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HKBN Ltd.

香港寬頻有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1310)

**PROPOSED ADOPTION OF THE CO-OWNERSHIP PLAN IV;
SCHEME MANDATE TO ISSUE NEW SHARES UNDERLYING THE RSUS
TO BE GRANTED UNDER THE CO-OWNERSHIP PLAN IV; AND
PROPOSED CONNECTED TRANSACTIONS INVOLVING THE POTENTIAL
GRANT OF RSUS TO CONNECTED PARTICIPANTS**

Proposed adoption of the Co-Ownership Plan IV

HKBN Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) refers to the Co-Ownership Plan III Plus (as defined below), a restricted share unit scheme of the Company for its employees (the “**Talents**”), adopted by the Company and approved by the shareholders of the Company at the extraordinary general meeting convened on 19 August 2019 (the “**Co-Ownership Plan III Plus**”) (details of such scheme were contained in the circular dated 29 July 2019 issued by the Company (the “**Circular**”)).

The Co-Ownership Plan III Plus was adopted in 2019 to incentivise participating Talents to achieve a cumulative performance target over the 2019 – 2021 financial years of the Company. The ability of the Company to meet the performance target set down by the Co-Ownership Plan III Plus was significantly impacted by the unforeseen social unrest in 2019 and outbreak of the COVID-19 pandemic from 2020 onwards. COVID-19 has adversely affected the business and economic environment in which many businesses around the world operate and the Group is no exception. The Company considers that it is of utmost importance to re-align the performance target of the Group with the incentives of its Talents so that the Group could be better positioned to seize opportunities and benefits in the post COVID-19 time of the economy and the world at large.

As it is not expected that the conditions for granting of restricted share units under the Co-Ownership Plan III Plus would be met by the end of the 2021 financial year, the Board has proposed to adopt the Co-Ownership Plan IV (the “**Co-Ownership Plan IV**”) which sets down the performance target over the 2022 – 2024 financial years of the Company. Based on the principal terms of the Co-Ownership Plan IV, if it is approved by shareholders of the Company in a general meeting, it would effectively extend the timeframe over which the Company would achieve a similar performance target as that set down by the Co-Ownership Plan III Plus. The Company will seek the requisite approval of its shareholders in a general meeting to approve the Co-Ownership Plan IV.

Key Features of the Co-Ownership Plan IV

The key differences in the terms of the Co-Ownership Plan IV from the Co-Ownership Plan III Plus are: (i) the performance target in respect of the Adjusted Available Cash per Share for Distribution (as defined below); (ii) the number of new ordinary shares of the Company (the “**Shares**”) to be awarded by the Company for every qualifying Shares held for an eligible participant upon the vesting of a restricted share unit (“**RSU**”); and (iii) participating Talents under the Co-Ownership Plan IV could roll over their investments through the purchases of the Shares that they made under the Co-Ownership Plan III Plus to receive award Shares under the Co-Ownership Plan IV. Save for the above, the other key features of the Co-Ownership Plan IV are substantially similar to those of the Co-Ownership Plan III Plus.

The key features of Co-Ownership Plan IV comprise the following:

- **Proposed term of approximately four (4) years:** The term of the Co-Ownership Plan IV incentivises participants to achieve the cumulative target of Adjusted Available Cash per Share for Distribution during the 2022 – 2024 financial years of the Company, as well as one (1) year of vesting of the RSUs (see below). This duration replicates the original term under the Co-Ownership Plan III Plus.
- **Eligible participants:** Persons who are eligible to participate in the Co-Ownership Plan IV are: (i) executive directors of the Company (the “**Executive Directors**”); (ii) Talents or consultants of the Company or any member of the Group that is of Point 3 grade or above and who has not given a notice of resignation to any member of the Group or who has not been given a notice of termination of employment by any member of the Group; and (iii) HKBN Talent CSI Fund Limited (the “**Charitable Fund**”) (collectively, the “**Eligible Participants**”). As at the date of this announcement, there are approximately 2,100 Eligible Participants (excluding the Charitable Fund), representing approximately 40% of the total number of existing Talents of the Group.
- **Qualifying shares of Eligible Participants:** An Eligible Participant may choose to roll over the number of Shares purchased or received on his/her/its behalf under the Co-Ownership Plan III Plus (the “**Rollover Shares**”) for the purpose of the Co-Ownership Plan IV. In addition, an Eligible Participant (other than the Charitable Fund) may also make further investment in the Shares by purchasing additional Shares under the Co-Ownership Plan IV. The investment amount that any Eligible Participant (other than the Charitable Fund) pays for making purchases of additional Shares through the plan trustee must be: (A) equal to or exceed 1/6 of the annual remuneration of such Eligible Talent; and (B) not more than two times the annual remuneration of such Eligible Talent. Accordingly, the qualifying Shares under the Co-Ownership Plan IV (the “**CO4 Qualifying Shares**”, each a “**CO4 Qualifying Share**”) will comprise: (i) the Shares purchased for and on behalf of an Eligible Participant (other than the Charitable Fund) under the Co-Ownership Plan IV, and (ii) any Rollover Shares.

As at the date of this announcement, a total of 18,967,749 Shares under the Co-Ownership Plan III Plus were purchased for and on behalf of the participants thereunder.

- **Continuation of the corporate social element:** The Charitable Fund had received a donation of 4,000,000 Shares from the Executive Directors under the Co-Ownership Plan III Plus. It is intended that the Charitable Fund will be permitted to roll over such Shares to the Co-Ownership Plan IV to enable it to receive award Shares under the Co-Ownership Plan IV if the performance target and the vesting conditions are met. However, the Charitable Fund will not be entitled to purchase additional Shares under the Co-Ownership Plan IV.
- **Basis for determining number of RSUs:** The number of RSUs to be granted to a participant (including the Charitable Fund) will be determined by reference to the level of the adjusted available cash per share for distribution of the Company (the “**Adjusted Available Cash per Share for Distribution**”) achieved, on an aggregated basis, during the 2022 – 2024 financial years of the Company under the Co-Ownership Plan IV.

The Adjusted Available Cash per Share for Distribution is a pro forma amount determined based on the “Adjusted Free Cash Flow” in the Company’s latest published interim or annual results in respect of a financial period/year, as adjusted by:

- (i) excluding any non-cash accounting adjustment, loss, expense or cost arising from or in connection with the Co-Ownership Plan IV;
- (ii) excluding the principal investment amount or one-off financing or acquisition fee, cost or expense relating to or arising from the investment in or acquisition of, and the proceeds arising from the sale and purchase of, real property (including but not limited to any office building or network operation centres) by the Group for self-use and in the normal line of business of the Group;
- (iii) excluding the transaction costs and expenses associated with any successful acquisition of companies or business by the Group;
- (iv) adjusting the impact of any upfront transaction fees incurred for any debt financing (whether in the form of loan facility or issuance of debt securities) by the Group so that only the following items would affect the determination of the Adjusted Available Cash per Share for Distribution: (A) the annual amortised portion of such transaction fees (instead of the immediate cash outflow); and (B) any unamortised annual portion of such transaction fees which would need to be recognised on an accelerated basis as a result of any re-financing or early repayment or redemption arrangement; and
- (v) excluding the costs of relocating and moving the Group’s Central Offices if required due to the termination or non-renewal of relevant long-term leases,

and then divided by the sum of Shares in issue and Shares that are issuable by the Company pursuant to the exercise of convertible or exchangeable instruments or rights or option to subscribe for Shares (excluding those granted under any employee incentive plan), as reflected on the date of publication of the Company’s interim or annual results for such financial period/year, provided that if the Company issues any Share in issue during any financial period/year, the number of additional Shares in issue on the date of publication of the Company’s interim or annual results for such financial period/year shall only reflect a weighted average of Shares in issue.

If the Adjusted Available Cash per Share for Distribution, on a cumulative basis, over the 2022 – 2024 financial years of the Company reaches HK\$3.01, RSUs will be granted on the basis that the participants (including the Charitable Fund) under the Co-Ownership Plan IV would be granted with one RSU for every CO4 Qualifying Share of each participant, and each participant would, subject to the satisfaction of the vesting conditions and on the vesting date, receive one new Share for every RSU that he/she/it is granted. A cumulative Adjusted Available Cash per Share for Distribution in excess of HK\$3.01 will not give rise to any further entitlement. If the Adjusted Available Cash per Share for Distribution, on a cumulative basis, over the 2022 – 2024 financial years of the Company reaches a value in excess of HK\$2.70 but below HK\$3.01, RSUs will be granted to the participants under the Co-Ownership Plan IV on a pro-rata basis, and the number of RSUs to be granted will be determined on a linear scale between zero RSU to one RSU for every CO4 Qualifying Share of each participant (with more RSUs to be granted the closer the actual achieved level is to HK\$3.01).

One RSU entitles the grantee to receive upon vesting one new Share in the share capital of the Company (the “**Award Shares**”). If the cumulative Adjusted Available Cash per Share for Distribution of the Company reaches HK\$3.01 during the 2022 – 2024 financial years of the Company, each participant would receive one new Share for every CO4 Qualifying Share upon vesting of each RSU.

- **Early termination due to an M&A event:** Under the terms of the Co-Ownership Plan IV, the Board has the discretion to terminate the Co-Ownership Plan IV on the occurrence of an M&A event prior to the grant date, as the M&A event may have a material impact on the Company, and accordingly the target Adjusted Available Cash per Share for Distribution. If the Board resolves to early terminate the Co-Ownership Plan IV, the number of RSUs to be granted to the participants would be calculated on a pro-rata basis by reference to the level of cumulative Adjusted Available Cash per Share for Distribution achieved during the prior financial period(s) as compared to the cumulative target range of Adjusted Available Cash per Share for Distribution (namely, HK\$2.70 to HK\$3.01). No RSUs will be granted if an M&A event occurs and the Co-Ownership Plan IV is terminated during the first half of the 2022 financial year. This mechanism will allow participants to receive the corresponding number of RSUs and Award Shares if the relevant minimum level of the cumulative Adjusted Available Cash per Share for Distribution prior to the termination of the Co-Ownership Plan IV is met. M&A event means any transaction by the Group which constitutes a major transaction, very substantial acquisition or very substantial disposal of the Company (such terms having the meaning given to them in Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”). For the avoidance of doubt, upon the occurrence of an M&A event, the Board may decide to allow the Co-Ownership Plan IV to continue without any changes to its terms.

- **Scheme mandate limit:** The total maximum number of new Shares that may underlie the RSUs to be granted pursuant to the Co-Ownership Plan IV is 2.50% of the Shares in issue (on a fully diluted basis) on the day of the general meeting (as may be adjusted in the event of a reorganisation in capital structure of the Company) convened to approve the Co-Ownership Plan IV (the “**Scheme Mandate**”).
- **Over-subscription of the scheme:** If the total number of Rollover Shares of all participants for the time being and the total intended investment amounts (the “**Investment Amounts**”) of all participants who have accepted the invitation shall result in the total number of CO4 Qualifying Shares exceeding the maximum number of Award Shares (as determined by reference to the CO4 Qualifying Shares) that may underlie the RSUs granted pursuant to the Scheme, the allocation of the CO4 Qualifying Shares shall be determined in the following priorities:
 - (i) first, to satisfy the total number of Rollover Shares of all participants for the time being;
 - (ii) second, to satisfy the Investment Amounts of all participants (excluding the Charitable Fund) for up to one time of the annual remuneration of each such participant, and the entitlement of each such participant shall be determined on a pro-rata basis as amongst all such participants; and
 - (iii) third, to satisfy the remaining demand of all participants (excluding the Charitable Fund), and the entitlement of each such participant shall be determined on a pro-rata basis as amongst all such participants.
- **RSU grant date:** RSUs will be granted to participants on the date of publication of the Company’s annual results for the 2024 financial year if the minimum level of the cumulative Adjusted Available Cash per Share for Distribution (namely, HK\$2.70) is achieved. The granting of RSUs will occur earlier than the date of publication of the annual results of the Company for the 2024 financial year if the cumulative target of the Adjusted Available Cash per Share for Distribution (namely, HK\$3.01) is achieved prior to the end of the 2024 financial year. If the minimum level of the cumulative Adjusted Available Cash per Share for Distribution is not met, no RSUs will be granted and accordingly, no new Shares will be allotted and issued.
- **Vesting of the RSUs and issuance of the Award Shares:** Vesting of RSUs granted should occur one year from the RSU grant date subject to the satisfaction of the following vesting conditions:
 - (i) the average closing share price of the Shares for each of the 60 trading days of the Stock Exchange which immediately precedes the vesting date is greater than HK\$9.23; and
 - (ii) the cumulative capital expenditure of the Group during the 2022 – 2024 financial years is not less than HK\$1.6 billion (provided that the annual capital expenditure of the Group during each financial year is not less than HK\$400 million, excluding any capital expenditure relating to the costs of relocating and moving the Group’s Central Offices if required due to the termination or non-renewal of relevant long-term leases).

The Company will allot and issue, upon the satisfaction of the above vesting conditions, the Award Shares to the participants (including the Charitable Fund) under the Co-Ownership Plan IV on the vesting date. The total number of Award Shares that are issuable to the participants (including the Charitable Fund) shall be the Scheme Mandate.

Conditions for the effectiveness of the Co-Ownership Plan IV

The effectiveness of the Co-Ownership Plan IV is subject to:

- (a) the obtaining of the requisite shareholders' approval of the Company at a general meeting to approve the adoption of the Co-Ownership Plan IV and to grant a specific mandate to the directors of the Company to allot and issue Shares of the Company under the Co-Ownership Plan IV up to 2.50% of the total number of issued Shares (on a fully diluted basis) as at the date of the general meeting of the Company at which the adoption of the Co-Ownership Plan IV is approved (as may be adjusted in the event of a reorganisation of capital structure of the Company), which may underlie the RSUs to be granted pursuant to the Co-Ownership Plan IV Plus (the "**Scheme Mandate**"); and
- (b) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, all the new Shares which may be allotted and issued under the Scheme Mandate.

As at the date of this announcement, the number of the total issued Shares is 1,311,599,356, and the number of the total issued Shares assuming the full conversion of certain vendor loan notes held by TPG Wireman, L.P. and Twin Holding Ltd is 1,478,921,568. If the Scheme Mandate is utilised to the fullest extent and the maximum number of Award Shares underlying the RSUs is granted under the Co-Ownership Plan IV, 36,973,039 new Shares will be issued under the Co-Ownership Plan IV, which will represent approximately 2.50% of the total issued Shares as enlarged by and immediately following the full conversion of such vendor loan notes, assuming no other Shares will be issued or repurchased by the Company from the date of this announcement until the full utilisation of the Scheme Mandate.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, all the new Shares which may be allotted and issued under the Scheme Mandate and underlie the RSUs to be granted pursuant to the Co-Ownership Plan IV.

The Company intends to allow the Co-Ownership Plan III Plus to lapse naturally at the end of its term, whilst it is not expected that any RSU will be granted under Co-Ownership Plan III Plus as the granting conditions are not expected to be met. Accordingly, no award Share will be issued under the Co-Ownership Plan III Plus.

Proposed connected transactions involving the potential grant of RSUs to Connected Participants under Co-Ownership Plan IV

A director or chief executive of the Company or a director or chief executive of any of its subsidiaries eligible to participate in the Co-Ownership Plan IV is a connected participant (the "**Connected Participant**"). As at the date of this announcement, there are two Executive Directors and 10 directors of the Company's subsidiaries who are Connected Participants ^(Note 1). The Connected Participants are also included as eligible participants under the Co-Ownership Plan IV, as they are, in terms of their executive or management position with the Group, also of an internal grading of Point 3 or above. As the Connected Participants are connected persons of the Company, the granting of any RSU to the Connected Participants under the Co-Ownership Plan IV will

constitute connected transactions of the Company under Chapter 14A of the Listing Rules. The participation of the Connected Participants in the Co-Ownership Plan IV and the grant of RSUs to the Connected Participants will be subject to, among others, the approval by the independent shareholders of the Company at the general meeting convened to approve the Co-Ownership Plan IV. Assuming that: (i) all the Connected Participants will agree to participate, and do participate, in the Co-Ownership Plan IV to the fullest extent by maximising their Rollover Shares and their Investment Amounts; (ii) all conditions to the grant of the RSUs are satisfied and the maximum entitlements to the RSUs will be granted; and (iii) all the Connected Participants become grantees of RSUs and are vested with the Award Shares upon satisfaction of the vesting conditions, and on the basis of the 2.50% limit by reference to the number of the total issued Shares as at the date of this announcement, the maximum number of Award Shares that will be awarded to the Connected Participants is 9,731,319 in total. Please note that the potential grant of RSUs and issue and allotment of Award Shares to the Connected Participants would vary depending on the deviations from the assumptions stated above.

Note 1: The Connected Participants comprise two Executive Directors of the Company, namely Mr. Chu Kwong YEUNG and Mr. Ni Quiaque LAI, and 10 directors of the Company's subsidiaries, namely Ms. Wing Yee CHAN, Mr. Man Hong FUNG, Mr. Leong Kim HUI, Mr. Qi Biao Benny DENG, Ms. Yan Fen LIU, Ms. Wing Sze CHAN, Mr. Tiam Wah SOO, Mr. Ho Man Patrick NG, Mr. Zhi Feng LI and Ms. Lubna Mohammedi MANASAWALA.

Information about the Group

The Company is an investment holding company. Headquartered in Hong Kong with operations spanning across Hong Kong, Macau, mainland China, Singapore and Malaysia, HKBN Group is a leading integrated telecom and technology solutions provider. Operating through three core brands, namely Hong Kong Broadband Network, HKBN Enterprise Solutions and HKBN JOS, the Group offers a comprehensive range of solutions that include broadband, data connectivity, cloud and data centre, managed Wi-Fi, business continuity services, system integration, cybersecurity, mobile services, roaming solutions, digital solutions, voice and collaboration, stationery and supplies that are cumulative to its one-stop-shop offering of Transformation as a Service (TaaS) and OTT entertainment.

Implications under the Listing Rules

The Co-Ownership Plan IV does not constitute a share option scheme under Chapter 17 of the Listing Rules. In order for the Connected Participants to participate in the Co-Ownership Plan IV, the Company is required to comply with the reporting, announcement, and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will seek its independent shareholders' approval at a general meeting of the Company for the adoption of the Co-Ownership Plan IV, the grant of the Scheme Mandate and the grant of RSUs to the Connected Participants. The directors of the Company (other than the independent non-executive directors of the Company whose view will be set out in the letter from the independent board committee of the circular to be despatched to the shareholders of the Company) are of the view that the terms of the Co-Ownership Plan IV, the Scheme Mandate and the grant of RSUs to the Connected Participants are fair and reasonable and in the interests of the Company and its shareholders as a whole. As the Executive Directors are eligible participants under the proposed Co-Ownership Plan IV, Mr. Chu Kwong YEUNG and Mr. Ni Quiaque LAI have abstained from voting on the relevant board resolutions of the Company approving the proposed adoption of the Co-Ownership Plan IV.

Despatch of Circular

A circular of the Company containing, among other things, further details of the Co-Ownership Plan IV and the Scheme Mandate and a notice convening the general meeting will be despatched to the shareholders of the Company as soon as practicable.

WARNING: The information above represents only a summary of certain proposed terms of the Co-Ownership Plan IV, including the proposed bases for determining whether the respective conditions for the granting and vesting of the RSUs are satisfied. They do not represent a forecast or projection of the Company's share price, future performance, cash flow or profitability. As the adoption of the Co-Ownership Plan IV is subject to approval by the independent shareholders of the Company, the Co-Ownership Plan IV may or may not be implemented and such bases for granting and vesting may or may not materialise. Accordingly, shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

By order of the Board
HKBN Ltd.
Bradley Jay HORWITZ
Chairman

Hong Kong, 19 August 2021

As at the date of this announcement, the Board comprises:

Executive Directors

Mr. Chu Kwong YEUNG

Mr. Ni Quiaque LAI

Non-executive Directors

Ms. Suyi KIM

Mr. Zubin Jamshed IRANI

Mr. Teck Chien KONG

Independent Non-executive Directors

Mr. Bradley Jay HORWITZ (*Chairman*)

Mr. Stanley CHOW

Mr. Yee Kwan Quinn LAW, SBS, JP

Where the English and the Chinese texts conflict, the English text prevails.