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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)

**DISCLOSEABLE TRANSACTION
DISPOSAL OF 60% OF THE ISSUED SHARE CAPITAL OF
HKBN JOS (SINGAPORE) PTE. LTD. AND
HKBN JOS (MALAYSIA) SDN. BHD.**

On 10 November 2021 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of the Company) and the Purchaser entered into the Share Purchase Agreement, pursuant to which the Vendor has conditionally agreed to sell the Singapore Sale Shares and the Malaysia Sale Shares to the Purchaser, in each case representing 60% of the issued share capital of the respective Target Companies, for a total consideration of approximately S\$15 million (representing approximately HK\$87 million), subject to certain post-closing adjustments in accordance with the Share Purchase Agreement. Upon Completion, (i) the Purchaser will own 60% of the fully paid-up and issued share capital of HKBN JOS Singapore whereas Malaren will own 60% of the fully paid-up and issued share capital of HKBN JOS Malaysia; and (ii) the Target Companies will cease to be subsidiaries of the Company and will become 40%-owned associates of the Company.

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Disposal exceed 5% but all of these ratios are below 25%, the Disposal constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 10 November 2021 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of the Company) (as seller) and the Purchaser (as purchaser) entered into the Share Purchase Agreement, pursuant to which, among other things, the Vendor has conditionally agreed to sell the Singapore Sale Shares and the Malaysia Sale Shares to the Purchaser, in each case representing 60% of the issued share capital of the respective Target Companies, for a total consideration of approximately S\$15 million (representing approximately HK\$87 million), subject to certain post-closing adjustments in accordance with the Share Purchase Agreement.

PRINCIPAL TERMS OF THE SHARE PURCHASE AGREEMENT

Date

10 November 2021

Parties

- (1) the Vendor, as seller
- (2) the Purchaser, as purchaser

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

Disposal

Pursuant to the Share Purchase Agreement, the Vendor has conditionally agreed to sell the Singapore Sale Shares and the Malaysia Sale Shares to the Purchaser, in each case representing 60% of the issued share capital of the respective Target Companies.

Upon Completion, (i) the Purchaser will own 60% of the fully paid-up and issued share capital of HKBN JOS Singapore whereas Malaren will own 60% of the fully paid-up and issued share capital of HKBN JOS Malaysia; and (ii) the Target Companies will cease to be subsidiaries of the Company and will become 40%-owned associates of the Company.

Consideration

The total Consideration payable will be approximately S\$15 million (representing approximately HK\$87 million) in cash, subject to potential adjustments based on (i) the audited accounts of the Target Companies for the financial year ended 31 August 2021, and (ii) the balance sheet and working capital of the Target Companies on Completion.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser having regard to, among other things, (i) the Vendor's views 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 and Benefits of the Disposal" below.

Conditions precedent

Pursuant to the Share Purchase Agreement, Completion is conditional upon the satisfaction (or if applicable, waiver) of the following conditions precedent:

- (a) there being no material breach of the Vendor's warranties set forth in the Share Purchase Agreement;
- (b) no material adverse change in the financial or trading position of the Target Companies taken as a whole having occurred between the date of the Share Purchase Agreement and Completion;
- (c) there being no existence or issuance of any order, judgement or ruling by any governmental body or court of competent jurisdiction, and no change of laws, which would restrict or delay (i) any party from entering into or performing their obligations under the Share Purchase Agreement; or (ii) the implementation of the transactions contemplated under the Share Purchase Agreement;
- (d) all outstanding amounts owing under certain facility agreements having been fully repaid; and
- (e) consents and/or waivers (in form and substance satisfactory to the Purchaser, acting reasonably) in respect of the transactions contemplated under the Share Purchase Agreement having been obtained from certain third party counterparties of the Target Group Companies.

Completion

Completion shall take place by way of electronic means on the date falling 5 Business Days after the day on which all conditions precedent have been satisfied in full or waived, or at such other venue, time date and/or manner as the Vendor and the Purchaser may agree in writing.

Other principal terms

The Vendor has agreed to provide (i) certain customary warranties with respect to, among others, the Target Companies and their business and assets, which are subject to a customary set of limitations; (ii) certain customary undertakings between signing and Completion in relation to, among others, the conduct of the business of the Target Companies. Further, the Group has agreed to assign certain trademarks held by the Group in Singapore and Malaysia to the Target Group Companies and to provide certain transitional IT services to the Target Group Companies.

The Purchaser and the Group have also agreed to collaborate on the provision of network and IT solution services to each other for an agreed period of time after Completion.

SHAREHOLDERS' AGREEMENTS

On 10 November 2021:

- (a) the Vendor, the Purchaser and HKBN JOS Singapore entered into a shareholders' agreement in respect of, among other things, the on-going corporate governance matters of HKBN JOS Singapore (the "**Singapore Shareholders' Agreement**"); and
- (b) the Vendor, Malaren and HKBN JOS Malaysia entered into a shareholders' agreement in respect of, among other things, the on-going corporate governance matters of HKBN JOS Malaysia (the "**Malaysia Shareholders' Agreement**", and together with the Singapore Shareholders' Agreement, the "**Shareholders' Agreements**").

The Shareholders' Agreements are on substantially the same terms and will be effective upon Completion. The principal terms of the Shareholders' Agreements are as follows:

Scope of businesses of the Target Group Companies

Unless the Target Shareholders agree otherwise, the businesses of HKBN JOS Singapore and HKBN JOS Malaysia shall be the provision of information and communications technology equipment and solutions in Singapore and Malaysia, respectively.

Board of directors

The board of directors of each Target Group Company shall consist of up to five directors. The Purchaser and Malaren (as the case may be) shall be entitled to appoint a majority of the board of directors of each relevant Target Group Company for so long as it holds at least 50% of the fully paid-up and issued share capital in the relevant Target Company.

Pre-emptive rights

Each Target Shareholder shall be entitled to pre-emptive rights over the issue of new shares of the relevant Target Company and such new shares shall not be issued to any competitors (as specified in the respective Shareholders' Agreements) unless otherwise agreed by the relevant Target Shareholders.

Non-solicitation and non-compete

Each Target Shareholder undertakes not to solicit the customers of the Target Group Companies. The Vendor also undertakes not to engage in a business that competes with the Target Group Companies in the territories of Singapore and Malaysia.

Restrictions on transfer of shares

Pursuant to the Shareholders' Agreements, each Target Shareholder is entitled to a right of first offer with respect to any proposed transfer of the shares in the relevant Target Company by the other relevant Target Shareholder. In addition, each Target Shareholder shall not transfer its shares in the relevant Target Company to any competitors (as specified in the relevant Shareholders' Agreement) without the consent of the other relevant Target Shareholder.

Reserved matters

For so long as a Target Shareholder holds at least 20% of the shares in the relevant Target Company, the relevant Target Company and its subsidiaries shall not undertake any action set out in a list of customary reserved matters specified in the relevant Shareholders' Agreement, without the consent of the other relevant Target Shareholder.

INFORMATION OF THE TARGET COMPANIES

HKBN JOS Singapore is a limited liability company incorporated under the laws of Singapore and HKBN JOS Malaysia is a limited liability company incorporated under the laws of Malaysia. The Target Companies are principally engaged in the information and communications technology businesses including provision of IT maintenance, infrastructure support, IT system integration, IT solutions and IT consultancy services with a focus on the enterprise segment in Singapore and Malaysia.

The following is a summary of the financial information of the Target Companies for the period from 13 December 2019 (being the date on which the Target Companies were acquired by and became subsidiaries of the Company) to 31 August 2020 and the financial year ended 31 August 2021:

	For the year ended 31 August 2021 HKD'000	For the period from 13 December 2019 to 31 August 2020 HKD'000
Net profit before taxation	23,697	20,578
Net profit after taxation	18,837	19,321

As at 31 August 2021, the unaudited net asset value of the Target Companies was HK\$85,870,000.

Prior to Completion, each Target Company is an indirect wholly-owned subsidiary of the Company. Upon Completion, each Target Company will cease to be a subsidiary of the Company and will become a 40%-owned associate of the Company.

INFORMATION OF THE PARTIES

The Group and the Vendor

The Company is an investment holding company. Headquartered in Hong Kong with operations spanning across Hong Kong, Macau, mainland China, Singapore and Malaysia, the Group is a leading integrated telecom and technology solutions provider. Operating through three core brands, Hong Kong Broadband Network, HKBN Enterprise Solutions and HKBN JOS, the Group offers a comprehensive range of solutions that include broadband, data connectivity, cloud and data centre, managed Wi-Fi, business continuity services, system integration, cybersecurity, mobile services, roaming solutions, digital solutions, voice and collaboration, stationery and supplies that are cumulative to our one-stop-shop offering of Transformation as a Service (TaaS) and OTT entertainment.

The Purchaser and Malaren

The Purchaser is a leading Singapore company publicly listed on the SGX-ST, that delivers world-class communications, entertainment and digital solutions for both consumer and corporate markets in Singapore.

Malaren is a company incorporated in Malaysia and is a wholly-owned subsidiary of the Purchaser. Malaren is principally engaged in investment holding in Malaysia.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Directors are of the view that the terms of the Share Purchase Agreement and the Disposal are fair and reasonable and are in the best interest of the Company and its shareholders as a whole.

On Completion, the Vendor will deploy the Consideration received to reduce the Group's debt and at the same time will continue to benefit from its remaining significant equity interests in the Target Companies.

Following Completion, the Group will no longer control any entity that is engaged in the businesses of providing information and communications technology equipment and solutions in Singapore and Malaysia, and the Group intends to focus on building such businesses in Singapore and Malaysia through its joint venture with the Target Shareholders. The Target Group Companies will be jointly operated by two leading telecommunications and technology solutions companies in their respective regions and enabling the Target Group Companies to leverage on the strengths of its shareholders in their respective geographical regions by tapping into bigger pool of resources and talents as well as customers base. This will significantly enhance the service capabilities of the Target Group Companies and business opportunities.

Further, as the parties to the Disposal are leading telecommunications services providers in Hong Kong and Singapore respectively, this strategic alliance will present ample opportunities for synergies between them. The parties have committed to work closely with each other following Completion in the provision of a range of telecommunication services and technology solutions to each other and their respective customers in their respective location that they operate to realise cross-selling and up-selling synergies between them.

The Company estimates that the gain arising from the Disposal expected to accrue to the Group, based solely on the difference between the Consideration and the net asset value (as adjusted by net debt, intangible asset and deferred tax liabilities) of the Target Companies as of 31 August 2021 before any potential adjustments based on (i) the audited accounts of the Target Companies for the financial year ended 31 August 2021, and (ii) the balance sheet and working capital of the Target Companies on Completion, is approximately HK\$43 million.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Disposal exceed 5% but all of these ratios are below 25%, the Disposal constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors of the Company
“Business Day”	means a day (other than a Saturday, Sunday or public holiday in Singapore, Hong Kong and/or Malaysia) on which commercial banks are generally open for business in Singapore, Hong Kong and Malaysia
“Company”	HKBN Ltd. (香港寬頻有限公司), 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)
“Completion”	completion of the Disposal in accordance with the terms of the Share Purchase Agreement
“Consideration”	consideration of the Disposal to be paid by the Purchaser to the Vendor, subject to certain post-closing adjustments in accordance with the Share Purchase Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser and Malaren pursuant to the terms of the Share Purchase Agreement
“Group”	the Company and its subsidiaries
“HK\$”	the lawful currency of Hong Kong
“HKBN JOS Malaysia”	HKBN JOS (Malaysia) Sdn. Bhd., a wholly-owned subsidiary of the Vendor
“HKBN JOS Singapore”	HKBN JOS (Singapore) Pte. Ltd., a wholly-owned subsidiary of the Vendor
“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

“Malaren”	Malaren International Sdn Bhd, a private limited company incorporated in Malaysia and a wholly-owned subsidiary of the Purchaser
“Malaysia Sale Shares”	the 4,500,000 ordinary shares in the share capital of HKBN JOS Malaysia beneficially owned by and registered in the name of the Vendor, representing 60% of the fully paid-up and issued share capital of HKBN JOS Malaysia
“Malaysia Shareholders’ Agreement”	has the meaning given in the section headed “Shareholders’ Agreements”
“Purchaser”	StarHub Ltd., a company incorporated in Singapore with limited liability, the shares of which are listed on the SGX-ST
“S\$”	the lawful currency of Singapore
“Sale Shares”	collectively, the Singapore Sale Shares and the Malaysia Sale Shares
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Share Purchase Agreement”	the share purchase agreement dated 10 November 2021 entered into between the Vendor and the Purchaser in relation to the Disposal
“Shareholders’ Agreements”	has the meaning given in the section headed “Shareholders’ Agreements”
“Singapore Sale Shares”	the 6,270,000 ordinary shares in the share capital of HKBN JOS Singapore beneficially owned by and registered in the name of the Vendor, representing 60% of the fully paid-up and issued share capital of HKBN JOS Singapore
“Singapore Shareholders’ Agreement”	has the meaning given in the section headed “Shareholders’ Agreements”
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	HKBN JOS Singapore and HKBN JOS Malaysia, and “Target Company” shall be construed accordingly
“Target Group Companies”	the Target Companies and their subsidiaries, and “Target Group Company” shall be construed accordingly

“Target Shareholders”	(i) in respect of HKBN JOS Singapore and its subsidiaries, the Vendor and the Purchaser; and (ii) in respect of HKBN JOS Malaysia and its subsidiaries, the Vendor and Malaren, and “Target Shareholder” shall be construed accordingly
“Vendor”	HKBN JOS Holdings (C.I.) Limited, a company incorporated in the Cayman Islands and an indirect wholly-owned subsidiary of the Company
“%”	per cent

Note:

The figures in “S\$” are converted into HK\$ at the rate of S\$1.00:HK\$5.80 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, 10 November 2021

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

Executive Directors

Mr. Chu Kwong YEUNG
Mr. Ni Quiaque LAI

Non-executive Directors

Ms. Suyi KIM
Mr. Teck Chien KONG
Mr. Zubin Jamshed IRANI

Independent Non-executive Directors

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

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