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

**DISCLOSEABLE TRANSACTION  
DISPOSAL OF PROPERTY  
AND  
SUSPENSION OF TRADING**

**THE DISPOSAL**

On 14 July 2021, 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\$500.0 million\* (equivalent to approximately HK\$139.2 million\*) (inclusive of business tax), 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 all are 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.

**SUSPENSION OF TRADING**

Trading in the Shares has been halted with effect from 9:00 a.m. on Thursday, 17 June 2021 pending the release of an announcement containing inside information in relation to recent developments of the Company. Trading in the Shares on the Stock Exchange will continue to be suspended until further notice.

**INTRODUCTION**

Reference is made to the Company's announcement dated 30 June 2021 regarding the letter of intent in relation to the possible Disposal of the Property.

On 14 July 2021, 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\$500.0 million\* (equivalent to approximately HK\$139.2 million\*) (inclusive of business tax), subject to the terms of the Sale and Purchase Agreement.

## **SALE AND PURCHASE AGREEMENT**

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

**Date:** 14 July 2021

**Parties:** (1) Apple Daily Publication Development Limited, an indirect non wholly-owned subsidiary of the Company  
(2) YFY Packaging Inc. (永豐餘工業用紙股份有限公司), a company incorporated in Taiwan

### **The Property**

The Property comprises fifteen parcels of land with an aggregate area of approximately 19,734 square metres and the five buildings thereon with an aggregate area of approximately 17,382 square metres located at No. 550, Yongfu Road, Xinwu District, Taoyuan, Taiwan. Rooftops of the Property are currently being leased out for the installation of solar power generation equipment and the Property shall be delivered at Completion on an “as is” basis subject to such existing lease, which shall be novated to the Purchaser.

A Loan in the amount of NT\$310.0 million\* (equivalent to approximately HK\$86.3 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 by the Charge. The outstanding principal amount under the Loan secured by the Property is NT\$310.0 million\* (equivalent to approximately HK\$86.3 million\*) as at the date of this announcement. The Loan shall be fully repaid with the funds in the Escrow Account before Completion.

Based on the Vendor’s unaudited management accounts for the financial years ended 31 March 2020 and 31 March 2021, the net loss attributable to the Property were approximately HK\$40.8 million and HK\$43.9 million respectively both before and after taxation. Rental income in the amounts of approximately HK\$2,000 and HK\$3,000 were generated from leasing of the rooftops for installation of solar power generation equipment for the financial years ended 31 March 2020 and 31 March 2021 and net operating expenses attributable to the Property for the financial years ended 31 March 2020 and 31 March 2021 were approximately HK\$40.8 million and HK\$43.9 million respectively.

### **Consideration**

The Consideration for the Disposal is NT\$500.0 million\* (equivalent to approximately HK\$139.2 million\*) (inclusive of business tax), 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 valuation of the Property and the recent prevailing market conditions of the property market in Taiwan.

The Property was valued at approximately NT\$442.6 million\* (equivalent to approximately HK\$123.2 million\*) as at 31 March 2021 according to the valuation report dated 28 June 2021 of Global Vision Real Estate Appraisers Firm, an independent appraisal firm, prepared based on the Regulations on Real Estate Appraisal, as well as the prevailing valuation practice and rules of thumb in Taiwan, with reference to the cost of the subject buildings, the estimated annual net income from the subject land parcels and the transaction prices of comparable land parcels in the proximity.

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

- (1) First instalment: NT\$100.0 million\* (equivalent to approximately HK\$27.8 million\*), being 20% and part payment of the Consideration, shall be paid by the Purchaser after signing of the Sale and Purchase Agreement at the time when all the relevant documents necessary for effecting transfer of title in the Property are prepared and executed with company chops affixed;
- (2) Second instalment: NT\$100.0 million\* (equivalent to approximately HK\$27.8 million\*), being 20% and part payment of the Consideration, shall be paid by the Purchaser within three working days from the collection of the land value increment tax invoice and deed tax invoice in respect of the Disposal; and
- (3) Third instalment: NT\$300.0 million\* (equivalent to approximately HK\$83.6 million\*), being 60% and payment of remaining amount of the Consideration, shall be paid by the Purchaser within three days from the land administration agent's notification after (i) the Vendor obtains the consent from the chargee of the Charge to, *inter alia*, release the Charge upon repayment of the Loan; and (ii) the land administration agent receives from the Vendor and the Purchaser the proof of payment of all taxes and charges payable in respect of the Disposal.

In accordance with the terms of the Sale and Purchase Agreement, the Vendor and the Purchaser will enter into the Escrow Agreement with the Escrow Agent, pursuant to which the first, second and third instalments of the Consideration shall be paid by the Purchaser to the Escrow Account, which shall be used to repay all outstanding amounts under the Loan upon completion of the title transfer registration procedures (in case of insufficient funds in the Escrow Account, the Vendor shall immediately advance the amount of the shortfall to the Escrow Account). Any remaining amount in the Escrow Account shall be released by the Escrow Agent to the Vendor at Completion in accordance with the terms of the Escrow Agreement. Upon obtaining the proof of repayment of the Loan, the Vendor shall deliver the same to the land administration agent to apply for release from the Charge.

If any dispute arises prior to Completion in respect of the material rights or obligations of the parties, or the known material defects or repairs about the Property, the Escrow Agent shall cease making payments from the Escrow Account until the dispute is resolved.

### **Taxation and charges**

- (1) The taxation and charges (including house tax, land tax, utility charges, telephone charges, gas charges, public fund, public maintenance fees 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 stamps tax, registration tariffs and deed tax payable upon transfer of title of the Property shall be borne by the Purchaser.
- (3) The registration fees for the transfer in the title of the Property and the registration fees for any charges (if any) to be taken out on the Property by the Purchaser shall be borne by the Purchaser.
- (4) The survey fee and boundary verification fee payable in connection with the Disposal and the registration charges for release of the Charge and the land value increment tax payable upon transfer of the title to the Property shall be borne by the Vendor.
- (5) The construction benefit fee (i) which has been confirmed (if any, 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.
- (6) The Vendor shall engage, at its own expense, an independent qualified person to issue a soil contamination testing report in respect of the Property on 15 October 2021. If the testing results fail to comply with the statutory standards, the Vendor shall be responsible for remedying any such non-compliance within the time limit to be agreed by the parties, failing which the parties may agree to terminate the Sale and Purchase Agreement. In that case, the parties shall bear their own portion of the land administration agent's fee and any part of the Consideration already paid shall be refunded to the Purchaser.

### **Completion**

The Property shall be delivered to the Purchaser within three working days after completion of the registration of transfer of ownership.

### **INFORMATION ON THE GROUP AND THE VENDOR**

The Group is principally engaged in internet advertising, internet subscription and content provision in Taiwan and North America and engaged in provision of books and magazines printing in Hong Kong after cessation of publication of *Apple Daily* and *Next Magazine* in printed and digital form after 24 June 2021 in Hong Kong.

As at the date of this announcement, the Vendor, an indirect non wholly-owned subsidiary of the Company, is principally engaged in publication of newspaper and selling of newspaper advertising space in Taiwan.

### **INFORMATION ON THE PURCHASER**

The Purchaser is principally engaged in the manufacturing of industrial paper and paper packaging. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the holding company of the Purchaser is YFY Inc. (a Taiwan listed company whose single largest shareholder and second largest shareholder are Mr. Shou-Chung Ho and Hsin-Yi Foundation holding approximately 10.28% and 5.66% of shareholding interest in YFY Inc. respectively and the remaining eight largest shareholders each holding less than 5% of shareholding interest in YFY Inc. as of 19 March 2021 based on public information available from the website of YFY Inc.).

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 connected persons (as defined under the Listing Rules) of the Company as at the date of this announcement.

## **REASONS FOR AND BENEFIT OF THE DISPOSAL**

Reference is made to the announcement of the Company dated 14 May 2021 in relation to the strategic plan of the Group to cease publication in print form of the Group's newspaper in Taiwan, namely *Taiwan Apple Daily*, with effect from 18 May 2021. The Property was used for the print media business of the Group in Taiwan and as staff quarters. As the Group is no longer engaged in the print media business in Taiwan, the Property has not been fully utilised. The Disposal is expected to enable the Group to realize cash and unlock the value in its investment in the Property at fair market value. Moreover, the Consideration is higher than the valuation of the Property and the Disposal is expected to enable the Group to recognise an unaudited gain of approximately HK\$41.9 million\*, being the difference between the net proceeds of approximately HK\$130.4 million\* over the carrying value of the Property of approximately HK\$88.5 million\*.

Based on the above, the Directors considered that the terms of the Sale and Purchase Agreement are normal commercial terms and are 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 NT\$317.7 million\* (equivalent to approximately HK\$88.5 million\*) as at 30 June 2021 of the Property as recorded in the fixed assets register as well as the management accounts of the Company as at 30 June 2021 and the direct attributable expenses of approximately NT\$31.6 million\* (equivalent to approximately HK\$8.8 million\*). Upon Completion, a gain in the estimated sum of NT\$150.7 million\* (equivalent to approximately HK\$41.9 million\*) before profits tax is expected to accrue to the Group as a result of the Disposal. Nevertheless, finance costs are expected to be reduced after repayment of certain bank borrowings and more significantly, the operation costs of the Group will be reduced for approximately NT\$5.5 million\* (equivalent to approximately HK\$1.5 million\*) per annum.

## **USE OF PROCEEDS**

The net proceeds to be received by the Vendor from the Disposal is expected to be approximately NT\$468.4 million\* (equivalent to approximately HK\$130.4 million\*), after deducting the expenses directly attributable to the Disposal, including taxes, legal fee, escrow fee and land administration agent's commission, from the Consideration. Subject to actual circumstances and decision of the Board, the net proceeds to be received by the Vendor from the Disposal will be primarily used to repay the Loan and discharge the Charge, which would reduce the finance costs of the Group after repayment of certain bank borrowings. The remaining amount of the net proceeds is intended to be used as general working capital.

## **LISTING RULES IMPLICATIONS**

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## **SUSPENSION OF TRADING**

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## **DEFINITIONS**

The following terms in this announcement have the meanings as set out below opposite to them:-

“Board”	the board of Directors
“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 Account”	an escrow account opened by the Escrow Agent for the purpose of the Disposal
“Escrow Agent”	Bank Sinopac Company Limited (永豐商業銀行股份有限公司), 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 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\$310.0 million* (equivalent to approximately HK\$86.3 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 and secured, <i>inter alia</i> , by the Charge
“NT\$”	New Taiwan Dollars, the lawful currency of Taiwan
“Property”	fifteen parcels of land with an aggregate area of approximately 19,734 square metres and the five buildings thereon with an aggregate area of approximately 17,382 square metres located at No. 550, Yongfu Road, Xinwu District, Taoyuan, Taiwan
“Purchaser”	YFY Packaging Inc. (永豐餘工業用紙股份有限公司), a company incorporated in Taiwan
“Sale and Purchase Agreement”	the agreement entered into between the Vendor and the Purchaser dated 14 July 2021 for, among other things, the sale and purchase of the Property
“Share(s)”	ordinary share(s) of the Company
“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  
**Ip Yut Kin**  
*Chairman*

Hong Kong, 14 July 2021

\* *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\$3.593 is used for the purpose of this announcement for reference only*

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

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

*Independent Non-executive Directors:*  
Mr. Louis Gordon Crovitz  
Dr. Mark Lambert Clifford  
Mr. Lam Chung Yan, Elic