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**DISCLOSEABLE TRANSACTION  
DISPOSAL OF 51% OF THE SHARE CAPITAL OF  
SIMPLE CLICK INVESTMENTS LIMITED**

**DISCLOSEABLE TRANSACTION**

On 6 July 2016 (after trading hour), the Seller (a wholly-owned subsidiary of the Company) entered into the Agreement with the Purchaser, pursuant to which the Seller has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Sale Shares, representing 51% of the entire issued share capital of the Target Company at the Consideration. The Company considers this to be a non-core business divestiture in the form of a management buyout transaction as the ultimate beneficial owner of the Purchaser consists of a group of Target Group's employees lead by Ms. Ho Siu Mei Sandy and Ms. Chan Ching Yi, CEO and CFO of the primary operating subsidiary of New iMedia respectively. All the conditions precedent have been satisfied. Completion took place on 6 July 2016.

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Agreement exceed 5% but are less than 25%, the entering into of the Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

**BACKGROUND**

On 6 July 2016 (after trading hour), the Seller (a wholly-owned subsidiary of the Company) entered into the Agreement with the Purchaser, pursuant to which the Seller has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Sale Shares, representing 51% of the entire issued share capital of the Target Company at the Consideration.

## **PRINCIPAL TERMS**

The principal terms of the Agreement are as follows:

### **DATE**

6 July 2016 (after trading hour)

### **PARTIES**

HKBN Group Limited as seller

Dynamic Team Holdings Limited as purchaser

### **SUBJECT MATTERS**

Pursuant to the Agreement, the Seller has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, 51 Shares, representing 51% of the entire issued share capital of the Target Company.

### **CONSIDERATION AND PAYMENT**

The Consideration is an amount equal to HK\$6,120,000 adding the Cash at Bank and subtracting each of the following: (i) the Talent Performance Bonus Amount; (ii) Audit and Tax Fee Amount; and (iii) the Talent Leave PIL Amount, of which:

- (i) 40% of HK\$6,120,000 shall be paid on Completion in cash;
- (ii) 60% of HK\$6,120,000 shall be paid on or before 31 October 2016 in cash;
- (iii) any amount remaining after subtracting (i) the Talent Performance Bonus Amount; and (ii) the Audit and Tax Fee Amount from the Cash at Bank shall belong to the Seller on Completion; and
- (iv) the Seller shall pay the Talent Leave PIL Amount, if any, to the Purchaser on or before 31 January 2017 in cash.

The Consideration was arrived at after arm's length negotiations between the Purchaser and the Seller having regard to, among other things, the historical financial performance and post completion financial and business prospects of the Target Group and the factors set out in the section headed "Reasons for and Benefits of the Disposal" below.

## **CONDITIONS TO COMPLETION**

Pursuant to the Agreement, Completion is conditional upon the fulfillment of the following conditions:

- (i) approval of the Landlord in respect of sub-leasing or licensing of the Premises; and
- (ii) evidence showing that Shenzhen New World Telecom Ltd.\* 深圳市新世界電訊有限公司 continues to hold the Operating Permit for Value-Added Telecommunication Business (增值電信業務經營許可證) which permits the operation of call centre services; and
- (iii) the provision of certain office space at the Premises (where renovation costs of the Premises shall be borne by the Seller) and that the Licence Agreement having been entered into.

## **COMPLETION**

All the conditions precedent have been satisfied as at the date of this Announcement. Completion took place on 6 July 2016.

## **POST-COMPLETION**

Pursuant to the Agreement, the Seller and the Purchaser have the following post-completion obligations:

- (a) the Purchaser shall:
  - (i) make referral business for the Seller's telecommunications service including enterprise solutions and residential service in consideration of referral commission to be agreed with the Seller; and
  - (ii) make (or procure to be made) subscriptions of the Seller's telecommunications service in sub-clause (i) above;

for an aggregate contract value of not less than HK\$3,000,000 for the period between 1 May 2016 and 30 June 2018. Failing which, any shortfall in cash shall be payable by the Purchaser to the Seller within 30 business days of 30 June 2018 in the proportion of the shareholding of the Purchaser in the Target Company, subject to a cap of HK\$1,530,000.

- (b) after Completion and on a date to be agreed between the Seller and the Purchaser, the Purchaser shall provide shareholder loans in cash to a member of

the Target Group in the amount of HK\$3,880,000 in aggregate for operating cash reserve for running the Target Group's business with a simple interest rate of 6% per annum. Such loan shall be repaid to the Purchaser before any dividend being distributed by any member of the Target Group;

- (c) after Completion and upon the written request of the Purchaser, the Seller shall provide a shareholder loan in cash to a member of the Target Group in an amount to be agreed between the Seller and the Purchaser for operating cash reserve for running the Target Group's business with a simple interest rate of 6% per annum during the period between 1 July 2016 and 30 June 2017 (both dates inclusive) and 8% per annum thereafter. Such loan shall be repaid to the Seller prior to the repayment of the loan provided by the Purchaser as described in paragraph (b) above;
- (d) on or before 30 November 2016, the Seller shall make good on an effective separation of the Seller and the Target Group's information technology and material information and communications technologies facilitating the Target Group to continue running the business as-is;
- (e) the Seller shall reset the inter-company balance of the Target Group to zero for the year ended 30 June 2016, within 3 years from the Completion, any tax impact resulting therefrom shall be borne by the Seller;
- (f) the Seller shall reinstate the Premises at its own costs after the termination or expiration of the Licence Agreement; and
- (g) subject to certain exceptions, the Seller shall not, during the period of three years after Completion, carry on or be engaged or interested in or be in any capacity directly or indirectly involved (including by having an economic interest through one or more corporations, trusts, partnerships or other economic entities) in any business which provides digital marketing solutions to third party customers (not being another member of the Seller Group) in Hong Kong.

## **SHAREHOLDERS AGREEMENT**

Pursuant to the Agreement, the Seller, the Purchaser and the Target Company entered into the Shareholders Agreement upon Completion to regulate the relationship of the Seller and the Purchaser as shareholders of the Target Company.

The principal terms of the Shareholders Agreement are as follows:

## **BOARD OF DIRECTORS**

Upon Completion, the board of directors of the Target Company will consist of five directors, of which three will be nominated by the Purchaser and two will be nominated by the Seller.

## **RESTRICTION ON TRANSFER OF SHARES**

Pursuant to the Shareholders Agreement, the shareholders of the Target Group have a first right of refusal with respect to any proposed transfer of Shares. In addition, the shareholders of the Target Company shall not transfer, pledge or otherwise dispose of any Shares to any person if the purchase offer is based on a total valuation of the Target Company of less than the amount set forth in the Shareholders Agreement.

## **RESERVE MATTERS**

Without approval of all the shareholders of the Target Company, the Target Group shall not take any of the following actions:

- (a) call for any capital contribution to any member of the Target Group and the terms of such capital contribution (including but not limited to the amount, number of shares to be issued and issue price per share);
- (b) the entering into of any contract, agreement, arrangement or transaction between any member of the Target Group and their respective shareholder or a Related Party of such shareholder, the alteration or amendment of any terms of such contract, agreement, arrangement or transaction;
- (c) the creation, allotment or issue of any further shares or of any other securities to be issued by any member of the Target Group or the granting of any options or convertible bonds or right to subscribe for shares or such other securities of any member of the Target Group or to convert any instrument into shares or such other securities of any member of the Target Group;
- (d) the increase, reduction or reorganisation of the share capital of any member of the Target Group, variation of the rights attaching to any class of shares or any redemption, purchase or other acquisition by any member of the Target Group of their respective shares or other securities;
- (e) the commencement or settlement of any litigation, arbitration or other proceedings in respect of which the amount of claim exceeds HK\$5 million;
- (f) the making of any change to the memorandum of association or articles of association or other constitutional documents of any member of the Target Group;
- (g) the change of business of any member of the Target Group, entry into new business with consideration exceeding HK\$10 million by any member of the Target Group, including but not limited to the commencement or acquisition by any member of the Target Group of any new type of business that is not included in, or incidental to, the business of digital marketing solutions;

- (h) merger, consolidation or amalgamation of any member of the Target Group or its business with any other company or its business or the entering into of any joint venture with any other companies;
- (i) the liquidation or winding-up of any member of the Target Group or the appointment of receiver, manager or trustee in respect of any part of the assets of any member of the Target Group or the passing of any resolution the result of which would be its winding up, liquidation or receivership, or the making of any composition or arrangement with creditors;
- (j) any offering of shares or other securities of any member of the Target Group to the public; and
- (k) amendment of authorised signatures for cheques.

### **INFORMATION ON THE TARGET GROUP**

The Target Company is a limited liability company incorporated under the laws of the British Virgin Islands. It is an investment holding company and owns, directly or indirectly, all the issued share capital of all of its subsidiaries. These subsidiaries are limited liability companies incorporated under the laws of the British Virgin Islands, Hong Kong, the PRC and Macau respectively, and are principally engaged in the provision of digital marketing solutions. The principal subsidiaries of the Target Company include Culture Wave Investment Limited, New World eBusiness Limited, NWT Net Company Limited, New Dimension Investments Limited, New iMedia, New World iMedia Solutions (Shenzhen) Ltd.\* 新世界互動媒體(深圳)有限公司, New Dimension (Macau) Limited and Shenzhen New World Telecom Ltd.\* 深圳市新世界電訊有限公司 (held on trust).

Based on the unaudited consolidated management accounts of the Target Company for the financial years ended 30 June 2014 and 30 June 2015 and the eleven months ended 31 May 2016, its revenue amounted to HK\$122,086,000, HK\$137,456,000 and HK\$147,263,000 respectively, whereas its unaudited net profit (before taxation and extraordinary items) amounted to HK\$4,063,000, HK\$10,189,000 and HK\$8,293,000, respectively and its unaudited net profit (after taxation and extraordinary items) amounts to HK\$4,063,000, HK\$10,189,000 and HK\$8,293,000, respectively. After the Disposal, the Target Group will not be benefit from the operational efficiency through sharing resources with the Group companies. Without the operational efficiency through shared resources, it is expected that the Target Group may incur additional operating cost after the Disposal.

The unaudited net liabilities value and the unaudited total asset value of the Target Company as at 31 May 2016 amounted to HK\$12,134,000 and HK\$37,803,000, respectively.

Prior to Completion, the Target Company is a wholly-owned subsidiary of the Company. Upon Completion, the Target Company will become a 49%-owned associate of the Company.

## **INFORMATION ON THE GROUP AND THE COUNTERPARTIES**

The Company and its subsidiaries are principally engaged in the provision of fibre high-speed 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. The Seller is a limited liability company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of the Company.

The Purchaser is a limited liability company incorporated under the laws of the British Virgins Islands, owned by various employees of New iMedia. Its principal business is investment holding. To the best of the Director's knowledge, information and belief, having made all reasonable enquiry, the Purchaser and all of its ultimate beneficial owners are third parties independent of the Company and its connected persons, other than that (i) all the ultimate beneficial owners of the Purchaser are employees of New iMedia; and that (ii) one of the ultimate beneficial owner holding less than 10% of the entire issued share capital of the Purchaser is a legal representative (法定代表人) of New World iMedia Solutions (Shenzhen) Ltd.\* 新世界互動媒體(深圳)有限公司, a subsidiary of the Company. The Purchaser and all of its ultimate beneficial owners are not connected persons of the Company.

## **REASONS AND BENEFITS OF THE DISPOSAL**

The Group is dedicated to its core business for the provision of facilities based fibre high-speed broadband services and premier telecom services. The Target Group operates an online marketing solution business, which the Company considers to be non-core and separate to the core business. Subsequent to the Disposal, the Group can remain focused on its core business while attaining win-win partnership with the management of the Target Group for future potential business gains as a passive minority investor.

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 unadjusted net asset value of the Target Group as of 31 May 2016 is approximately HK\$12.3 million. The unadjusted net asset value of the Target Group is subject to fair value adjustments and allocated amount of goodwill in relation to the acquisition of the Target Group by the Company on 31 March 2016. As at the date of this Announcement, the Directors are still in the process of determining the fair value adjustments on the net identifiable assets and the amount of goodwill allocated to the

Target Group as at the acquisition date, and that the carrying value of the Target Group which should be used to determine the actual gain accrued to the Company on the Disposal has yet to be determined. It is expected that figure will be determined on or before 30 November 2016. In the event that there shall be a material difference between the actual gain on the Disposal and the expected gain on the Disposal disclosed herein, the Company shall inform its shareholders by way of an announcement. The Company intends to use the net proceeds (after deducting relevant costs and expenses in connection with the Disposal) for general working capital of the Company.

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

## **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 transactions contemplated under the Agreement exceed 5% but are less than 25%, the entering into of the Agreement constitutes a discloseable transaction for the Company 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:

“Agreement”	a sale and purchase agreement dated 6 July 2016 entered into between the Seller and the Purchaser in relation to the Disposal
“Audit and Tax Fee Amount”	the audit fee and tax service fee accrued up to 30 June 2016, in the amount of HK\$430,000
“Board”	the board of Directors
“Cash at Bank”	means the bank balances of the Target Group’s bank accounts in Hong Kong, as of date of the Agreement
“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, which took place on 6 July 2016
“Consideration”	consideration of the Disposal to be paid by the Purchaser to the Seller
“Directors”	the directors of the Company
“Disposal”	the disposal of the Sale Shares by the Seller to the Purchaser pursuant to the terms of the Agreement
“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
“Landlord”	the landlord of the Premises, an independent third party not connected with the Company and its connected persons
“Licence Agreement”	the licence agreement in respect of the licensing of the Premises entered into between New World Telecommunications Limited, a subsidiary of the Company and New iMedia on 6 July 2016
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New iMedia”	New iMedia Solutions Limited, a subsidiary of the Target Company
“Premises”	the partial floor of 11/F, World Peace Centre, 55 Wo Tong Tsui Street, Kwai Chung, New Territories, Hong Kong
“Purchaser”	Dynamic Team Holdings Limited, a limited liability company incorporated in the British Virgins Islands
“Related Company”	a subsidiary or holding company or a subsidiary of such holding company

“Related Party”	a Related Company, a director or secretary of such company or a director or secretary of a Related Company of such company
“Sale Shares”	the 51 Shares beneficially owned by and registered in the name of the Seller, representing 51% of the issued share capital of the Target Company as at the date of this announcement
“Seller”	HKBN Group Limited, a limited liability company incorporated under the laws of the British Virgin Islands, and a wholly-owned subsidiary of the Company
“Seller Group”	Seller and its subsidiaries, its parent company and subsidiaries of such parent company, but excludes the Target Group
“Share(s)”	shares of US\$1.00 each in the capital of the Target Company
“Shareholders Agreement”	a shareholders agreement dated 6 July 2016 executed by the Seller, the Purchaser and the Target Company in relation to the relationship of the Seller and the Purchaser as shareholders of the Target Company
“Target Company”	Simple Click Investments Limited, a limited liability company incorporated under the laws of the British Virgin Islands, and a wholly-owned subsidiary of the Company prior to Completion and an 49%-owned associate of the Company upon Completion
“Target Group”	the Target Company and its subsidiaries
“Talent Leave PIL Amount”	the talent leave payment in lieu for the service period before 30 June 2016 in respect of employees who leave the Target Group prior to 31 December 2016

“Target Performance  
Bonus Amount”

the talent performance bonus for the service period of 1  
April 2016 to 30 June 2016, in the total amount of  
HK\$536,000

*\* For identification purpose only.*

By order of the Board  
**HKBN Ltd.**  
**Ni Quiaque LAI**  
*Executive Director*

Hong Kong, 6 July 2016

*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 conflicts, the English text prevails.