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

**INSIDE INFORMATION
RELATING TO
A SHAREHOLDER OF THE COMPANY**

AND

RESUMPTION OF TRADING

This announcement is made by the board of directors (the “Board”) of Next Digital Limited (the “Company” and together with its subsidiaries, the “Group”) pursuant to Rule 13.09 of the Rules (“Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Inside Information Provisions (as defined in the Listing Rules) of Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”).

NOTICE

On 14 May 2021, the National Security Department sent a letter (“Letter”) to Mr. Cheung Kim Hung (“Mr. Cheung”), the chief executive officer and executive director of the Company, enclosing a notice (“Notice”) issued by the Secretary for Security to Mr. Lai Chee Ying (“Mr. Lai”), the Company’s controlling shareholder, under section 3 of Schedule 3 to the Implementation Rules for Article 43 of the Law of the People’s Republic of China on Safeguarding National Security in the Hong Kong Special Administrative Region. Based on the contents of the Notice, the Secretary for Security has directed that Mr. Lai must not, directly or indirectly, deal with the offence related property specified in the Notice (“Specified Property”) except under the authority of a licence granted by the Secretary for Security. In the Letter, the National Security Department, among other matters, reminded Mr. Cheung and the Company not to do anything to aid or abet any person to deal with the Specified Property in contravention of the Notice and the potential relevant legal consequences for doing so.

In the Notice, the following properties are listed as Specified Property:-

- (a) All shares in the Company held by Mr. Lai and the related physical share certificates registered in the name of Mr. Lai; and
- (b) All choses in action held against the banks in the bank accounts of three companies which are directly or indirectly wholly owned by Mr. Lai.

EFFECT ON THE COMPANY

In light of the Notice, the Board has assessed the current and potential long term financial and operational impact which the Notice may have an effect on the Company. The Board has the observations below.

- (I) The assets listed as the Specified Property in the Notice are assets of Mr. Lai and not of the Company or its subsidiaries. The “freezing” of the Specified Property therefore does not have any impact on the outstanding shareholder’s loan (in respect of which no demand for early repayment has been made) provided by Mr. Lai to the Group which funds are maintained with bank accounts held by members of the Group.
- (II) Unaudited bank and cash balances of the Group as at 31 March 2021 were approximately HK\$521.4 million. The management of the Group has prepared and reviewed unaudited consolidated statement of cash flows for the 18 month period ending 30 September 2022 and based on such review, the management considers that the existing working capital of the Group will remain sufficient for at least 18 months from 1 April 2021 without additional funding from Mr. Lai, taking into account, among other matters, (1) outstanding bank borrowings of the Group as at 31 March 2021 in the total amount of HK\$93.6 million which are repayable before 30 September 2022; (2) trade and other receivables in the amount of HK\$181.3 million; and (3) other current liabilities including, trade and other payables in the amount of HK\$381.8 million and contract liabilities in the amount of HK\$69.4 million as at 31 March 2021.
- (III) There is no cross default provision that may be triggered under existing loan covenants. There is no loan covenant that requires Mr. Lai to continue to provide funding or pledge of Mr. Lai’s shareholding. As at 31 March 2021, the Group had outstanding bank borrowings in the total amount of HK\$93.6 million which the Company expects to continue to repay in accordance with their respective schedules.
- (IV) The management of the Company expects there to be costs savings in the longer run as a result of recent decision to cease publication of *Taiwan Apple Daily* in printed form. *Taiwan Apple Daily* will continue to be accessible at <https://tw.appledaily.com>. The readers will benefit as the management focuses on using the growing opportunities of online publishing to serve readers well. The business model of the Company has not changed since it announced its strategic plan to shift from print to digital in 2015.
- (V) The Specified Property do not include bank accounts of the Company and/or its subsidiaries and as of time of publication of this announcement, the Company and/or its subsidiaries operate their respective bank accounts in the same manner as they do prior to issue of the Notice.
- (VI) The Board discussed with the Company’s auditor in relation to the issue of the Notice and did not identify any obstacle which may result in the Group’s financial information for the year ended 31 March 2021 not being able to be published by end of June 2021 as scheduled, as a result of the issue of the Notice or otherwise.

Based on the above observations, the Board does not expect the issue of the Notice to have an immediate negative effect on the financial situation or operations of the Group. The Board will keep a constant review of the situation and issue further announcement as and when necessary. Except as disclosed in this announcement and based on current circumstances, the Board does not consider there to be any other information that needs to be brought to the attention of the Stock Exchange and shareholders of the Company or requires to be disclosed under the Inside Information Provisions of the SFO. As at the date of this announcement and based on latest disclosure of interest form filed with the Company, Mr. Lai is interested or deemed interested in 1,878,657,165 shares of the Company representing approximately 71.26% of the total issued shares in the Company under the SFO.

EFFECT ON TRADING

While Mr. Lai has been specifically prohibited under the Notice to deal with shares of the Company owned or held by him, the Company does not consider that such prohibition under the Notice will change or affect the existing trading volume pattern of the shares in the Company. In this regard, the Board notes the following matters which may be relevant:-

- (i) while Mr. Lai's shareholding in the Company involve approximately 71.26% of the existing total issued shares of the Company, based on information available to the Company, Mr. Lai has not disposed of his shareholding in the Company since 2006 and his last acquisition of shares was in October 2018; the market has therefore been trading for a long period of time without Mr. Lai's shares;
- (ii) the Company's shares have been traded at an average daily trading volume of 23,128,897 shares in the last 12 months (excluding exceptional surge in trading volume between 10 and 12 August 2020 (both dates inclusive)) representing approximately 0.88% of the total issued shares of the Company as of the date of this announcement, i.e. again without involving Mr. Lai's shares in the Company;
- (iii) based on the register of members of the Company, the Company has over 470 registered shareholders in its register of members as at the date of this announcement; and
- (iv) the Company continues to meet the 25% public float requirement under the Listing Rules excluding shares held by Mr. Lai and directors of the Company.

RESUMPTION OF TRADING

Trading in the Company's shares on the Stock Exchange was halted at the request of the Company with effect from 9:00 a.m. on 17 May 2021 pending the issue of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the shares of the Company with effect from 9:00 a.m. on 27 May 2021.

Shareholders of the Company and potential investors are advised to exercise caution in dealing in the securities of the Company.

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

Hong Kong, 26 May 2021

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

Non-executive Director:

Mr. Ip Yut Kin (*Chairman*)

Executive Directors:

Mr. Cheung Kim Hung

Mr. Chow Tat Kuen, Royston

Independent Non-executive Directors:

Mr. Louis Gordon Crovitz

Dr. Mark Lambert Clifford

Mr. Lam Chung Yan, Elic