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HKBN Ltd.

香港寬頻有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1310)

MAJOR TRANSACTION
PROPOSED ACQUISITION OF THE IT SOLUTIONS BUSINESS FROM
JTH (BVI) LIMITED THROUGH THE ACQUISITION OF
THE ENTIRE ISSUED SHARE CAPITAL OF
JARDINE ONESOLUTION HOLDINGS (C.I.) LIMITED, ADURA
HONG KONG LIMITED AND
ADURA CYBER SECURITY SERVICES PTE LTD

J.P. Morgan acted as financial advisor to the Company

THE PROPOSED ACQUISITION

The Board is pleased to announce that on 23 August 2019 (before trading hours), HKBNGL (as purchaser) and JTH (as seller), amongst others, entered into the Share Purchase Agreement, pursuant to which, among other things, HKBNGL has conditionally agreed to purchase, and JTH has conditionally agreed to sell, the entire issued share capital in the Target Companies for a consideration of US\$50 million (representing approximately HK\$392.2 million) in cash (subject to certain Closing and post-Closing adjustments).

Jardine Technology has agreed to guarantee to HKBNGL the proper and punctual performance by JTH of its obligations under the Share Purchase Agreement. MLCL has agreed to guarantee to JTH the proper and punctual performance by HKBNGL of its obligations under the Share Purchase Agreement.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Proposed Acquisition exceeds 25% but is less than 100%, the Proposed Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements.

IRREVOCABLE UNDERTAKINGS

On 23 August 2019, the Company received the Irrevocable Undertakings from the Committed Shareholders, pursuant to which each of the Committed Shareholders has undertaken to, among other things, vote or procure votes with respect to the Committed Shares in favour of the ordinary resolution(s) to approve the Proposed Acquisition at the general meeting. For further details, please refer to the section headed "Irrevocable Undertakings" below.

A circular containing, among other things, further details of the Proposed Acquisition and the Target Group Companies and a notice convening the general meeting will be despatched to the Shareholders on or before 29 November 2019, as additional time is required to prepare the aforesaid information for inclusion in the circular.

WARNING

Shareholders should note that Closing is subject to a condition, being the approval of the Shareholders at the general meeting. Accordingly, there is no assurance that the Proposed Acquisition will be completed. Shareholders and potential investors should, accordingly, exercise caution when dealing in the shares or other securities (if any) of the Company.

INTRODUCTION

The Board is pleased to announce that on 23 August 2019 (before trading hours), HKBNGL (as purchaser), MLCL (as purchaser's guarantor), JTH (as seller) and Jardine Technology (as seller's guarantor) entered into the Share Purchase Agreement, pursuant to which, among other things, HKBNGL has conditionally agreed to purchase, and JTH has conditionally agreed to sell, the entire issued share capital in the Target Companies for a cash consideration of US\$50 million (representing approximately HK\$392.2 million) (subject to certain Closing and post-Closing adjustments).

PRINCIPAL TERMS OF THE SHARE PURCHASE AGREEMENT

Date

23 August 2019

Parties

- (1) JTH, as seller
- (2) Jardine Technology, as seller's guarantor
- (3) HKBNGL, as purchaser
- (4) MLCL, as purchaser's guarantor

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, JTH and Jardine Technology and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons as defined under the Listing Rules.

Proposed Acquisition

Pursuant to the Share Purchase Agreement, JTH conditionally agreed to sell and HKBNGL conditionally agreed to purchase the Sale Shares, representing the entire issued share capital of the Target Companies, free from any encumbrance and together with all rights and advantages attaching to them as at Closing.

Upon Closing, the Target Companies will become direct wholly-owned subsidiaries of HKBNGL and indirect wholly-owned subsidiaries of the Company.

Consideration

The Consideration payable shall be US\$50 million (representing approximately HK\$392.2 million) in cash, subject to deductions in the amount of:

- (a) non-permitted value leakage (if any) out of the Target Group Companies occurring between 31 December 2018 and Closing, which is notified by JTH to HKBNGL pursuant to the Share Purchase Agreement; and
- (b) a payment made in respect of any claim for any breach of the Share Purchase Agreement pursuant to an indemnity, covenant or other obligation to pay thereunder.

The Consideration was determined after arm's length negotiations between HKBNGL and JTH having regard to, among other things, (i) HKBNGL's view of the value of the assets, business and financial results of the Target Group Companies; and (ii) the factors set out in the section headed "Reasons for and Benefits of the Proposed Acquisition" below.

Condition precedent

Closing is conditional upon the passing of the necessary ordinary resolution(s) by the Shareholders at the general meeting to be convened and held to approve the transactions contemplated by the Share Purchase Agreement in accordance with applicable requirements under the Listing Rules.

Guarantees

Jardine Technology has agreed to guarantee to HKBNGL the proper and punctual performance by JTH of its obligations under the Share Purchase Agreement.

MLCL has agreed to guarantee to JTH the proper and punctual performance by HKBNGL of its obligations under the Share Purchase Agreement.

Closing

Closing shall take place at the office of Linklaters in Hong Kong on the tenth business day following the satisfaction of the condition precedent, or at such other location or date as may be agreed between JTH and HKBNGL.

Indemnities

JTH has agreed to indemnify HKBNGL with respect to a potential penalty for historical regulatory compliance matters involving a Target Group Company.

JTH has agreed to indemnify HKBNGL for any Aged Debt which is not settled in cash within six months of Closing (subject to a total cap of US\$10 million (representing approximately HK\$78.4 million)), provided that HKBNGL shall have an obligation to procure that the relevant Target Group Companies follow a commercially reasonable protocol to recover the Aged Debts during that six-month period. HKBNGL shall also keep JTH updated as to the status of the Aged Debt on a monthly basis after Closing and for the duration of that six-month period.

Warranties and Limitations

JTH has agreed to provide a reasonably comprehensive set of warranties at signing of the Share Purchase Agreement which will be repeated at Closing.

The warranties are limited by reference to a relatively customary set of limitations, including: (i) a time limit of five years from Closing for tax claims and fundamental warranty claims; (ii) a time limit of 18 months from Closing for all other warranty claims; (iii) a deminimis for all claims under the warranties given at signing of the Share Purchase Agreement of 0.5% of the Consideration; (iv) a deminimis for all claims under the warranties given at Closing of 2% of the Consideration; (v) a basket for all aggregated claims under the warranties of 2% of the Consideration; (vi) a cap on liability for all non-fundamental warranty claims of 30% of the Consideration; and (vii) a cap on liability for all claims under the warranties and indemnities of 100% of the Consideration.

INFORMATION ABOUT THE TARGET COMPANIES

JOS CI was incorporated in 1989 in the Cayman Islands with limited liability and is an investment holding company. JOS CI and its subsidiaries are principally engaged in (i) installation and implementation of IT solutions and system integration; (ii) multi-vendor maintenance services for IT hardware; and (iii) IT infrastructure support services and IT consultancy services in Hong Kong, Macau, Malaysia, the PRC and Singapore. Adura Hong Kong and Adura Cyber Security were incorporated in 2017 in Hong Kong and Singapore respectively, which are principally engaged in the provision of cyber security consultancy services in Hong Kong and Singapore respectively. As at the date of this announcement, each of the Target Companies is a wholly-owned subsidiary of JTH.

Set out below is the consolidated financial information of JOS CI for each of the financial years ended 31 December 2017 and 31 December 2018, the standalone financial information of Adura Hong Kong for the period from 14 December 2017 (the date of incorporation of Adura Hong Kong) to 31 December 2018 and the standalone financial information of Adura Cyber Security for the period from 30 November 2017 (the date of incorporation of Adura Cyber Security) to 31 December 2018:

	JOS CI (consolidated)		Adura Hong Kong For the period from 14 December 2017 to 31 December 2018 HK\$'000 (audited) (Note 1)	Adura Cyber Security For the period from 30 November 2017 to 31 December 2018 HK\$'000 (audited) (Note 2)
	For the financial year ended 31 December 2017 HK\$'000 (unaudited) (Note 1)	For the financial year ended 31 December 2018 HK\$'000 (audited) (Note 1)		
Net profit/(loss) before tax	(4,533)	46,644	(2,573)	(203)
Net profit/(loss) after tax	(4,173)	42,613	(2,586)	(203)

Notes:

1. Reporting currency in US\$, translated to HK\$ based on exchange rates as at 21 August 2019 at 7.8433 for indicative purposes only.
2. Reporting currency in SG\$, translated to HK\$ based on exchange rates as at 21 August 2019 at 5.6670 for indicative purposes only.

As of 31 December 2018 the unaudited net asset value of JOS CI (consolidated) is approximately HK\$452.7 million and the unaudited EBITDA of JOS CI (consolidated) for the financial year of 2018 is approximately HK\$85.6 million. As of 31 December 2018, the audited net liabilities values of Adura Hong Kong and Adura Cyber Security are HK\$2,722,000 and approximately HK\$203,000 respectively.

INFORMATION ABOUT THE PARTIES

The Group

The Group is a leading ICT services provider in Hong Kong. With extensive fibre-optic networks, the Group offers a comprehensive range of premier ICT services to both enterprise and residential markets, including broadband, data connectivity, managed Wi-Fi, mobile, voice communications, data centre facilities, business continuity services, system integration and various cloud solutions.

HKBNGL

HKBNGL is a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company. HKBNGL is principally engaged in investment holding in Hong Kong.

Jardine Technology

Jardine Technology is a company incorporated in Bermuda and an indirect wholly-owned subsidiary of Jardine Matheson Holdings Ltd. Jardine Technology is principally engaged in investment holding.

JTH

JTH is a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of Jardine Technology. JTH is principally engaged in investment holding.

REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION

The Target Group Companies are principally engaged in IT-related businesses including the provision of IT solutions and IT consultancy services, which are complementary to the Group's existing business. The Proposed Acquisition represents an opportunity to accelerate the Group's presence in the enterprise IT solutions market, particularly after the integration of WTT. The combined business would deliver the critical scale and create an integrated system integrator and connectivity player of scale in Hong Kong. The Directors and management of the Group expect to realize the following key benefits through the Proposed Acquisition:

Valuation creation: synergy opportunities

By integrating into the Group, the Target Group Companies will benefit from the Group's scale and operating track record. The Proposed Acquisition will allow the Target Group Companies to tap into the Group's existing enterprise customer base, talents and culture to improve overall profitability. The combined business will have an enlarged customer base, significant scale efficiencies and complementary capabilities, enabling the Group to enhance its service offering, reduce overlapping costs and deliver greater value to customers.

The Directors and management of the Group expect to realize synergies in the following areas:

- savings in supplier cost due to larger order volumes from the combined scale and enhanced bargaining power with regard to dealing with suppliers;
- savings in general and administrative costs through optimization of the combined workforce, especially in the support functions of finance, talent management, sales, administration and information technology;
- revenue synergy from cross-selling of telecommunication products and services offered by the Group to the Target Group Companies' customer base; and
- revenue synergy from cross-selling of system integration and IT solution services offered by the Target Group Companies to the Group's large corporate customers and small and medium enterprise customers.

Service: deliver significant enhancement to service capabilities

The Target Group Companies' capabilities in system integration, provision of IT solutions and technology consultancy are highly complementary to the Group's enterprise business. Likewise, the Group expects to extend its telecommunication services to and increase wallet share of the Target Group Companies' existing customer base. By offering a comprehensive "one-stop-shop" solution for enterprise customers, the combined business will become a fully integrated ICT player of scale in Hong Kong. This will create a unique moat and allow the Group to compete more effectively, in a market with a growing demand for ICT and an increasing trend of outsourcing to fulfil these needs. Further, the Group believes this will build more resiliency into its business model.

Customer base: leverage on existing and growing base

Following the integration with WTT, the Group's enterprise customer base has grown to around 100,000 in number, consisting of a mix of large corporates and small and medium enterprises, while the Target Group Companies have around 10,000 enterprise customers across a broad base of industries. As such, the Proposed Acquisition represents a unique opportunity for the Group to expand its enterprise customer base and diversify across a wider portfolio of clients and industries. The Proposed Acquisition will also allow the Group to build upon its existing customer relationships and track record through offering "one-stop-shop" solution for enterprise customers, delivering a broader and comprehensive service offering through increased capabilities from the Target Group Companies.

In view of the above, the Directors (including all the independent non-executive Directors) are of the view that the terms and conditions of the Share Purchase Agreement and the transactions contemplated thereunder (including the Proposed Acquisition) are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Proposed Acquisition exceeds 25% but is less than 100%, the Proposed Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements.

A general meeting will be convened to consider and, if thought fit, approve the Proposed Acquisition. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has any material interest in the Proposed Acquisition and therefore no Shareholder is required to abstain from voting on the ordinary resolution(s) to be proposed at the general meeting.

IRREVOCABLE UNDERTAKINGS

Each of Mr. Chu Kwong YEUNG and Mr. Ni Quiaque LAI, who, as at the date of this announcement, held 27,086,427 shares and 32,997,122 shares in the Company respectively, representing approximately 2.07% and 2.52% of the Company's issued share capital respectively, has provided a written irrevocable undertaking to JTH to vote all the shares in the Company held by each of them respectively in favour of the ordinary resolution(s) to be proposed to approve the Proposed Acquisition at the general meeting.

GENERAL

A circular of the Company containing, among other things, further details of the Proposed Acquisition and the Target Group Companies and a notice convening the general meeting will be despatched to the Shareholders on or before 29 November 2019, as additional time is required to prepare the aforesaid information for inclusion in the circular.

WARNING:

Shareholders should note that Closing is subject to a condition, being the approval of the Shareholders at the general meeting. Accordingly, there is no assurance that the Proposed Acquisition will be completed. Shareholders and potential investors should, accordingly, exercise caution when dealing in the shares or other securities (if any) of the Company.

DEFINITIONS

“Adura Cyber Security”	Adura Cyber Security Services Pte Ltd, a company incorporated in Singapore and a direct wholly-owned subsidiary of JTH
“Adura Hong Kong”	Adura Hong Kong Limited, a company incorporated in Hong Kong and a direct wholly-owned subsidiary of JTH
“Aged Debt”	the accounts receivable of the Target Group Companies which were recognized in the unaudited consolidated accounts of JOS CI and its subsidiaries as being more than 90 days overdue as at 30 June 2019 by reference to an agreed schedule
“Board”	the board of Directors of the Company
“Closing”	completion of the Proposed Acquisition in accordance with the provisions of the Share Purchase Agreement
“Committed Shares”	Shares held by the Committed Shareholders as at the date of the general meeting
“Committed Shareholders”	Mr. Chu Kwong YEUNG and Mr. Ni Quiaque LAI
“Company”	HKBN Ltd., a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1310)
“Consideration”	an amount in cash equal to the sum of US\$50 million (representing approximately HK\$392.2 million), subject to adjustments in accordance with the Share Purchase Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	the lawful currency of Hong Kong
“HKBNGL”	HKBN Group Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“ICT”	information and communications technology

“Irrevocable Undertakings”	the irrevocable undertakings given by each of the Committed Shareholders, each dated 23 August 2019 in respect of the Committed Shares in favour of JTH as mentioned in the section headed “Irrevocable Undertakings” in this announcement
“IT”	information technology
“Jardine Technology”	Jardine Technology Holdings Limited, a company incorporated in Bermuda
“JOS CI”	Jardine OneSolution Holdings (C.I.) Limited, an exempted company incorporated with limited liability in the Cayman Islands, and is a direct wholly-owned subsidiary of JTH
“JTH”	JTH (BVI) Limited, a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of Jardine Technology
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange
“MLCL”	Metropolitan Light Company Limited, an exempted company incorporated in the Cayman Islands with limited liability and a direct wholly-owned subsidiary of the Company
“PRC”	People’s Republic of China
“Proposed Acquisition”	the proposed acquisition of the entire issued share capital in the Target Companies from JTH pursuant to the Share Purchase Agreement
“SG\$”	the lawful currency of Singapore
“Sale Shares”	all of the issued shares in the capital of the Target Companies
“Share Purchase Agreement”	the share purchase agreement entered into on 23 August 2019 among JTH, Jardine Technology, HKBNGL and MLCL in relation to the Proposed Acquisition
“Singapore”	the Republic of Singapore
“Shareholder(s)”	holder(s) of the Share(s)
“Shares”	ordinary share(s) of HK\$0.0001 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Companies”	collectively, JOS CI, Adura Hong Kong and Adura Cyber Security, each a “Target Company”
“Target Group Companies”	collectively, JOS CI and its subsidiaries, Adura Hong Kong and Adura Cyber Security, each a “Target Group Company”
“US\$”	the lawful currency of the United States of America
“WTT”	WTT Holding Corp, a company incorporated in the Cayman Islands with limited liability, and its subsidiaries

Note:

The figures in “US\$” and “SG\$” are converted into HK\$ at the rate of US\$1.00 : HK\$7.8433 and SG\$1.00 : HK\$5.6670 respectively throughout this announcement for indicative purposes only, and should not be construed as a representation that any amount has been, could have been or may be, exchanged at such or any other rates.

By order of the Board
HKBN Ltd.
Bradley Jay HORWITZ
Chairman

Hong Kong, 23 August 2019

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

Executive Directors

Mr. Chu Kwong YEUNG
Mr. Ni Quiaque LAI

Independent Non-executive Directors

Mr. Bradley Jay HORWITZ (*Chairman*)
Mr. Stanley CHOW
Mr. Yee Kwan Quinn LAW, SBS, JP

Non-executive Directors

Ms. Deborah Keiko ORIDA
Mr. Zubin Jamshed IRANI
Mr. Teck Chien KONG

Where the English and the Chinese texts conflict, the English text prevails.