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**Hong Kong Television Network Limited**  
**香港電視網絡有限公司**

*(Incorporated in Hong Kong with limited liability under the Companies Ordinance)*  
**(Stock Code: 1137)**

**DISCLOSEABLE TRANSACTION**

**MEMORANDUM OF UNDERSTANDING  
IN RELATION TO THE PROPOSED DISPOSAL**

**THE PROPOSED DISPOSAL**

The Board is pleased to announce that on 17 August 2018 (after trading hours), the Company as the Seller, entered into a MOU with HKBN Group Limited (a wholly-owned subsidiary of HKBN) as the Buyer, pursuant to which and subject to the terms and conditions of the Sale and Purchase Agreement, the Seller proposes to sell or procure the sale of, and the Buyer proposes to acquire the Target Shares (representing the entire issued share capital of the Target Company) at the Consideration of HK\$328,281,166, which is to be adjusted on zero debt, zero cash basis based on the completion accounts of the Target Company.

The Company will conduct the Restructuring prior to Completion, and upon completion of the Restructuring, the Target Company will hold the Included Properties only. Therefore, the Proposed Disposal will only include disposal of the Included Properties.

Upon Completion, the Company will cease to hold any shares in the Target Company, and the Target Company will cease to be a wholly-owned subsidiary of the Company. The Target Company is principally engaged in the holding and leasing of real properties in Hong Kong, which include the Included Properties.

**LISTING RULES IMPLICATIONS**

As one or more applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Proposed Disposal exceeds 5% but is less than 25%, the Proposed Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the announcement and reporting requirements only.

**The Board wishes to emphasise that the MOU may be terminated and therefore no Sale and Purchase Agreement will be signed. Completion of the Proposed Disposal under the Sale and Purchase Agreement, if signed, would also be subject to a number of conditions which may or may not be fulfilled. As such, the Proposed Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.**

## **THE PROPOSED DISPOSAL**

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## **THE MOU**

The principal terms of the MOU are summarised as follows:

### **Date**

17 August 2018

### **Parties**

- (a) The Company, as the Seller; and
- (b) HKBN Group Limited, as the Buyer.

### **Subject Matter**

Pursuant to the MOU and subject to the terms and conditions of the Sale and Purchase Agreement, the Seller proposes to sell or procure the sale of, and the Buyer proposes to acquire the Target Shares (representing the entire issued share capital of the Target Company) at the Consideration of HK\$328,281,166, which is to be adjusted on zero debt, zero cash basis based on the completion accounts of the Target Company.

## **Consideration**

The Consideration payable by the Buyer to the Seller shall be HK\$328,281,166, which is to be adjusted on zero debt, zero cash basis based on the completion accounts of the Target Company. The Consideration shall be payable as follows:

- (a) 10% of the Consideration shall be payable by the Buyer to the Seller on the date of the signing of the MOU as the Initial Deposit;
- (b) 10% of the Consideration shall be payable by the Buyer to the Seller on the date of the signing of the Sale and Purchase Agreement as the Further Deposit; and
- (c) 80% of the Consideration shall be payable by the Buyer to the Seller at Completion.

The Consideration was determined after arm's length negotiations between the Seller and the Buyer after taking into account: (i) the prevailing market values of real properties in comparable locations to the Included Properties; (ii) the premium offered by the Buyer relative to the prevailing market values of the comparable properties to the Included Properties; and (iii) the valuation of the properties held by the Target Company as at 30 June 2018 conducted by an independent professional valuer.

## **Conditions Precedent**

Completion is subject to the satisfaction or waiver of the following Conditions, including but not limited to the following:

- (a) the completion of all procedures and matters in relation to the Restructuring and the repayment of the shareholder loan and intercompany balances of the Target Company in full;
- (b) there is no breach of any of the Seller's warranties in any material aspects and there is no breach of any of the Seller's undertakings which results in a material adverse effect on the Target Company (or its subsidiary, if any) or any of the Included Properties;
- (c) good and marketable title to the Included Properties can be shown and given to the Buyer free from encumbrances as if it were a contract for the sale and purchase of the Included Properties; and
- (d) completion of due diligence investigation by the Buyer with respect to the Target Company, the Included Properties and the Restructuring within reasonable time with results to the reasonable satisfaction of the Buyer.

If any Condition is not fulfilled or waived (as applicable) pursuant to the Sale and Purchase Agreement which is not due to either party's fault, the Sale and Purchase Agreement will be terminated and the Initial Deposit and the Further Deposit (to the extent it has been paid) will be returned to the Buyer in accordance with the terms of the Sale and Purchase Agreement (without accrued interest).

## **Termination Events of the Sale and Purchase Agreement**

The Sale and Purchase Agreement can be terminated by the Buyer upon the occurrence of any of the following events and the Seller shall return the Initial Deposit and Further Deposit (to the extent it has been paid) in full to the Buyer (without any accrued interest):

- (a) any Condition fails to be satisfied on or before the Long Stop Date;
- (b) any material breach of the Seller's warranties under the Sale and Purchase Agreement;
- (c) any breach of the Seller's undertaking which results in a material adverse effect on the Target Company (or its subsidiary, if any) or any of the Included Properties;
- (d) any material adverse change to the Included Properties; and
- (e) the Seller fails to complete the Proposed Disposal in accordance with the terms and conditions of the Sale and Purchase Agreement or to deliver all deliverables required at Completion.

The Sale and Purchase Agreement can be terminated by the Seller upon the occurrence of any of the following events and the Initial Deposit and Further Deposit (to the extent it has been paid) paid by the Buyer shall be forfeited to the Seller in full (with accrued interest):

- (a) the Buyer fails to pay any part of the Initial Deposit or the Further Deposit as required or complete the Proposed Disposal in accordance with the terms and conditions of the Sale and Purchase Agreement or to deliver all deliverables required at Completion or by the Long Stop Date; and
- (b) any material breach of the Buyer's warranties under the Sale and Purchase Agreement.

## **Termination of the MOU**

The MOU 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 Sales and Purchase Agreement.

If the Buyer terminates the MOU unilaterally prior to the signing of the Sale and Purchase Agreement or fails to negotiate in good faith to enter into the Sale and Purchase Agreement in accordance with the MOU, the Seller is entitled to forfeit the Initial Deposit with accrued interest as liquidated damages.

## **Other Material Terms**

The parties shall negotiate in good faith to enter into the Sale and Purchase Agreement on terms that reflect and are consistent with the principal terms set out in the MOU as soon as reasonably practicable after the date of the MOU.

Customary representations and warranties will be provided by the Seller and the Buyer in the Sale and Purchase Agreement.

## INFORMATION ON THE PARTIES

The Group 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 Target Company is a company incorporated under the laws of the British Virgin Islands with limited liability and is a property investment holding company. It is principally engaged in the holding and leasing of real properties in Hong Kong, which include the Included Properties.

The Included Properties are leased to the HKBN Group as of the date of this announcement under a fixed term lease. Upon Completion, the HKBN Group will own the Included Properties and the lease concerning the Included Properties will correspondingly be surrendered.

Certain other properties held by the Target Company are also leased by the Group to the HKBN Group under a fixed term lease. Such properties will no longer be owned by the Target Company upon completion of the Restructuring. In light of that, the Group and the HKBN Group will enter into a new lease upon Completion concerning the continuing leasing of these certain other properties, the terms of which will provide for an extended term and updated rents.

The unaudited net asset value of the Target Company as at 30 June 2018 was approximately HK\$243,961,031 (after netting off a shareholder loan to the Target Company of HK\$253,000,000). The financial results of the Target Company for the two financial years immediately preceding the date of the Proposed Disposal are as follows:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2017</b>	<b>2016</b>
	(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 will conduct the Restructuring prior to Completion, and upon completion of the Restructuring, the Target Company will hold the Included Properties only. Therefore, the Proposed Disposal will only include disposal of the Included Properties. Accordingly, the above historical financial performance of the Target Company represents its financials prior to the Restructuring. The unaudited net asset value of the Target Company with the Included Properties only as at 30 June 2018 was approximately HK\$167,700,000, which is based on the management accounts as at 30 June 2018 and mainly adjusted by the estimated financial effect from the completion of the Restructuring, repayment of a shareholder loan to the Company and the intercompany balances of the Target Company and distribution of remaining cash to the Company.

Upon Completion, the Company will cease to hold any shares in the Target Company, and the Target Company will cease to be a wholly-owned subsidiary of the Company. Accordingly, its financial results will cease to be consolidated in the accounts of the Group.

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

The HKBN Group is 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.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Buyer and its ultimate beneficial owner(s) is a third party independent of the Company and its connected persons.

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

Upon Completion, it is estimated that the Company would realize a gain on the Proposed Disposal of approximately HK\$160,600,000 (before considering transaction costs), which is calculated by reference to the latest management accounts of the Target Company as at 30 June 2018 and mainly adjusted by the estimated financial effect from the completion of the Restructuring, repayment of a shareholder loan to the Company and the intercompany balances of the Target Company and distribution of remaining cash to the Company. The actual gain on the Proposed Disposal to be recorded by the Company is subject to the review and final audit by the auditors of the Company.

In light of the estimated gain that may be recorded by the Company from the Proposed Disposal, the Directors consider that the Proposed Disposal, if materialises, represents an opportunity for the Group to realise its investment of the Included Properties of the Target Company, and enable the Group to re-allocate more financial resources on future potential investment opportunities and/or working capital of the Group.

The Company intends to apply the proceeds from the Proposed Disposal to support its capital and operating funding requirements of its eCommerce business.

On the basis of the foregoing, the Directors (including all the independent non-executive Directors) consider that the terms of the MOU 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 applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Proposed Disposal exceeds 5% but is less than 25%, the Proposed Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the announcement and reporting requirements only.

**The Board wishes to emphasise that the MOU may be terminated and therefore no Sale and Purchase Agreement will be signed. Completion of the Proposed Disposal under the Sale and Purchase Agreement, if signed, would also be subject to a number of conditions which may or may not be fulfilled. As such, the Proposed Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.**

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Board”	the board of Directors
“Buyer”	HKBN Group Limited, a company incorporated in the British Virgin Islands and is a wholly-owned subsidiary of HKBN
“Company” or “Seller”	Hong Kong Television Network Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of Stock Exchange (stock code: 1137)
“Completion”	completion of the Proposed Disposal in accordance with the terms of the Sale and Purchase Agreement
“Condition(s)”	condition(s) precedent listed under the section headed “Conditions Precedent” in this announcement
“connected persons”	has the meaning as ascribed to it under the Listing Rules
“Consideration”	the consideration for the Proposed Disposal, being HK\$328,281,166
“Directors”	the directors of the Company
“Further Deposit”	10% of the Consideration payable by the Buyer to the Seller on the date of the signing of the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKBN”	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)
“HKBN Group”	HKBN and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Included Properties”	all the workshops Nos. 1 to 18 on the 15th Floor and Roofs Nos. 1, 2, 3, 4, 5, 6, 7, 8 and 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
“Initial Deposit”	10% of the Consideration payable by the Buyer to the Seller on the date of the signing of the MOU
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 September 2018
“MOU”	the legally binding memorandum of understanding dated 17 August 2018 entered into between the Seller and the Buyer in relation to the Proposed Disposal
“Proposed Disposal”	the proposed disposal of the Target Shares by the Seller pursuant to the MOU and the Sale and Purchase Agreement
“Restructuring”	transfer of certain properties (other than the Included Properties) and assets and liabilities not related to the Included Properties held by the Target Company to the other wholly-owned subsidiary(ies) of the Seller
“Sale and Purchase Agreement”	the formal sale and purchase agreement to be entered into between the Seller and the Buyer in relation to the Proposed Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning as ascribed to it under the Listing Rules
“Target Company”	Cosmo True Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Seller

“Target Shares” the entire issued share capital of the Target Company

“%” per cent

By Order of the Board  
**Hong Kong Television Network Limited**  
**Wong Wai Kay, Ricky**  
*Chairman*

Hong Kong, 17 August 2018

*As at the date of this announcement, the executive Directors of the Company are Mr. Wong Wai Kay, Ricky (Chairman), Mr. Cheung Chi Kin, Paul (Vice Chairman and Chief Executive Officer), Ms. Wong Nga Lai, Alice (Chief Financial Officer), Mr. Lau Chi Kong (Chief Operating Officer) and Ms. Zhou Huijing and the independent non-executive Directors are Mr. Lee Hon Ying, John, Mr. Peh Jefferson Tun Lu and Mr. Mak Wing Sum, Alvin.*