

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

- 1.1 The Proposed Transaction.** The Board of Directors (the “**Board**”) of StarHub Ltd (“**StarHub**” or the “**Company**”) wishes to announce that Keele Investments Pte. Ltd. (“**Keele**”), a subsidiary of the Company, has today entered into a conditional sale and purchase agreement (the “**SPA**”) with ST Engineering Info-Security Pte. Ltd. (“**STE**”).

Under the SPA, STE has agreed to purchase and Keele has agreed to sell, 2,000,000 ordinary shares (the “**Sale Shares**”) in the capital of D’Crypt Pte Ltd (“**D’Crypt**”), representing 100 per cent. of the issued and paid-up share capital of D’Crypt (the “**Proposed Transaction**”).

- 1.2 Completion.** Completion of the Proposed Transaction (“**Completion**”) is subject to and conditional upon the fulfilment or waiver of various conditions precedent (“**Conditions**”), including, *inter alia*, (a) there being no event having occurred since the date of the SPA which results in a material adverse change in D’Crypt, (b) the warranties provided by Keele under the SPA being true, accurate and not misleading in all material respects as at the date of Completion and (c) the necessary third party approvals, consents and confirmations set out in the SPA required in connection with the Proposed Transaction having been obtained.

2. INFORMATION ON THE PARTIES AND D'CRYPT

- 2.1 Keele.** Keele is a special purpose vehicle incorporated for the purpose of holding all the issued shares in the capital of D’Crypt.

As at the date of this Announcement:

- 2.1.1** Keele has an issued and paid-up share capital of S\$124,733,868 consisting of 267,202 ordinary shares and 124,466,666 preference shares; and

- 2.1.2** the shareholders of Keele are:

- (i) Ensign Asia Pte. Ltd., an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited (“**Temasek**”), which holds all the ordinary shares in the issued share capital of Keele; and
- (ii) Ensign InfoSecurity Pte. Ltd. (“**EIS**”), a direct subsidiary of the Company, which holds all the preference shares in the issued share capital of Keele.

- 2.2 STE.** STE is an indirect wholly-owned subsidiary of Singapore Technologies Engineering Ltd. ("**ST Engineering**"), which is in turn an associate of Temasek, the controlling shareholder of the Company.

As at the date of this Announcement, STE has an issued and paid-up share capital of S\$10,000,000 consisting of 10,000,000 ordinary shares.

- 2.3 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:

2.3.1 D'Crypt has an issued and paid-up share capital of S\$2,000,000 consisting of 2,000,000 ordinary shares; and

2.3.2 the sole shareholder of D'Crypt is Keele.

2.4 Value of Assets to be Disposed

2.4.1 Net Asset Value. Based on the unaudited consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the half year ended 30 June 2023 (the "**1H FY2023 Financial Statements**"), the book value attributable to the Sale Shares is approximately S\$48.1 million¹.

2.4.2 Net Tangible Asset Value ("NTA"). Based on the 1H FY2023 Financial Statements, the NTA attributable to the Sale Shares is approximately S\$46.1 million¹.

- 2.5 Net Profits.** Based on the 1H FY2023 Financial Statements, the net profits attributable to the Sale Shares is approximately S\$3.1 million¹.

3. RATIONALE FOR THE PROPOSED TRANSACTION

As part of StarHub's ongoing execution of the DARE+ transformation programme, StarHub has undertaken a strategic review of its businesses and portfolio investments to sharpen its focus on core products and services, technology, capabilities and customer diversification. One of the key pillars of growth is to focus its enterprise business on offering converged solutions in the areas of Cloud, Cybersecurity and Connectivity ("**3C**"). In particular, StarHub's Cybersecurity focus is to develop platform-based offerings, which are scalable across the region. The divestment of D'Crypt, which focuses primarily on hardware development for the defence industry, will allow the Group to optimise its resources on other businesses that will elevate the execution of its 3C's strategy.

4. PRINCIPAL TERMS OF THE PROPOSED TRANSACTION

- 4.1 SPA.** Subject to the terms and conditions of the SPA, Keele shall sell and STE shall purchase the Sale Shares, free from all encumbrances and together with the benefit of all rights, entitlements, dividends and advantages attaching thereto as at the date of Completion.

¹ Derived from the unaudited financial statements of D'Crypt for the half year ended 30 June 2023 that is consolidated into the 1H FY2023 Financial Statements.

4.2 Conditions Precedent. Pursuant to the SPA, Completion is conditional upon, *inter alia*, the fulfilment or waiver of the following Conditions:

- 4.2.1 no event having occurred since the date of the SPA which results in a material adverse change in relation to the affairs, operations, businesses, properties and/or financial condition (including liabilities, assets and results) of D’Crypt occurring on or before the date of Completion resulting in a decline in the net asset value of D’Crypt of 30 per cent. or more from that stated in the unaudited balance sheet and profit and loss accounts of D’Crypt in respect of the nine-month period ended 30 September 2023 (the “**September 2023 Management Accounts**”);
- 4.2.2 the warranties provided by Keele under the SPA (the “**Vendor’s Warranties**”) being true, accurate and not misleading in all material respects as of the date of Completion, provided always that for the purpose of this Condition, an inaccuracy in a Vendor’s Warranty shall not render such Vendor’s Warranty materially untrue, inaccurate or misleading unless such inaccuracy would or would be reasonably likely to result in STE or D’Crypt suffering losses, liabilities, damages, settlement sums, costs (including legal costs and experts’ and consultants’ fees on a full indemnity basis), charges, expenses, actions, proceedings, claims and demands equivalent to 30 per cent. or more of the net asset value of D’Crypt as stated in the September 2023 Management Accounts; and
- 4.2.3 the necessary third party approvals, consents and confirmations set out in the SPA (collectively, “**Approvals**”) required in connection with the Proposed Transaction having been obtained, and where any such Approval is subject to conditions, such conditions being acceptable to STE, acting reasonably, and if such conditions are required to be fulfilled before Completion, such conditions being fulfilled before Completion, and such Approvals remaining in full force and effect as at Completion.

Pursuant to the terms of the SPA, Keele shall use its reasonable endeavours to procure the fulfilment of the Condition set out in paragraph 4.2.3 above as soon as possible, but in any event, by the date falling 180 days from the date of the SPA (or such other date as Keele and STE may agree in writing) (the “**Long-Stop Date**”), and shall engage with the relevant counterparties as soon as is practicable after the date of the SPA to seek the Approvals of such counterparties under such Condition and follow up with such parties on the status of such Approvals.

STE may in its absolute discretion waive any Condition (in whole or in part) by notice in writing to Keele.

If any Condition is not fulfilled (or waived by STE in accordance with the SPA) by the Long-Stop Date, the SPA (save for certain surviving clauses) shall *ipso facto* cease and determine and neither Keele nor STE shall have any claim against the other party for costs, damages, compensation or otherwise, save for any rights, claims or remedies available or already accrued to such party prior to such termination.

4.3 Consideration. Pursuant to the terms of the SPA, the consideration which STE will pay to Keele for the purchase of the Sale Shares shall comprise the following:

4.3.1 Initial Consideration. Subject to certain post-completion adjustments (as described in paragraph 4.4 below), an amount determined in accordance with the following formula (the “**Initial Consideration**”):

$$\text{Initial Consideration} = A + B + C$$

where:

- (i) “**A**” is S\$67,500,000;
- (ii) “**B**” is the Pre-Completion Net Cash / (Debt); and
- (iii) “**C**” is the Pre-Completion Working Capital less the Target Working Capital.

For the purposes of this Announcement:

“**Cash**” means the aggregate cash of D’Crypt (whether in hand or credited to any account with any banking, financial, lending or other similar institution or organisation), including all interest accrued thereon as shown by the reconciled cashbook balances of D’Crypt;

“**Completion Net Cash / (Debt)**” means Cash less Debt as at the date of Completion, as determined in accordance with the SPA and set out in the Net Cash / (Debt) Statement;

“**Debt**” means any borrowing, indebtedness in the nature of borrowing including any indebtedness for monies borrowed or raised under any bank or third party guarantee, acceptance credit, bond, note, bill of exchange or commercial paper, letter of credit, finance lease, hire purchase agreement, forward sale or purchase agreement or conditional sale agreement or other transaction having the commercial effect of a borrowing and all finance, loan and other obligations of a kind required to be included in the balance sheet of a company or other entity, income tax liabilities, bonus provisions, payouts or provisions of the long-term incentive plan of D’Crypt and deferred tax liabilities. For the avoidance of doubt, “**Debt**” does not include any performance bonds or performance guarantees issued by or on behalf of D’Crypt or any person in connection with the obligations of D’Crypt;

“**Net Cash / (Debt) Statement**” means the statement of the Completion Net Cash / (Debt) of D’Crypt;

“**Pre-Completion Management Accounts**” means the unaudited balance sheet and profit and loss accounts of D’Crypt in respect of the most recently completed calendar month as at the date falling 10 business days prior to the date of Completion;

“**Pre-Completion Management Accounts Date**” means the date of the Pre-Completion Management Accounts;

“**Pre-Completion Net Cash / (Debt)**” means Cash less Debt as at the Pre-Completion Management Accounts Date, as determined based on the Pre-Completion Management Accounts;

“Pre-Completion Working Capital” means the amount of Working Capital of D’Crypt as at the Pre-Completion Management Accounts Date, as determined based on the Pre-Completion Management Accounts;

“Target Working Capital” means S\$21,000,000;

“Working Capital” means the aggregate amount of the current portion of all current assets less the aggregate amount of the current portion of all current liabilities, excluding any items which may fall within the definitions of Cash or Debt or other adjustments to working capital, as calculated in accordance with the principles set out in the SPA and as set out in the Working Capital Statement (if applicable); and

“Working Capital Statement” means the statement of the Working Capital of D’Crypt; and

4.3.2 Earn-Out Consideration. Subject to and conditional upon the satisfaction of the earn-out condition set out in the SPA, S\$5,000,000 (the **“Earn-Out Consideration”**).

The consideration which Keele will receive for the disposal of the Sale Shares 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).

4.4 Post-Completion Adjustments. Pursuant to the terms of the SPA, following Completion, the completion accounts of D’Crypt (comprising the Working Capital Statement and the Net Cash / (Debt) Statement as at the date of Completion) shall be prepared in accordance with the SPA (the **“Completion Accounts”**). The Initial Consideration shall be adjusted based on the differences, if any, between the Completion Accounts and the corresponding accounts as at the Pre-Completion Management Accounts Date.

4.5 Claim Amounts Under the SPA. In the event that any amount (a **“Claim Amount”**) is agreed by Keele and STE, or is finally determined by an arbitral tribunal of competent jurisdiction, to be due and payable by Keele to STE under the SPA, Keele shall have the right to require EIS to provide funding of an amount equivalent to the Claim Amount by way of subscribing for new preference shares in the capital of Keele. Further, in the event that the board of EIS determines that EIS has insufficient cash and requires additional financing to fund a portion of the subscription price of the new preference shares in the capital of Keele, EIS shall also have the right to require its shareholders (including the Company) to provide funding by way of subscribing for new ordinary shares in the capital of EIS in proportion to their shareholdings as at the date of Completion.

5. FINANCIAL INFORMATION RELATING TO THE PROPOSED TRANSACTION

5.1 Proceeds Over Book Value and Intended Use of Proceeds. Based on the latest financial information of D’Crypt available to the Company, the estimated consideration for the Sale Shares based on (i) the estimated Initial Consideration (where the Pre-Completion Net Cash / (Debt) and the Pre-Completion Working Capital has been estimated based on such latest financial information) and (ii) the Earn-Out Consideration, is S\$87.4 million (the **“Estimated Consideration”**). Based on the Estimated Consideration and the book value attributable to the Sale Shares set out in paragraph 2.4.1, the excess of the Estimated Consideration over such book value is approximately S\$39.3 million.

Keele intends to use the sale proceeds to (a) satisfy any remaining payment obligations under the sale and purchase agreement dated 8 August 2019 among the Company, Keele, Dr Ng Peng Chew Antony, Chew Hwee Boon and Dr Pang Liang Teck, pursuant to which Keele first acquired the entire issued share capital of D'Crypt and (b) undertake a partial share buyback of preference shares in the capital of Keele held by EIS.

- 5.2 Net Profits and Loss on the Proposed Transaction.** Based on the 1H FY2023 Financial Statements and with reference to the net profits attributable to the Sale Shares as set out in paragraph 2.5, there is a loss on disposal of approximately S\$18.0 million as a result of the Proposed Transaction.

6. FINANCIAL EFFECTS

- 6.1 Bases and Assumptions.** The pro forma financial effects of the Proposed Transaction have been prepared based on the Group's audited consolidated financial statements for the financial year ended 31 December 2022, and **are purely for illustrative purposes only and do not reflect the future actual financial position of the Group following Completion.** The pro forma financial effects have also been prepared based on, *inter alia*, the following assumptions:

6.1.1 the Proposed Transaction had been effected on 31 December 2022, being the end of the most recently completed financial year of the Group and of which the statement of financial position of the Group has been publicly announced, for illustrating the financial effects on the consolidated NTA per share of the Company; and

6.1.2 the Proposed Transaction had been effected on 1 January 2022, being the beginning of the most recently completed financial year of the Group and of which the profit and loss of the Group has been publicly announced, for illustrating the financial effects on the consolidated earnings per share ("**EPS**") of the Company.

- 6.2 NTA.** For illustrative purposes only and assuming that the Proposed Transaction had been effected on 31 December 2022, being the end of the most recently completed financial year of the Group, the pro forma financial effects of the Proposed Transaction on the consolidated NTA per share of the Company would be as follows:

	Before the Proposed Transaction	After the Proposed Transaction
NTA (S\$'000,000)	(279.0)	(254.8)
Number of ordinary shares	1,726,371,608	1,726,371,608
NTA per ordinary share (S\$)	(0.16)	(0.15)

- 6.3 Net Asset Value.** For illustrative purposes only and assuming that the Proposed Transaction had been effected on 31 December 2022, being the end of the most recently completed financial year of the Group, the pro forma financial effects of the Proposed Transaction on the consolidated net asset value per share of the Company would be as follows:

	Before the Proposed Transaction	After the Proposed Transaction
Net asset value (S\$'000,000)	530.4	517.7
Number of ordinary shares	1,726,371,608	1,726,371,608
Net asset value per ordinary share (S\$)	0.31	0.30

- 6.4 EPS.** For illustrative purposes only and assuming that the Proposed Transaction had been effected on 1 January 2022, being the beginning of the most recently completed financial year of the Group, the pro forma financial effects of the Proposed Transaction on the consolidated EPS of the Company would be as follows:

	Before the Proposed Transaction	After the Proposed Transaction
Profit attributable to shareholders (S\$'000,000)	54.3	34.6
Weighted average no. of ordinary shares - Basic	1,730,468,454	1,730,468,454
EPS (cents) - Basic	3.1	2.2

7. CHAPTER 10 OF THE LISTING MANUAL

- 7.1 Relative Figures.** The relative figures in relation to the Proposed Transaction computed on the bases set out in Rule 1006 of the Listing Manual are calculated based on the 1H FY2023 Financial Statements, being the latest announced consolidated accounts of the Company.

(a) **Proposed Transaction**

Rule 1006	Bases	Percentage (%)
(a)	The net asset value of the assets to be disposed of (i.e. the Sale Shares), compared with the Group's net asset value.	6.8% ⁽¹⁾
(b)	The net profits attributable to the assets disposed of (i.e. the Sale Shares), compared with the Group's net profits.	3.2% ⁽²⁾

Rule 1006	Bases	Percentage (%)
(c)	The aggregate value of the consideration received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.	4.6% ⁽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 Sale Shares of approximately S\$48.1 million, compared to the Group's net asset value of approximately S\$710.6 million, as at 30 June 2023.
- (2) Computed based on the net profits attributable to the Sale Shares of approximately S\$3.1 million, compared to the Group's net profits of approximately S\$96.1 million for the half year ended 30 June 2023.
- (3) Computed based on the market capitalisation of the Company on 12 December 2023, being the last market day preceding the date of this Announcement, of approximately S\$1,886.8 million.
- (4) Net profits means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests.

7.2 Discloseable Transaction. As the relative figure computed on the basis set out in Rule 1006(a) exceeds five per cent. but is less than 20 per cent., the Proposed Transaction constitutes a "discloseable transaction" as defined in Chapter 10 of the Listing Manual.

8. INTERESTED PERSON TRANSACTION

8.1 Interested Person Transaction. As at 11 December 2023, Temasek does not have any direct interest in shares of the Company. Temasek is deemed to be interested in an aggregate of 965,857,975 ordinary shares of the Company, representing 56.31% 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 certain other portfolio entities of Temasek. Accordingly, under the Listing Manual, Temasek is deemed to be a "controlling shareholder" of the Company as it holds indirectly 15 per cent. or more of the total voting rights

in the Company. STT and the other portfolio entities of Temasek as referred to in this paragraph 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 STE is an indirect wholly-owned subsidiary of ST Engineering, and Temasek has an interest of 30 per cent. or more in ST Engineering, STE 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 the Proposed Transaction is a transaction between Keele (being the entity at risk) and STE (an interested person).

- 8.2 Market Capitalisation.** The Company obtained a ruling from the SGX-ST on 16 September 2022 stating that, *inter alia*, thresholds for interested person transactions to be entered into by the Company for the financial year ending 31 December 2023 may be determined by reference to the market capitalisation of the Company on the last trading day of its financial year ended 31 December 2022 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 2022 was approximately S\$1,796,379,000 (the “**Relevant Market Cap**”). Accordingly, three per cent. of the Relevant Market Cap would be approximately S\$53,891,000 and five per cent. of the Relevant Market Cap would be approximately S\$89,819,000.

- 8.3 Value at Risk.** The value at risk to the Company in relation to the Proposed Transaction is approximately S\$48,692,130 (representing approximately 2.71 per cent. of the Relevant Market Cap), which is calculated based on the Company’s effective interest in Keele of approximately 55.73 per cent. and the Estimated Consideration.

As the value at risk to the Company does not exceed three per cent. or five per cent. of the Relevant Market Cap, the Proposed Transaction does not constitute an interested person transaction which requires immediate announcement or shareholders’ approval under Chapter 9 of the Listing Manual.

- 8.4 Total Value of Interested Person Transactions.** For the period commencing from the beginning of the current financial year from 1 January 2023 up to 11 December 2023, 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\$49.5 million 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 persons that are conducted outside of the shareholders’ mandate.

9. FURTHER INFORMATION

- 9.1 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.

- 9.2 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.

9.3 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, 13 December 2023