the Purchaser, the Purchaser shall be entitled to terminate the Sale and Purchase Agreement.

OTHER AGREED TERMS

In addition to the Sale and Purchase Agreement, on 28 February 2019 (after trading hours), the Vendor and the Purchaser entered into a document titled “其他約定事項” (translated to English as “Other Agreed Terms”), pursuant to which the Vendor agreed to engage, at its own expense, a firm to conduct testings regarding (i) pollutions to the soil and underground water; (ii) radiation pollution; and (iii) chloride ion level in the concrete of the building. If the testing result fails to comply with the statutory standards, the Sale and Purchase Agreement shall forthwith terminate, and the portion of the Consideration already paid shall be refunded to the Purchaser.

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 non wholly-owned subsidiary of the Company, is principally engaged in the business of publication and wholesale and retail sale of newspapers as well as provision of general advertising services in Taiwan.

INFORMATION ON THE PURCHASER

The Purchaser is principally engaged in manufacturing and sales of equipment such as engraving machines and sand blasting and surface treating equipment for professional applications, spare parts and abrasives.

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 third parties independent of the Company and not connected with the Group and its connected persons (as defined under the Listing Rules) as at the date of this announcement.

“Charge”	a charge over the Property
“Company”	Next Digital Limited, a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on the Stock Exchange
“Completion”	completion of the Disposal by way of handover of the Property
“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)”	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
“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 agreements entered into between (i) the Vendor and the Escrow Agent, and (ii) the Purchaser and the Escrow Agent on 28 February 2019 for, among other things, the stakeholding and release 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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	A loan facility in the amount of NT\$400.0 million* (equivalent to approximately HK\$101.9 million*), which was obtained by the Vendor from Taichung Commercial Bank Co., Ltd. for the purpose of financing the general working capital of the Group, is secured, <i>inter alia</i> , by the Charge
“NT\$”	New Taiwan Dollars, the lawful currency of Taiwan

“Property”	all that parcel of land with a gross floor area of approximately 6,538.3 square metres located at 68 Bengong 5th Road, Gangshan District, Kaohsiung City, Taiwan and the 3-storey building thereon with the total gross floor area of approximately 7,829.5 square metres
“Purchaser”	Rich Sou Technology Co., Ltd. (大鏤科技股份有限公司), a company incorporated in Taiwan with limited liability
“Sale and Purchase Agreement”	the agreement entered into between the Vendor and the Purchaser dated 28 February 2019 for, among other things, the sale and purchase of the Property
“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
“Vendor”	Apple Daily Publication Development Limited, a company incorporated in Hong Kong with limited liability and an indirect non wholly-owned subsidiary of the Company
“%”	per cent

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

Hong Kong, 28 February 2019

** 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\$3.927 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