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NEXTDIGITAL

NEXT DIGITAL LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code : 00282)

MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF PROPERTY

THE DISPOSAL

The Board is pleased to announce that on 8 December 2020, 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\$1,750.0 million* (equivalent to approximately HK\$475.8 million*) (inclusive of business tax) 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 25% but is less than 75%, the Disposal contemplated under the Sale and Purchase Agreement constitutes a major transaction of the Company and is therefore subject to reporting, announcement, circular and Shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, none of the Shareholders has a material interest in the Disposal contemplated under the Sale and Purchase Agreement and as such, no Shareholder is required to abstain from voting on the resolution to approve the Disposal, should the Disposal be put forward to the Shareholders for consideration and approval at a general meeting of the Company.

Mr. Lai, the controlling Shareholder of the Company holding 1,878,657,165 Shares as at the date of this announcement, representing approximately 71.26% of the total issued Shares, 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 by Mr. Lai has been 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.

A circular containing, inter alia, further details of the Disposal 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 are urged to exercise caution when dealing in the Shares.

INTRODUCTION

Reference is made to the announcement of the Company dated 26 November 2020 in relation to the Disposal.

The Board is pleased to announce that on 8 December 2020, 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\$1,750.0 million* (equivalent to approximately HK\$475.8 million*) (inclusive of business tax) subject to and upon, inter alia, the terms of the Sale and Purchase Agreement.

SALE AND PURCHASE AGREEMENT

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

Date	8 December 2020
Parties	(1) Vendor, an indirect wholly-owned subsidiary of the Company (2) Purchaser

The Property

The Property is the entire building located at No. 39, Lane 141, Xing'ai Road, Neihu District, Taipei City 114, Taiwan, together with a total of 92 car-parking spaces with the total area of approximately 15,323.48 square metres. Currently, the Property is principally being used by the Group for its business operations in Taiwan, with a small portion of the same (with a floor space of 614.88 square metres) being leased to an Independent Third Party. The Property will be delivered at Completion on an "as is" basis subject to the existing tenancy referred to above.

The Property was constructed by the Group and the construction completed in around February 2010. Its carrying value (which was recognised based on historical construction costs in the Company audited consolidated financial statements as at 31 March 2020) amounted to HK\$278.6 million. Other fixed assets with carrying value of approximately HK\$3.8 million as recorded in the Company's consolidated financial statements for the year ended 31 March 2020 are included as part of the transaction.

Based on the audited financial statements (excluding intra-group transactions) of the Vendor for the two years ended 31 March 2020 and 31 March 2019, the net loss attributable to the Property for the financial years ended 31 March 2020 and 31 March 2019 were approximately HK\$8.4 million and HK\$9.2 million respectively both before and after taxation and extraordinary items. Rental income in the amounts of approximately HK\$2.3 million and HK\$2.3 million were generated from leasing of part of the Property for the financial years ended 31 March 2020 and 31 March 2019 respectively and the net operating expenses attributable to the Property of approximately HK\$10.7 million and HK\$11.5 million were incurred for the financial years ended 31 March 2020 and 31 March 2019 respectively, as reflected in the audited financial statements of the Vendor for the years ended 31 March 2020 and 31 March 2019.

Following Completion of the Disposal, the Group will relocate its business units currently operating at the Property to other leased properties of the Group in Taiwan. The Disposal is not expected to adversely affect the Group's existing business operations in Taiwan.

Consideration and payment terms

The Consideration for the Disposal is NT\$1,750.0 million* (equivalent to approximately HK\$475.8 million*) (inclusive of business tax), which was arrived at after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms with reference to, among other things, the latest valuation of the Property as at 31 October 2020 of NT\$1,758.8 million* (equivalent to approximately HK\$478.2 million*), and the prevailing market conditions of the property market in Taiwan and taking into account current global pandemic situation. In determining the Consideration, the management of the Company has also considered recent offers from other potential buyers of the Property.

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

- (1) First instalment of NT\$350.0 million* (equivalent to approximately HK\$95.2 million*), being 20% and part payment of the Consideration, shall be paid by the Purchaser into the Escrow Account upon execution of the Sale and Purchase Agreement and the depositing of the Property ownership document with the land administration agent appointed by the Purchaser;
- (2) Second instalment of NT\$175.0 million* (equivalent to approximately HK\$47.6 million*), being 10% and part payment of the Consideration, shall be paid by the Purchaser into the Escrow Account upon the approval of the Disposal by the Shareholders at the EGM (if applicable) and within 3 working days upon obtaining tax invoices in respect of the applicable land value increment tax and deed tax in respect of the Disposal; and
- (3) Third instalment of NT\$1,225.0 million* (equivalent to approximately HK\$333.0 million*), being 70% and part payment of the Consideration, shall be paid by the Purchaser's financing institution into the Escrow Account (with any shortfall to be met by cash payment by the Purchaser) within 3 days from the land administration agent's notification of completion of all title transfer registration procedures. The Vendor shall deposit a cashier's order in the sum of NT\$87.5 million* (equivalent to approximately HK\$23.8 million*) with the Purchaser as guarantee for Vendor's performance of its obligations at Completion, whereupon the said cashier's order shall be returned to the Vendor.

The Vendor, the Purchaser and the Escrow Agent shall enter into the Escrow Agreement, pursuant to which the first instalment, second instalment and third instalment of the Consideration shall be paid by the Purchaser to O-Bank Co., Ltd., which shall be stakeheld and released by the Escrow Agent upon Completion in accordance with the terms of the Escrow Agreement.

Taxation and charges

Pursuant to the Sale and Purchase Agreement:

- (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 the 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 stamp duty, registration charge and deed tax payable upon transfer of title of the Property shall be borne by the Purchaser;
- (3) The service fees for registration of the transfer in the title of the Property and creation of mortgage shall be borne by the Purchaser;
- (4) The service fees for release of mortgage (if any) 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 (if any) (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) if applicable, 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) obtaining of regulatory clearance on disclosure in relation to the Disposal.

If the Conditions cannot be fulfilled on or before 15 March 2021 or other date as may be agreed by the Parties, the Sale and Purchase Agreement will cease to be legally binding and in such event, the Vendor and the Purchaser shall return to the other 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, 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 holding of the Property and the business of provision of property leasing.

INFORMATION ON THE PURCHASER

The Purchaser is incorporated in Taiwan and is principally engaged in the development of gaming software and other software application, as well as operation of gaming platform. Based on information available to the Company, Mr. Hsiao Cheng Hao himself and through a company controlled by him, being the top two shareholders of the Purchaser, holds more than 60% of the issued shares of the Purchaser. 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 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 asset value underlying the Property. The net proceeds to be received by the Vendor from the Disposal will strengthen the cashflow of the Group and enhance working capital condition of the Group to allow for reallocation of its resources for future development. The Directors have also reviewed the latest valuation of the Property as at 31 October 2020 and is of the view that the consideration under the Sale and Purchase Agreement, which represents a slight premium at approximately 0.5% to the latest valuation, is reasonable taking into account current general market sentiment as impacted by the COVID-19 pandemic situation.

The Directors considered that the Sale and Purchase Agreement is on normal commercial terms, its terms 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

The expected net proceeds from the Disposal is approximately HK\$462.0 million based on the expected gross proceeds from the Disposal of approximately HK\$475.8 million and the directly attributable expenses of approximately HK\$13.8 million. Taking into account the expected net proceeds and the carrying value (which represents the book value) of the Property and other fixed assets of approximately HK\$282.4 million as recorded in the audited consolidated financial statements of the Company as at 31 March 2020, a gain in the estimated sum of approximately HK\$179.6 million before profits tax is expected to accrue to the Group as a result of the Disposal. The rental income to the Group will be decreased by approximately HK\$2.3 million per annum upon completion of the Disposal. The Group's finance costs are expected to reduce by approximately HK\$4.8 million per annum after repayment of certain bank borrowings with proceeds from the Disposal.

USE OF PROCEEDS

The expected net proceeds of approximately HK\$462.0 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\$634.8 million* (equivalent of approximately HK\$172.6 million*) for repaying the bank loans to O-Bank Co., Ltd. and discharging the charge over the Property and (ii) the remaining HK\$289.4 million for general working capital.

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 25% but is less than 75%, the Disposal contemplated under the Sale and Purchase Agreement constitutes a major transaction of the Company and is therefore subject to reporting, announcement, circular and Shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, none of the Shareholders has a material interest in the Disposal contemplated under the Sale and Purchase Agreement and as such, no Shareholder is required to abstain from voting on the resolution to approve the Disposal, should the Disposal be put forward to the Shareholders for consideration and approval at a general meeting of the Company.

Mr. Lai, the controlling Shareholder of the Company holding 1,878,657,165 Shares as at the date of this announcement, representing approximately 71.26% of the total issued Shares, 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 by Mr. Lai has been 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.

The Company expects that a circular containing, inter alia, further details of the Disposal 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 are urged to exercise caution when dealing in the Shares.

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 conveyance of the Property pursuant to the Sale and Purchase Agreement
“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, inter alia, the Disposal and the transactions contemplated under the Sale and Purchase Agreement (if applicable)
“Escrow Account”	an escrow account opened by the Escrow Agent for the purpose of the Disposal
“Escrow Agent”	O-Bank Co., Ltd. (王道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
“Independent Third Party(ies)”	Individual(s) or company(ies) which is/are independent of and not connected with (within the meaning of the Listing Rules) any member of the Group, the Directors, chief executive and substantial shareholders of the Company and its subsidiaries and their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Mr. Lai”	Mr. Lai Chee Ying, the controlling Shareholder of the Company holding 1,878,657,165 Shares as at the date of this announcement, representing approximately 71.26% of the total issued Shares
“NT\$”	New Taiwan Dollars, the lawful currency of Taiwan
“Property”	all that parcel of land with a total area of approximately 3,022.25 square metres located at Nos. 24-1, 24-2, 24-3, 24-9, Jiuzong Section, Neihu District, Taipei City 114, Taiwan and one block of office building with the total area of approximately 15,323.48 square metres constructed on No. 39, Lane 141, Xing’ai Road, Neihu District, Taipei City 114, Taiwan
“Purchaser”	Wanin International Co., Ltd. (網銀國際股份有限公司), a company incorporated in Taiwan with limited liability and the purchaser of the Property under the Sale and Purchase Agreement
“Sale and Purchase Agreement”	the agreement entered into between the Vendor and the Purchaser dated 8 December 2020 for, among other things, the sale and purchase of the Property
“Share(s)”	ordinary share(s) 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
“Vendor”	Next Media Broadcasting Limited, a company incorporated in Taiwan with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent

By Order of the Board
Cheung Kim Hung
*Chief Executive Officer and
Executive Director*

Hong Kong, 8 December 2020

* *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\$3.678 is used for the purpose of this announcement for reference only*

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

Executive Directors:

Mr. Lai Chee Ying (*Chairman*)

Mr. Cheung Kim Hung

Mr. Chow Tat Kuen, Royston

Mr. Chang Yue Shing

Independent Non-executive Directors:

Mr. Louis Gordon Crovitz

Dr. Mark Lambert Clifford

Mr. Lam Chung Yan, Elic

Non-executive Director:

Mr. Ip Yut Kin