

STARHUB LTD
(Incorporated in the Republic of Singapore)
(Company Registration No. 199802208C)

ANNOUNCEMENT

PROPOSED TRANSACTION IN CONNECTION WITH THE SHARES IN D'CRYPT

1. INTRODUCTION

The Board of Directors (the “**Board**”) of StarHub Ltd (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company is undertaking a proposed transaction (“**Proposed Transaction**”) in respect of its interest in D’Crypt Pte Ltd (“**D’Crypt**”) involving the following steps:

1.1 **Proposed StarHub Disposal.** The Company has today entered into a sale and purchase agreement (the “**SPA**”) with Dr Ng Peng Chew Antony, Chew Hwee Boon, Dr Pang Liang Teck (the “**Founding Shareholders**” and together with the Company, the “**Vendors**”), and Keele Investments Pte. Ltd. (the “**Purchaser**”), a special purpose vehicle established by Tyree Investments Pte. Ltd. (“**Tyree**”), an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited (“**Temasek**”) and together with its subsidiaries, the “**Temasek Group**”). Pursuant to the terms of the SPA:

- (a) the Purchaser has agreed to purchase, and the Vendors have agreed to sell to the Purchaser, an aggregate of 1,500,000 issued ordinary shares in the share capital of D’Crypt (the “**Sale Shares**”), representing the entire issued share capital of D’Crypt, for an initial sum of S\$100,000,000 in cash (the “**Cash Consideration**”); and
- (b) the Company will receive a cash consideration of S\$65,000,000 (the “**Proposed Disposal Consideration**”) from the Purchaser for its proposed disposal of 975,000 Sale Shares (the “**Company D’Crypt Shares**”), representing 65 per cent. of the entire issued share capital of D’Crypt (the “**Proposed StarHub Disposal**”).

In connection with the Proposed StarHub Disposal, the Company will be entering into a deed of termination and release with the Founding Shareholders to, *inter alia*, terminate the put and call option agreement dated 15 December 2017 in respect of the Company’s right to acquire the Sale Shares held by the Founding Shareholders. The effectiveness of such deed of termination will be subject to the completion of the Proposed StarHub Disposal.

1.2 **Proposed Acquisitions.** In connection with the Proposed StarHub Disposal, the Group intends to effect the following transactions with the Temasek Group:

- (a) **Proposed StarHub Acquisition.** The Company and Leone Investments Pte. Ltd. (“**Leone**”), a wholly-owned subsidiary of Tyree, will subscribe for 100,000,000 new ordinary shares in the capital of Ensign InfoSecurity Pte. Ltd. (“**Ensign**”) and such shares, “**Ensign Shares**”), a subsidiary of the Company, for a sum of S\$100,000,000, being an amount equivalent to the Cash Consideration, on a pro-rata basis based on their respective shareholding proportions in Ensign, being 40 per cent. by the

Company and 60 per cent. by Leone (the “**StarHub-Leone Subscription**”). Simultaneously, the Company will pay Leone a further S\$20,000,000 as consideration for the assignment of Leone’s rights, benefits and interests (including voting and economic rights) in 20,000,000 of Leone’s new Ensign Shares to the Company (the “**Further Assigned Rights**” and together with the 40,000,000 new Ensign Shares to be issued to the Company, the “**New Ensign Shares and Assigned Rights**”). Accordingly, the Company will pay an aggregate sum of S\$60,000,000 (the “**StarHub Acquisition Amount**”) to acquire the New Ensign Shares and Assigned Rights (the “**Proposed StarHub Acquisition**”).

- (b) **Preference Shares Subscription.** Following completion of the StarHub-Leone Subscription, Ensign will subscribe for 100,000,000 preference shares in the capital of the Purchaser (“**Purchaser Preference Shares**”) for a sum of S\$100,000,000 (the “**Ensign Acquisition Amount**”), being an amount equivalent to the Cash Consideration (the “**Preference Shares Subscription**” and together with the Proposed StarHub Acquisition, the “**Proposed Acquisitions**”).

1.3 **D’Crypt as an indirect subsidiary of Ensign on Completion**

Based on the rights accorded to Ensign through the Purchaser Preference Shares, on completion of the Proposed Transaction, D’Crypt will be regarded as an indirect subsidiary of Ensign as a result of the Purchaser’s 100 per cent. shareholding in D’Crypt.

2. **INFORMATION ON THE PARTIES**

2.1 **D’Crypt**

D’Crypt is a private company limited by shares incorporated in Singapore and carries on the business of the development and delivery of advanced electronics, software, computational, cryptographic and security technology and products.

As at the date of this Announcement:

- (a) D’Crypt has an issued and paid-up share capital of S\$1,500,000 consisting of 1,500,000 ordinary shares; and
- (b) the shareholders of D’Crypt are the Vendors, who collectively own the entire issued share capital of D’Crypt as described in paragraph 1.1 above.

2.2 **The Purchaser**

The Purchaser is a special purpose vehicle incorporated by Tyree for the purpose of the acquisition of all the issued shares in the capital of D’Crypt from the Vendors on the terms and subject to the conditions set out in the SPA.

As at the date of this Announcement, the Purchaser has an issued and paid-up share capital of S\$2 consisting of two ordinary shares.

2.3 **Ensign**

Ensign is a joint venture company held 40 per cent. by the Company and 60 per cent. by Leone.

As at the date of this Announcement, Ensign has a total issued and paid-up share capital of 260,000,000 ordinary shares, with the Company and Leone each holding 104,000,000 Ensign

Shares and 156,000,000 Ensign Shares respectively. Leone has assigned to the Company all of Leone's rights, benefits and interests (including voting and economic rights) in 52,000,000 Ensign Shares, representing 20 per cent. of the entire issued share capital of Ensign.

3. RATIONALE AND BENEFIT

The Proposed Transaction will align the complementary capabilities of D'Crypt and Ensign to further enhance the cybersecurity platform and solutions available under Ensign. This will also allow D'Crypt to effectively leverage on Ensign's regional outreach to further regionalise. There will be benefits accruing from a closer cooperation between D'Crypt's world-class engineering team with that of Ensign's engineering capability, which will accelerate the development of new intellectual property and cyber security products.

4. PRINCIPAL TERMS OF THE PROPOSED STARHUB DISPOSAL

4.1 Consideration

The consideration which the Company will receive for the disposal of the Sale Shares is the Proposed Disposal Consideration (i.e. S\$65,000,000). The Proposed Disposal Consideration was arrived at taking into account the historical financial performance and growth potential of D'Crypt as well as the rationale for the Proposed Transaction (as described in paragraph 3 above).

Pursuant to the SPA, the maximum aggregate consideration which the Purchaser will pay to the Vendors for the purchase of the Sale Shares is S\$133,600,000, comprising the following:

- (a) to the Vendors, the Cash Consideration (which includes the Proposed Disposal Consideration) to be paid in cash in proportion to their shareholding interests in respect of D'Crypt, subject to certain claw-back provisions in relation to the Proposed Disposal Consideration paid to the Company (as described in paragraph 4.2 below);
- (b) to the Founding Shareholders only:
 - (i) S\$6,200,000 to be paid in cash to the Founding Shareholders on or prior to 31 January 2021 or such other date as may be mutually agreed between the Purchaser and the Founding Shareholders; and
 - (ii) an earn-out consideration of up to a maximum amount of S\$27,400,000 to be paid to the Founding Shareholders pursuant to the fulfilment of certain conditions set out in the SPA (the "**Earn-Out Consideration**"),

in each case, in proportion to the Founding Shareholders' shareholding interests in respect of D'Crypt.

4.2 Potential Claw-Back Amount

Pursuant to the terms of the SPA, in the event the Earn-Out Consideration paid by the Purchaser to the Founding Shareholders is less than S\$27,400,000, the Company shall be required to repay the Purchaser a claw-back sum of up to S\$26,000,000.

4.3 Conditions

Pursuant to the terms of the SPA, the Proposed StarHub Disposal is conditional upon, *inter alia*, the satisfaction or waiver of the conditions (the “SPA Conditions”) set out below or their satisfaction subject only to completion:

- (a) the entry by each of the Founding Shareholders and D’Crypt into new service agreements in agreed form;
- (b) the execution of the amendment deeds by D’Crypt and each of the key employees of D’Crypt;
- (c) the entry by the Vendors and D’Crypt into a deed of termination and release in respect of the termination of (i) the existing shareholders’ agreement dated 24 January 2018 among the Vendors and D’Crypt, (ii) the existing technical assistance agreement dated 24 January 2018 among the Vendors and D’Crypt, and (iii) the put and call option agreement dated 15 December 2017 among the Vendors;
- (d) the entry by the Company and D’Crypt into a commercial agreement;
- (e) the entry by the Company, Leone and Ensign into a side letter in respect of the commercial agreement;
- (f) D’Crypt having entered into a contract framework for the purposes of entering into contracts with the Government of the Republic of Singapore;
- (g) there being no material damage to the properties in respect of which D’Crypt is the registered subsidiary proprietor;
- (h) there being no notice of compulsory acquisition or any notice of intended compulsory acquisition affecting the whole or a material part of either of Block 28 or Block 30 of Sin Ming Lane, Midview City; and
- (i) the necessary third party consents and permits having been obtained and remaining valid and effective up till and including completion, and where any such third party consent and permit is subject to conditions, such conditions being satisfactory to the parties, acting reasonably.

If the SPA Conditions are not fulfilled or waived by the relevant party on or before 8 November 2019 (or such other date as may be agreed in writing between the parties) (the “Long Stop Date”), any party to the SPA may terminate the SPA (other than the surviving provisions), in which case none of the parties shall have any claim against the other parties under it, save for any rights, claims or remedies already accrued to the party.

5. PRINCIPAL TERMS OF THE PROPOSED ACQUISITIONS

5.1 Consideration

The consideration for the Proposed StarHub Acquisition, amounting to an aggregate of S\$60,000,000, was arrived at taking into account the Company’s effective shareholding in Ensign as well as the Ensign Acquisition Amount.

The consideration for the Preference Shares Subscription, amounting to S\$100,000,000, was arrived at taking into account the Cash Consideration.

5.2 **Conditions**

The Preference Shares Subscription shall be conditional upon the satisfaction, or waiver, of the SPA Conditions, on or prior to the Long Stop Date.

6. **FINANCIAL INFORMATION RELATING TO THE PROPOSED TRANSACTION**

6.1 **Book Value**

- (a) **Company D’Crypt Shares and New Ensign Shares and Assigned Rights.** Based on the Group’s unaudited consolidated financial statements for the half year ended 30 June 2019 (“**1H FY2019 Financial Statements**”), the book value attributable to each of the Company D’Crypt Shares and the New Ensign Shares and Assigned Rights is approximately S\$17,312,750 and S\$57,159,336 respectively.
- (b) **Purchaser Preference Shares.** Based on the Ensign Acquisition Amount, the book value attributable to the Purchaser Preference Shares is approximately S\$26,635,000.

6.2 **Net Tangible Assets Value (“NTA”)**

- (a) **Company D’Crypt Shares and New Ensign Shares and Assigned Rights.** Based on the 1H FY2019 Financial Statements, the NTA attributable to each of the Company D’Crypt Shares and the New Ensign Shares and Assigned Rights is approximately S\$13,937,950 and S\$25,896,031 respectively.
- (b) **Purchaser Preference Shares.** Based on the Ensign Acquisition Amount, the NTA attributable to the Purchaser Preference Shares is approximately S\$21,443,000.

6.3 **Source of Funds and Use of Proceeds**

The consideration for the Proposed StarHub Acquisition, amounting to an aggregate of S\$60,000,000, will be paid from the proceeds the Company will receive from the Proposed StarHub Disposal. Based on the book value of the Company D’Crypt Shares set out in paragraph 6.1(a) above, the excess of the Proposed Disposal Consideration over such book value is approximately S\$47,687,250.

6.4 **Net Profits and Gain on the Proposed StarHub Disposal**

- (a) **Company D’Crypt Shares and New Ensign Shares and Assigned Rights.** Based on the 1H FY2019 Financial Statements, the net profits attributable to the Company D’Crypt Shares is approximately S\$2,184,000 and the net losses attributable to the New Ensign Shares and Assigned Rights is approximately S\$2,427,000. There is no gain on the Proposed StarHub Disposal.
- (b) **Purchaser Preference Shares.** The net profit attributable to the Purchaser Preference Shares on the basis that the Purchaser wholly owns D’Crypt is approximately S\$3,360,000.

7. FINANCIAL EFFECTS

The financial effects of the Proposed Transaction on the Group's NTA per share of the Company and the earnings per share of the Company ("EPS") based on the Group's audited consolidated financial statements for the financial year ended 31 December 2018 are set out below. The financial effects below are purely for illustrative purposes and are therefore not necessarily indicative of the actual financial position of the Group after completion of the Proposed Transaction. We have assumed the maximum aggregate consideration of S\$133,600,000 is paid for the illustration below.

7.1 NTA

Assuming that the Proposed Transaction had been effected on 31 December 2018, being the end of the most recently completed financial year of the Group, the effect on the Group's NTA per share of the Company would be as follows:

	Before the Proposed Transaction	After the Proposed Transaction
NTA (S\$'000,000)	162.4	177.9
Number of ordinary shares ('000)	1,731,651	1,731,651
NTA per ordinary share (S\$)	0.094	0.103

7.2 EPS

Assuming that the Proposed Transaction had been effected on 1 January 2018, being the beginning of the most recently completed financial year of the Group, the effect of the Proposed Transaction on the EPS would be as follows:

	Before the Proposed Transaction	After the Proposed Transaction
Profit attributable to shareholders (S\$'000,000)	193.6	193.7
Weighted average no. of ordinary shares - Basic ('000)	1,730,141	1,730,141
EPS (cents) – Basic	11.2	11.2

8. CHAPTER 10 OF THE LISTING MANUAL

8.1 Relative Figures

The relative figures in relation to the Proposed StarHub Disposal and the Proposed Acquisitions computed on the bases set out in Rule 1006 of the Listing Manual are calculated based on the 1H FY2019 Financial Statements, being the latest announced consolidated accounts of the Company.

(a) **Proposed StarHub Disposal**

Rule 1006	Bases	Percentage (%)
(a)	The net asset value of the assets to be disposed of (i.e. the Company D’Crypt Shares), compared with the Group’s net asset value.	3.12 ⁽¹⁾
(b)	The net profits attributable to the assets disposed of (i.e. the Company D’Crypt Shares), compared with the Group’s net profits.	1.97 ⁽²⁾
(c)	The aggregate value of the consideration received (i.e. the Proposed Disposal Consideration), compared with the Company’s market capitalisation based on the total number of issued shares excluding treasury shares.	2.59 ⁽³⁾
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not Applicable
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group’s proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not Applicable

Notes:

- (1) Computed based on the net asset value of the Company D’Crypt Shares of approximately S\$17,312,750, compared to the Group’s net asset value of approximately S\$554,600,000 as at 30 June 2019.
- (2) Computed based on the net profits attributable to the Company D’Crypt Shares of approximately S\$2,184,000, compared to the Group’s net profits of S\$110,700,000 for the half year ended 30 June 2019 (“**1H 2019**”).
- (3) Computed based on the market capitalisation of the Company on 7 August 2019, being the last market day preceding the date of this Announcement, of approximately S\$2,510,841,591.
- (4) Net profits means profit or loss before income tax, minority interests and extraordinary items

(b) **Proposed Acquisitions**

Rule 1006	Bases	Percentage (%)	
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value.	Not Applicable	
(b)	The net profits attributable to the assets acquired (i.e. the net profits of the New Ensign Shares and Assigned Rights and the Purchaser Preference Shares), compared with the Group's net profits.	Proposed StarHub Acquisition	(2.19) ⁽¹⁾
		Preference Shares Subscription	3.04 ⁽²⁾
(c)	The aggregate value of the consideration given (i.e. the StarHub Acquisition Amount and the Ensign Acquisition Amount), compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.	Proposed StarHub Acquisition	2.39 ⁽³⁾
		Preference Shares Subscription	3.98 ⁽³⁾
		Aggregate	6.37⁽³⁾
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not Applicable	
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not Applicable	

Notes:

- (1) Computed based on the net loss attributable to the New Ensign Shares and Assigned Rights of approximately S\$2,427,000, compared to the Group's net profits of S\$110,700,000 for 1H 2019.
- (2) Computed based on the net profits attributable to the Purchaser Preference Shares (on the basis that the Purchaser wholly owns D'Crypt) compared to the Group's net profits of S\$110,700,000 for 1H 2019.
- (3) Computed based on the market capitalisation of the Company on 7 August 2019, being the last market day preceding the date of this Announcement, of approximately S\$2,510,841,591.

8.2 Discloseable Transaction

As the relative figure computed on the bases set out in Rule 1006(c) exceeds five per cent. but is less than 20 per cent., the Proposed Acquisitions constitute a “discloseable transaction” as defined in Chapter 10 of the Listing Manual.

8.3 SGX-ST Confirmation

As the relative figures computed on the bases set out in Rule 1006(b) in respect of the Proposed StarHub Acquisition is negative, in accordance with Rule 1007(1) of the Listing Manual, the Company had made an application to the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) in respect of the Proposed StarHub Acquisition and obtained confirmation that the requirement of shareholders’ approval pursuant to Chapter 10 of the Listing Manual would not be required for the Proposed Transaction.

9. INTERESTED PERSON TRANSACTION

9.1 Interested Person Transaction

As at 7 August 2019, Temasek does not have any direct interest in shares of the Company. Temasek is deemed to be interested in an aggregate of 982,726,850 ordinary shares of the Company, representing 56.75 per cent. of the Company’s issued ordinary shares (excluding treasury shares), via Singapore Technologies Telemedia Pte Ltd (a wholly-owned subsidiary of Temasek) (“**STT**”), and DBS Group Holdings Ltd (an associated company of Temasek) (“**DBSH**”). Accordingly, under the Listing Manual, Temasek is deemed to be a “controlling shareholder” of the Company as it has a more than 15 per cent. interest in the issued share capital of the Company. STT and DBSH are independently-managed Temasek portfolio companies. Temasek is not involved in their businesses or operating decisions, including their positions in the shares of the Company.

As the Purchaser is a wholly-owned indirect subsidiary of Temasek, and Ensign is a company which Temasek has an indirect interest of 30 per cent. or more as at the date of this Announcement, each of the Purchaser and Ensign would be considered an “associate” of Temasek under the Listing Manual. Accordingly, for the purposes of Chapter 9 of the Listing Manual, the Proposed Transaction is regarded as an interested person transaction as:

- (a) the Proposed StarHub Disposal is a transaction between the Company (being the entity at risk) and the Purchaser (an interested person);
- (b) the Proposed StarHub Acquisition is a transaction between the Company (being the entity at risk) and Ensign (an interested person); and
- (c) the Preference Shares Subscription is a transaction between Ensign (being the entity at risk by virtue of it being the Company’s subsidiary) and the Purchaser (an interested person).

9.2 Market Capitalisation

The Company obtained a ruling from the SGX-ST on 20 February 2018 stating that, *inter alia*, thresholds for interested person transactions to be entered into by the Company for the financial year ending 31 December 2019 may be determined by reference to the market capitalisation of the Company on the last trading day of its financial year ended 31 December 2018 instead of the Group’s latest audited NTA.

The market capitalisation of the Company on the last trading day of its financial year ended 31 December 2018 was approximately S\$3,028,000,000 (the “**Relevant Market Cap**”). Accordingly, three per cent. of the Relevant Market Cap would be approximately S\$90,840,000 and five per cent. of the Relevant Market Cap would be approximately S\$151,400,000.

9.3 Value at Risk

The value at risk to the Company in relation to the Proposed Transaction is approximately S\$145,000,000 (representing approximately 4.79 per cent. of the Relevant Market Cap), which is calculated by aggregating the following:

- (a) the Proposed StarHub Disposal, which is S\$65,000,000;
- (b) the Further Assigned Rights, which is S\$20,000,000;¹ and
- (c) the Preference Shares Subscription, where the amount at risk to the Company based on its 60 per cent. equity participation in Ensign is S\$60,000,000.

As the value at risk to the Company exceeds three per cent. but does not exceed five per cent. of the Relevant Market Cap, the Proposed Transaction is not subject to shareholders’ approval under Chapter 9 of the Listing Manual.

9.4 Total Value of Interested Person Transactions

From the period from the beginning of the current financial year from 1 January 2019 up to 7 August 2019, being the latest practicable date prior to the date of this Announcement (a) the aggregate value of all interested person transactions conducted under a shareholders’ mandate pursuant to Rule 920 of the Listing Manual (excluding transactions below S\$100,000) is S\$138,273,267 and (b) save for the Proposed Transaction, there have been no other interested person transactions (excluding transactions below S\$100,000) entered into by the Group with any of its interested person.

9.5 Opinion of the Audit Committee

The Audit Committee of the Company (currently comprising Paul Ma Kah Woh, Nihal Vijaya Devadas Kaviratne, Ng Shin Ein and Lim Ming Seong), is of the view that:

- (a) the Proposed Transaction is on normal commercial terms;
- (b) the risks and rewards of the joint ventures in connection with the Proposed Transaction are in proportion to the equity of the Company and Leone; and
- (c) the Proposed Transaction (including the terms of the joint ventures in connection with the Proposed Transaction) is not prejudicial to the interests of the Company and its minority shareholders.

¹ Pursuant to the ruling from the SGX-ST dated 30 August 2018, any new issuance of shares by Ensign and/or provision of shareholder loans to Ensign for future funding falls within the exception of Rules 916(2) and 916(3) of the Listing Manual, if the Company and Leone each subscribes to its pro-rata entitlement of new Ensign Shares. Accordingly, as the subscription of 40,000,000 new Ensign Shares by the Company is on a pro-rata basis based on the Company’s shareholding proportion in Ensign, the S\$40,000,000 paid by the Company to Ensign in consideration for the 40,000,000 new Ensign Shares does not amount to a value at risk to the Company.

10. FURTHER INFORMATION

- 10.1 **Interests of Directors and Controlling Shareholders of the Company.** Save as disclosed in this Announcement, none of the Directors and the controlling shareholders of the Company have any interest, direct or indirect, in the Proposed Transaction.
- 10.2 **Directors' Service Contracts.** No Person is proposed to be appointed as a director of the Company in connection with the Proposed Transaction. Accordingly, no service contract is proposed to be entered into between the Company and any such person.
- 10.3 **Inspection.** A copy of the SPA is available for inspection during normal business hours at the registered office of the Company at 67 Ubi Avenue 1, #05-01 StarHub Green, Singapore 408942 for three months from the date of this Announcement.

BY ORDER OF THE BOARD

Veronica Lai
Company Secretary
Singapore, 8 August 2019