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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
PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF
COSMO TRUE LIMITED**

On 17 August 2018, the Buyer, a wholly-owned subsidiary of the Company, entered into the binding Memorandum of Understanding with the Seller, pursuant to which the Buyer proposes to acquire, and the Seller proposes to sell or procure the sale of, the entire issued share capital of the Target at the consideration of HK\$328,281,166. Upon completion, the Buyer will own the entire issued share capital in the Target. Following completion of the Proposed Acquisition, the Target will become an indirect subsidiary of the Company and its financial results will be consolidated into the Group.

As one or more of the applicable percentage ratios in respect of the Proposed Acquisition are above 5% and all of these ratios are below 25%, the Proposed Acquisition 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.

PROPOSED ACQUISITION

On 17 August 2018, the Buyer, a wholly-owned subsidiary of the Company, entered into the Memorandum of Understanding with the Seller, pursuant to which the Buyer proposes to acquire, and the Seller proposes to sell or procure the sale of, the entire issued share capital of the Target. Upon completion, the Buyer will own the entire issued share capital in the Target. The Target's assets will, upon completion of the Proposed Acquisition, comprise the Owned Properties that it owns in Hong Kong, and such properties are currently leased to the Group under a fixed term lease and the Group is occupying such properties for its own use.

By way of the Memorandum of Understanding, the parties agreed the following principal terms and conditions for the Proposed Acquisition:

Consideration and payment arrangements

The consideration for the Target Shares is HK\$328,281,166, to be adjusted on zero debt, zero cash basis based on the completion accounts of the Target.

The consideration shall be settled in the following manner: (a) 10% of the consideration to be paid by the Buyer to the Seller on the date of the signing of the Memorandum of Understanding as a deposit; (b) 10% of the consideration to be paid by the Buyer to the Seller on the date of the signing of the formal sale and purchase agreement concerning the Proposed Acquisition as a further deposit; and (c) 80% of the consideration to be paid by the Buyer to the Seller at completion of the Proposed Acquisition. The deposits paid shall be deemed to satisfy part payment of the consideration payable at completion of the Proposed Acquisition. In the event that, amongst others, any conditions precedent fails to be satisfied on or before the long stop date of 30 September 2018 (which may be extended by mutual agreement), the Seller shall return the deposit(s) paid in full to the Buyer. In the event that, amongst others, the Buyer fails to pay any part of the deposits as required, the deposits paid shall be forfeited to the Seller in full.

The consideration for the Target Shares has been arrived at by the parties after arm's length negotiation. References were made to the prevailing market values of real properties in comparable locations to the Owned Properties and also the cost to the Group if the network centres currently located at those properties are to be relocated. Network centres are the most critical and sophisticated infrastructures in the Group's network and relocation involves risk of service disruption. In view of this, the Directors consider the terms of the Memorandum of Understanding are on normal commercial terms, are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

The Group intends to fund the consideration with new bank borrowings as well as internal resources. The Proposed Acquisition shall not affect the Group's dividend policy.

Conditions precedent

Completion of the Proposed Acquisition is subject to the satisfaction or waiver of the following conditions (where appropriate):

- (a) the completion of all procedures and matters in relation to the transfer of certain specified excluded properties and assets and liabilities not related to the Owned Properties by the Target to other group company(ies) of the Seller to the reasonable satisfaction of the Buyer and the settlement of all related party loans and balances;
- (b) there is no breach of any of the warranties provided by the Seller in any material respects and no breach of any of the undertakings provided by the Seller which results in a material adverse effect on the Target (or its subsidiary, if any) of any of the Owned Properties;
- (c) good and marketable title to the Owned Properties can be shown and given to the Buyer free from encumbrances as if it were a contract for the sale and purchase of these real properties; and
- (d) completion of due diligence investigation by the Buyer with respect to the Target, the Owned Properties and the transfer out of the specified excluded properties by the Target prior to completion within reasonable time with results to the reasonable satisfaction of the Buyer.

If any of the above conditions is not fulfilled or waived (as applicable) pursuant to the formal sale and purchase agreement which is not due to either party's fault, the formal sale and purchase agreement will be terminated and the deposits paid will be returned to the Buyer in accordance with the terms of the formal sale and purchase agreement.

Following the completion of the Proposed Acquisition, the Target will become an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the Group's consolidated financial statements.

Other principal terms

The parties shall negotiate in good faith to enter into the formal sale and purchase agreement for the Proposed Acquisition on terms that reflect and are consistent with the principal terms set out in the Memorandum of Understanding as soon as reasonably practicable after the date of the Memorandum of Understanding.

The Seller will provide, in the formal sale and purchase agreement, customary representations and warranties with respect to, among others, the Seller, the Target and its business and assets, the Owned Properties and the transfer out of the specified excluded properties prior to completion, and customary undertakings between signing and completion in relation to, among others, the Target and the Owned Properties.

The Buyer will provide, in the formal sale and purchase agreement, customary representations and warranties with respect to, among others, the Buyer.

The Memorandum of Understanding shall be terminated upon the written agreement or consent of the Buyer and the Seller and shall be superseded upon the entering into of the formal sale and purchase agreement between the Buyer and the Seller. If the Buyer terminates the Memorandum of Understanding unilaterally prior to the signing of the formal sale and purchase agreement or fails to negotiate in good faith to enter into the formal sale and purchase agreement in accordance with the Memorandum of Understanding, the Seller is entitled to forfeit the deposit paid with accrued interest as liquidated damages.

INFORMATION OF THE TARGET

The Target is a company incorporated in the British Virgin Islands with limited liability and is an investment holding company. Its business is the holding and leasing of real properties in Hong Kong, which include the Owned Properties as well as other properties which will be transferred out of the Target prior to the completion of the Proposed Acquisition. The Group currently leases the Owned Properties from the Target under a fixed term lease and is occupying such properties for its own use. As the Group will, upon completion of the Proposed Acquisition, own the Owned Properties through its shareholding over the Target, the Group will no longer be required to lease such properties from the Seller. Therefore, the lease over the Owned Properties will be surrendered and the Group will no longer pay rents for it.

The Group currently also leases certain other properties from the Target under the same fixed term lease which will be transferred out of the Target prior to completion of the Proposed Acquisition. As such, the parties have agreed to enter into a new lease with respect to the Group's continuing lease of these certain other properties indirectly from the Seller (through its subsidiary(ies)) from completion of the Proposed Acquisition and such new lease will provide for an extended term and updated rents.

The unaudited net asset value of the Target as at 30 June 2018 was approximately HK\$243,961,031. The financial results of the Target for the two financial years immediately preceding the date of the Proposed Acquisition are as follows:

	For the year ended 31 December	
	2017	2016
	(audited)	(audited)
	(HK\$)	(HK\$)
Net profit before tax	106,347,339	8,147,171
Net profit after tax	105,184,535	8,073,389

The Company would like to emphasise that, immediately upon completion of the Proposed Acquisition, the Target's assets and liabilities will only consist of those related to the Owned Properties. As the Group intends to continue to occupy the Owned Properties for its own use, it is not currently expected that the Target will generate any rental revenue or income that will be accretive to the Group as a whole going forward. Accordingly, the above historical financial performance of the Target will not be representative of future contributions of the Target to the Group's overall performance nor was taken into account when determining the consideration for the Proposed Acquisition.

INFORMATION ABOUT THE SELLER

The Seller is a company incorporated in Hong Kong with limited liability and is principally engaged in multimedia production and content distribution and other multimedia related activities as well as operate a 24-hour "e-shopping Mall" providing a "One-stop shop" platform including entertainment, online shopping, delivery services and customer experience. The shares of the Seller are listed on the Main Board of Stock Exchange (stock code: 1137). As at the date of this announcement, the Target is a wholly-owned subsidiary of the Seller.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Seller and its ultimate beneficial owner(s) are third parties independent of and not connected to the Company or any of its connected persons.

INFORMATION ABOUT THE BUYER

The Buyer is a company incorporated in the British Virgin Islands with limited liability, is an investment holding company and an indirect wholly owned subsidiary of the Company.

The Company and its subsidiaries are principally engaged in the provision of high-speed fibre broadband service (symmetrical 100 Mbps and above) in Hong Kong, offering a diversified portfolio of premier telecom services to both residential and enterprise markets, including broadband and Wi-Fi access, communication, entertainment and Cloud solutions.

REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION

The Company considers that the Proposed Acquisition represents a good opportunity for the Group to own the real properties that currently host the two network centres of the Group. In view of the continuing development and expansion of the Group's business in Hong Kong, it would be favourable for the Group's business if it could enjoy a stable use of network centres at premises that are under the control of the Group. On the basis of the foregoing, the Directors consider that the terms of the Memorandum of Understanding are fair and reasonable, on normal commercial terms or better and are in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Proposed Acquisition is above 5% and all of these ratios are below 25%, the Proposed Acquisition 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.

Upon the signing of the formal sale and purchase agreement between the Buyer and the Seller, the Company will issue an updated announcement if it is necessary pursuant to the Listing Rules.

DEFINITIONS

“Board”	the board of Directors of the Company
“Buyer”	HKBN Group Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Company”	HKBN Ltd., a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of Stock Exchange (stock code: 1310)
“Director”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollar, 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
“Memorandum of Understanding”	the Memorandum of Understanding with respect to the Proposed Acquisition dated 17 August 2018 entered into between the Buyer and the Seller
“Owned Properties”	Workshops Nos. 1 to 18 on 15th Floor and Roofs Nos.1 to 9 on the 17th Floor of Trans Asia Centre, 18 Kin Hong Street, Kwai Chung, the New Territories, Hong Kong and the entire 14th Floor of Mita Centre, 552-566 Castle Peak Road, Kwai Chung, the New Territories, Hong Kong

“Proposed Acquisition”	the proposed acquisition of the Target Shares by the Buyer from the Seller pursuant to the Memorandum and Understanding
“Seller”	Hong Kong Television Network Limited, a company incorporated in Hong Kong, the shares of which are listed on the Main Board of Stock Exchange (stock code: 1137)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Cosmo True Limited (宇正有限公司), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Seller
“Target Shares”	the entire issued share capital of the Target

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

Hong Kong, 17 August 2018

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

Executive Directors

Mr. William Chu Kwong YEUNG
Mr. Ni Quiaque LAI

Non-executive Director

Ms. Deborah Keiko ORIDA

Independent Non-executive Directors

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

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