

STARHUB LTD

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

ANNOUNCEMENT**PROPOSED ACQUISITION OF REMAINING SHARES IN ACCEL SYSTEMS & TECHNOLOGIES
PTE. LTD. (“ASTL”)**

1. INTRODUCTION

The Board of Directors (the “**Board**”) of StarHub Ltd (the “**Company**”) refers to the announcement dated 26 May 2017 relating to the proposed acquisition by the Company from Accel Frontline Limited (the “**Phase 1 Seller**”) of 11,730,000 issued ordinary shares in the capital of ASTL (“**Shares**”), representing 51 per cent. of the entire issued share capital of ASTL (the “**Phase 1 Acquisition**”). The Board wishes to announce that the Company has today entered into a separate conditional sale and purchase agreement (the “**Phases 2 and 3 Agreement**”) with Tham Soh Mui (Tan Sumei), Steve Ting Tuan Toon and Wong Swee Ping, Shirley (the “**Phases 2 and 3 Sellers**”), pursuant to which the Phases 2 and 3 Sellers have agreed to sell, and the Company has agreed to purchase, an aggregate of 11,270,000 Shares in the capital of ASTL (the “**Phases 2 and 3 Sale Shares**”), representing 49 per cent. of the entire issued share capital of ASTL, in two phases following the completion of the Phase 1 Acquisition:

- (a) 6,762,000 Shares, representing 29.4 per cent. of the total issued share capital of ASTL (the “**Phase 2 Acquisition**”); and
- (b) 4,508,000 Shares, representing 19.6 per cent. of the total issued share capital of ASTL (the “**Phase 3 Acquisition**” and, collectively with the Phase 2 Acquisition, the “**Phases 2 and 3 Acquisition**”).

Following the completion of the Phase 1 Acquisition and the Phases 2 and 3 Acquisition, ASTL will be a wholly-owned subsidiary of the Company.

As the relative figures computed on the bases set out in Rule 1006 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**Listing Manual**”) in respect of the Phases 2 and 3 Acquisition (on an aggregate basis together with the Phase 1 Acquisition) do not exceed 5 per cent., the Phases 2 and 3 Acquisition also constitutes a non-discloseable transaction under Chapter 10 of the Listing Manual, and this Announcement is being made pursuant to Rule 704(17) of the Listing Manual.

2. RATIONALE FOR THE PHASES 2 AND 3 ACQUISITION

The Phases 2 and 3 Acquisition is a strategic investment which will grow the Company’s cyber security capabilities through the consolidation of control of ASTL, a cyber security consultant and solutions provider. ASTL will complement the Company’s current cyber security capabilities and allow the Company to provide a full in-house suite of cyber security solutions to its customers.

3. PRINCIPAL TERMS OF THE PHASES 2 AND 3 ACQUISITION

- 3.1 **Maximum Phases 2 and 3 Consideration.** The aggregate maximum cash consideration of up to S\$26,220,000 for the Phases 2 and 3 Acquisition (the “**Maximum Phases 2 and 3 Consideration**”), comprising the Initial Cash Consideration (as defined below) and the Aggregate Phase 2 Deferred Consideration (as defined below) in respect of the Phase 2 Acquisition as well as the Phase 3 Consideration (as defined below) in respect of the Phase 3 Acquisition, was arrived at on a willing seller willing buyer basis after taking into account (a) the historical financial performance and growth potential of ASTL and (b) the rationale for the Phases 2 and 3 Acquisition (as described in paragraph 2 above).

The Maximum Phases 2 and 3 Consideration shall be paid in cash by the Company to the Phases 2 and 3 Sellers and will be funded by the Company using internal cash resources.

- 3.2 **Initial Cash Consideration and Aggregate Phase 2 Deferred Consideration.** Upon the completion of the Phase 2 Acquisition, an initial aggregate cash consideration of S\$11,760,000 (the “**Initial Cash Consideration**”) is payable to the Phases 2 and 3 Sellers.

In addition, in the event that ASTL’s audited net profit after tax (“**NPAT**”) on an aggregate basis for its financial periods from 1 April 2016 to 31 March 2017 (“**Year 1**”) and from 1 April 2017 to 31 March 2018 (“**Year 2**”) is more than S\$8,400,000 on an aggregate basis, an aggregate maximum deferred cash consideration of S\$4,660,000 will be payable to the Phases 2 and 3 Sellers in respect of the Phase 2 Acquisition (the “**Aggregate Phase 2 Deferred Consideration**”), to be calculated as follows:

$$A = ((B - 8,400,000) / 2,210,000) * 4,660,000$$

where:

“**A**” is the Aggregate Phase 2 Deferred Consideration; and

“**B**” is the audited NPAT for Year 1 and Year 2 on an aggregate basis.

- 3.3 **Phase 3 Consideration.** Upon the completion of the Phase 3 Acquisition (“**Phase 3 Closing**”), an aggregate maximum cash consideration of S\$9,800,000 is payable to the Phases 2 and 3 Sellers (the “**Phase 3 Consideration**”), to be calculated as follows:

$$C = (D / 3) * E * F,$$

where:

“**C**” is the Phase 3 Consideration, subject to a maximum amount of S\$9,800,000 and, subject always to any obligation of the Phases 2 and 3 Sellers to pay any Clawback Amount (as defined below), a minimum amount of S\$7,840,000;

“**D**” is the audited NPAT for ASTL’s revised financial years ending 31 December 2017, 31 December 2018 and 31 December 2019 on an aggregate basis;

“**E**” is 11.23; and

“F” is the proportion (expressed as a decimal fraction) of the total issued share capital in ASTL collectively held by the Phases 2 and 3 Sellers immediately prior to the Phase 3 Closing on an undiluted basis (based on the total issued share capital in ASTL as at the date of the Phases 2 and 3 Agreement).

- 3.4 **Clawback Amount.** In the event that ASTL’s audited NPAT for Year 1 and Year 2 is less than S\$7,200,000 on an aggregate basis, a maximum amount of S\$4,660,000 (the “**Clawback Amount**”) shall be set-off against the Phase 3 Consideration, to be calculated as follows:

$$G = ((H - 7,200,000) / 1,800,000) * 4,660,000$$

where:

“G” is the Clawback Amount; and

“H” is the audited NPAT of ASTL for Year 1 and Year 2 on an aggregate basis.

- 3.5 **Conditions to Phase 2 Acquisition.** Pursuant to the terms of the Phases 2 and 3 Agreement, the Phase 2 Acquisition will be subject to and conditional upon, *inter alia*, the satisfactory fulfilment or waiver of the conditions (the “**Phase 2 Conditions**”) set out below:

- (a) completion of the Phase 1 Acquisition;
- (b) in respect of certain contractual arrangements entered into by ASTL, the obtaining of waivers and/or consents from third parties for the change in the composition of the board of directors and/or the shareholding of the Company pursuant to the Phase 1 Acquisition, the Phase 2 Acquisition and the Phase 3 Acquisition;
- (c) corporate actions and the passing of resolutions by the board of directors and the current shareholders of ASTL in accordance with the terms of the Phases 2 and 3 Agreement;
- (d) there being no material adverse change to the financial conditions, assets, liabilities, businesses, or results of operations of the business operated by ASTL between the date of the Phases 2 and 3 Agreement and the completion of the Phase 2 Acquisition;
- (e) the execution of a shareholders agreement between the Company, ASTL and the Phases 2 and 3 Sellers; and
- (f) the execution of new service agreements between ASTL and certain key employees of ASTL in a form satisfactory to the Company.

The completion of the Phase 2 Acquisition is scheduled to take place one business day after the satisfaction or waiver of each of the Phase 2 Conditions.

- 3.6 **Conditions to Phase 3 Acquisition.** Pursuant to the terms of the Phases 2 and 3 Agreement, the Phase 3 Acquisition will be subject to and conditional upon the completion of the Phase 2 Acquisition.

The completion of the Phase 3 Acquisition is scheduled to take place between one business day and 30 business days after the audited accounts of ASTL for ASTL’s revised financial year ending 31 December 2019 are made available to the Company.

4. INFORMATION ON ASTL

ASTL is a cyber security consultant and solutions provider incorporated in Singapore. As at the date of this Announcement, ASTL has an issued and paid-up share capital of S\$2,300,000 comprising 23,000,000 Shares.

As at the date of this Announcement, the shareholders of ASTL are the Phase 1 Seller and the Phases 2 and 3 Sellers, who collectively own the entire issued share capital of ASTL as described in paragraph 1 above.

Based on the latest available audited financial statements of ASTL for the financial year ended 31 March 2017, the net asset value and the net tangible asset value represented by the Phases 2 and 3 Sale Shares are S\$5,808,064 respectively.

5. FURTHER INFORMATION

- 5.1 **Interests of Directors and Controlling Shareholders of the Company.** None of the Directors and the controlling shareholders of the Company have any interest, direct or indirect, in the Phases 2 and 3 Acquisition.
- 5.2 **Inspection.** A copy of the Phases 2 and 3 Agreement 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 3 months from the date of this Announcement.

BY ORDER OF THE BOARD

Veronica Lai
Company Secretary
Singapore, 7 July 2017