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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 AMENDED AND RESTATED CO-OWNERSHIP PLAN IV

Proposed adoption of the amended and restated Co-Ownership Plan IV

HKBN Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) refers to the Co-Ownership Plan IV (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 15 October 2021 (the “**Co-Ownership Plan IV**”) (details of such scheme were contained in the circular dated 21 September 2021 issued by the Company).

The Co-Ownership Plan IV was adopted in 2021 to incentivise participating Talents to achieve a cumulative performance target over the 2022 – 2024 financial years of the Company. Due to macroeconomic downturn caused by the COVID-19 pandemic, and exacerbated by geopolitics and rising interest rates, the Company has changed the company-wide performance targets from being based on adjusted free cash flow to focusing on earnings and revenue. Accordingly, the Company considers it appropriate to adjust the performance targets in the Co-Ownership Plan IV to better align the incentives of its Talents to the Company’s overall performance targets.

Accordingly, the board of directors (the “**Board**”) of the Company has proposed to adopt an amendment and restatement to the Co-Ownership Plan IV (the “**Amended Co-Ownership Plan IV**”) to (i) revise the performance targets for the vesting of restricted shares units (the “**RSUs**”) for participating Talents; (ii) extend the performance targets to cover the 2023 to 2025 financial years of the Company; and (iii) incorporate changes that are required by virtue of the amendments to Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) taking effect on 1 January 2023. The Company will seek the requisite approval of its shareholders in a general meeting to approve the Amended Co-Ownership Plan IV.

Key Amendments and Features of the Amended Co-Ownership Plan IV

The key amendments in the Amended Co-Ownership Plan IV are: (i) the basis for determining the performance targets will be changed to EBITDA* and capital expenditure** of the Company; (ii) the performance targets will be extended to cover the 2023 to 2025 financial years of the Company; (iii) the entitlements will be vested immediately on a yearly and pro-rated basis upon achieving the performance target for a particular financial year, instead of only in one lot at the end of the entire term; (iv) other than the performance targets, there will not be other vesting conditions; and (v) each participating Talent under the original Co-Ownership Plan IV could choose to take back the shares of the Company (the “**Shares**”) that were purchased on his/her behalf and terminate participation in the plan or continue to participate in the Amended Co-Ownership Plan IV and continue to have the Shares that were purchased on his/her behalf to be subject to the terms and conditions of the Amended Co-Ownership Plan IV. Other proposed key amendments are for the purpose of compliance with the amended Chapter 17 of the Listing Rules (which applies to the Amended Co-Ownership Plan IV) which came into effect on 1 January 2023.

The key features of the Amended Co-Ownership Plan IV are as follows:

- **Proposed term of approximately five years:** The term of the Amended Co-Ownership Plan IV will be extended to five years from the adoption date of the original Co-Ownership Plan IV in August 2021, which will incentivise participants to achieve the performance targets of EBITDA and capital expenditure of the Company over each of the 2023, 2024 and 2025 financial years.
- **Eligible participants:** Persons who are eligible to participate in the Amended Co-Ownership Plan IV are: (i) Talents who are existing participants of the original Co-Ownership Plan IV; (ii) executive directors of the Company (the “**Executive Directors**”); (iii) Talents 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 (iv) any individual who the Company reasonably contemplates would fall within class (iii), provided that his/her participation is conditional upon him/her falling within class (iii) during the invitation period (collectively, the “**Eligible Talents**”). As at the date of this announcement, there are approximately 2,050 Eligible Talents, representing approximately 41% of the total number of the existing Talents of the Group. HKBN Talent CSI Fund Limited (which is a charitable fund) which was a participant under the original Co-Ownership Plan IV will cease to be a participant in the Amended Co-Ownership Plan IV as it is not eligible to participate in such plan according to the requirements of the amended Chapter 17 of the Listing Rules.

* *EBITDA means profit for the year of the Company plus finance costs, income tax expense, depreciation, amortisation of intangible assets (net of direct cost incurred in the year), amortisation of customer acquisition and retention costs, other non-recurring item, share-based payment provision related to entitlements under any share incentive plan of the Company and less interest income in respect of a financial year.*

** *Capital expenditure means cash payments to acquire property, plant and equipment and other long-term assets. These payments include those relating to capitalised development costs and exclude cost or expense relating to or arising from the investment in or acquisition of real property for the year of the Company in respect of a financial year.*

- **Qualifying shares of eligible participants:** An existing participant under the original Co-Ownership Plan IV (who is an Eligible Talent) may choose to continue to participate in the Amended Co-Ownership Plan IV and continue to have all or any portion of the Shares that were purchased on his/her behalf under the original Co-Ownership Plan IV to be subject to the terms and conditions of the Amended Co-Ownership Plan IV (the “**Rollover Shares**”). In addition, an Eligible Talent may also make new investment in the Shares by purchasing additional Shares under the Amended Co-Ownership Plan IV. Accordingly, the qualifying Shares under the Amended Co-Ownership Plan IV (the “**CO4 Qualifying Shares**”, each a “**CO4 Qualifying Share**”) will comprise: (i) any Rollover Shares of an existing participant of the original Co-Ownership Plan IV; and (ii) the Shares to be purchased for and on behalf of an Eligible Talent under the Amended Co-Ownership Plan IV. If an existing participant under the original Co-Ownership Plan IV elects to rollover only a portion of (or none of) the existing Shares that were purchased on his/her behalf under the original Co-Ownership Plan IV, such participant will not be entitled to purchase any additional Shares under the Amended Co-Ownership Plan IV.

The total investment amount of an Eligible Talent comprising of (i) the total current value of his/her Rollover Shares (determined according to the average closing price per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the five (5) trading days immediately preceding the date of commencement of the Amended Co-Ownership Plan IV) together with (ii) the new investment amount which such Eligible Talent will pay for making purchases of additional Shares under the Amended Co-Ownership Plan IV (in each case, if any) must in aggregate be: (A) equal to or exceed one-sixth (1/6th) of the annual remuneration of such Eligible Talent; and (B) not more than two times the annual remuneration of such Eligible Talent. However, if an Eligible Talent who is an existing participant under the original Co-Ownership Plan IV elects to rollover all (but not only a portion) of the existing Shares that were purchased on his/her behalf under the original Co-Ownership Plan IV, such Eligible Talent shall not be subject to the aforementioned minimum investment amount requirement.

Under the original Co-Ownership Plan IV, there are 12,488,597 Shares held by the plan trustee on behalf of the existing participants, which represent approximately 0.95% of the issued share capital of the Company as at the date of this announcement.

- **Invitation periods:** There may be up to two invitation periods during which the Company may invite Eligible Talents to participate in the Amended Co-Ownership Plan IV. In the first invitation period, Eligible Talents, including the existing participants in the original Co-Ownership Plan IV, will be invited to consider (i) (if they are existing participants under the original Co-Ownership Plan IV) whether to elect to have Rollover Shares continue to be subject to the Amended Co-Ownership Plan IV; and/or (ii) whether to make new investment in the Shares by purchasing additional Shares under the Amended Co-Ownership Plan IV. In the second invitation period, any newly joined Eligible Talents or newly qualified Eligible Talents will be invited to make investment in the Shares by purchasing Shares under the Amended Co-Ownership Plan IV. The invitation period shall commence on a date which is within 10 business days after the date of publication of the interim results announcement by the Company for the 2023 financial year and the 2024 financial year respectively. A participating Eligible Talent will have a period of 10 business days to respond to the invitation.

- **Over-subscription of the Shares:** If the total number of Rollover Shares of all participants for the time being and the total intended new 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 defined below) that may underlie the RSUs granted pursuant to the Amended Co-Ownership Plan IV, the allocation of the CO4 Qualifying Shares shall be determined according to the following priority:
 - (i) first, to satisfy the total number of Rollover Shares of all existing participants of the original Co-Ownership Plan IV (including Executive Directors);
 - (ii) second, to satisfy the new investment amounts of all existing participants of the original Co-Ownership Plan IV (excluding Executive Directors) for purchasing additional Shares for up to one time of one-quarter (1/4th) 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;
 - (iii) third, to satisfy the new investment amounts of participants of the Amended Co-Ownership Plan IV (excluding Executive Directors) who have become Eligible Talents on or after 15 November 2021 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;
 - (iv) fourth, to satisfy the remaining demand of all participants of the Amended Co-Ownership Plan IV (excluding Executive Directors), and the entitlement of each such participant shall be determined on a pro-rata basis as amongst all such participants; and
 - (v) fifth, to satisfy the new investment amounts of the Executive Directors on a pro-rata basis as amongst them.
- **Basis for determining number of RSUs:** Each participant in the Amended Co-Ownership Plan IV will be granted one RSU for each CO4 Qualifying Share that is held on his/her behalf by the plan trustee. On each vesting date and upon satisfaction of the relevant vesting conditions, one (or a portion of) RSU entitles the grantee to receive one (or the same portion of) new Share (the “**Award Shares**”).
- **RSU grant date:** RSUs will be granted to participants at the end of the period for purchasing Shares by utilising new investment amounts of participants under the Amended Co-Ownership Plan IV. By the end of each such purchase period, there will be certainty as to the number of CO4 Qualifying Shares. As of the date of this announcement, no RSUs have been granted under the original Co-Ownership Plan IV, and none is expected to be granted before the Amended Co-Ownership Plan IV is to be approved by shareholders of the Company in a general meeting.
- **Scheme mandate limit:** The total maximum number of Award Shares that may underlie the RSUs to be granted pursuant to the Amended Co-Ownership Plan IV is 2.50% of the Shares in issue (on a fully diluted and as-converted basis) on the day of the general meeting (as may be adjusted in the event of a reorganisation of capital structure of the Company) convened to approve the Amended Co-Ownership Plan IV (the “**Scheme Mandate Limit**”).

- **Vesting of the RSUs and issuance of the Award Shares:** On the basis that the CO4 Qualifying Shares of the RSU grantees are continued to be held by the plan trustee till a vesting date, vesting of RSUs granted to each grantee should occur on each of the following vesting dates upon the satisfaction of the corresponding vesting conditions:

Vesting date	Vesting conditions	Portion of an RSU becoming vested
The date which is 12 months from the grant date of RSUs after the first invitation period provided above	(1) EBITDA for financial year 2023 is not less than HK\$2,615,000,000; and	0.15 (or 15%)
	(2) Capital expenditure for financial year 2023 is not more than HK\$550,000,000	
The date within 10 business days from the date of publication of the Company's annual results for financial year 2024	(1) EBITDA for financial year 2024 is not less than HK\$2,746,000,000; and	0.35 (or 35%)
	(2) Capital expenditure for financial years 2023 and 2024 in aggregate is not more than HK\$1,100,000,000	
The date within 10 business days from the date of publication of the Company's annual results for financial year 2025	(1) EBITDA for financial year 2025 is not less than HK\$2,801,000,000 (being a compound annual growth rate of approximately 3.5% from the EBITDA target of HK\$2,615,000,000 for financial year 2023); and	$A = 0.5 \times (B - \text{HK\$}2,801,000,000) / C$ <p>A – the portion of an RSU becoming vested</p> <p>B – actual EBITDA for financial year 2025 and capped at HK\$2,883,000,000</p> <p>C – equals to HK\$82,000,000, which is the difference of HK\$2,883,000,000 and HK\$2,801,000,000</p>
	(2) Capital expenditure for financial years 2023, 2024 and 2025 in aggregate is not more than HK\$1,650,000,000	

On each vesting date and upon the satisfaction of the above vesting conditions, the Company shall allot and issue the relevant Award Shares to the RSU grantees (on the basis of one Award Share for every RSU granted and vested). The total number of Award Shares that are issuable to the participants under the granted RSUs shall not exceed the Scheme Mandate Limit.

- **Early termination due to an M&A event:** Under the terms of the Amended Co-Ownership Plan IV, the Board has the discretion to terminate the Amended 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 ability of the Company to meet the specified EBITDA and capital expenditure performance targets. An 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 Listing Rules). If the Board resolves to early terminate the Amended Co-Ownership Plan IV, the Board shall have absolute discretion to waive (or not to waive) any or all vesting conditions and determine the number or proportion of RSUs to be otherwise vested and any RSU (or any portion thereof) for which the Board determines not to be vested shall lapse on the M&A termination date. For the avoidance of doubt, upon the occurrence of an M&A event, the Board may decide to allow the Amended Co-Ownership Plan IV to continue without any changes to the vesting conditions.

Conditions for the effectiveness of the Amended Co-Ownership Plan IV

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

- (a) the passing of a resolution by the shareholders of the Company at a general meeting to approve the adoption of the Amended Co-Ownership Plan IV with the Scheme Mandate Limit; and
- (b) the Listing Committee of the Stock Exchange granting or confirming 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 Limit.

As of 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 Limit is utilised to the fullest extent and the maximum number of Award Shares underlying the RSUs is granted under the Amended Co-Ownership Plan IV, 36,973,039 new Shares will be issued under the Amended Co-Ownership Plan IV, which represents 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 Limit.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the approval (or confirmation of 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 Limit and underlie the RSUs to be granted pursuant to the Amended Co-Ownership Plan IV.

Possible maximum grants of RSUs to each Executive Director exceeding 0.1% of total issued Shares

As at the date of this announcement, each of the Executive Directors has participated in the original Co-Ownership Plan IV and has the following Shares being held by the plan trustee on their behalf respectively under the original Co-Ownership Plan IV:

Executive Directors	Existing Shares under the original Co-Ownership Plan IV	Maximum entitlement for CO4 Qualifying Shares under the Amended Co-Ownership Plan IV	Maximum entitlement for CO4 Qualifying Shares under the Amended Co-Ownership Plan IV as % to the total issued Shares
Mr. Chu Kwong YEUNG	1,899,565	4,045,151	0.31%
Mr. Ni Quiaque LAI	1,607,570	2,692,649	0.21%

Assuming that each of the Executive Directors confirms that (i) he will continue to participate in the Amended Co-Ownership Plan IV and treat all of his above existing Shares under the original Co-Ownership Plan IV as Rollover Shares, and (ii) he provides new investment amount of up to his maximum entitlement for the number of RSUs, the Award Shares to be granted to him will exceed 0.1% of the total issued Shares. Accordingly, a separate resolution will be presented to shareholders of the Company at the general meeting to approve the above maximum entitlement to each of the Executive Directors.

Under the terms of the Amended Co-Ownership Plan IV, any Director who is a proposed grantee or an existing grantee or participant shall abstain from voting on any resolution of the Board (or a committee thereof) in respect of all matters arising in relation to the Amended Co-Ownership Plan IV or its administration or implementation.

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, the 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 Over-The-Top entertainment.

Implications under the Listing Rules

The Amended Co-Ownership Plan IV constitutes a share award scheme under the amended Chapter 17 of the Listing Rules which came into effect on 1 January 2023. Accordingly, the adoption of the Amended Co-Ownership Plan IV will, according to Rule 17.02(1) of the amended Listing Rules, require the approval of shareholders of the Company in general meeting. In addition, as the possible maximum grants of RSUs and hence Award Shares to each of the Executive Directors under the Amended Co-Ownership Plan IV are expected to exceed 0.1% of the total issued Shares, as required under Rule 17.04(2) of the amended Listing Rules, a separate resolution will be presented to the general meeting to approve the maximum entitlement to each of the Executive Directors.

The directors of the Company are of the view that the terms of the Amended Co-Ownership Plan IV and the level of possible maximum grants of RSUs and hence Award Shares to each of the Executive Directors are fair and reasonable and in the interests of the Company and its shareholders as a whole. As the Executive Directors are Eligible Talents and potential grantees under the Amended 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 Amended Co-Ownership Plan IV and the possible grants of RSUs to each of the Executive Directors.

Despatch of Circular

A circular of the Company containing, among other things, (i) further details of the Amended Co-Ownership Plan IV and the potential maximum grants of RSUs to each Executive Director and (ii) a notice convening the general meeting will be despatched to the shareholders of the Company as soon as practicable.

WARNING: The information in this announcement only represents a summary of certain proposed terms of the Amended 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 Amended Co-Ownership Plan IV is subject to approval by the shareholders of the Company, the Amended Co-Ownership Plan IV may or may not be implemented and such bases for granting and vesting of the RSUs 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 January 2023

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

Executive Directors

Mr. Chu Kwong YEUNG

Mr. Ni Quiaque LAI

Non-executive Directors

Mr. Agus TANDIONO

Ms. Shengping YU

Mr. Zubin Jamshed IRANI

Independent Non-executive Directors

Mr. Bradley Jay HORWITZ (*Chairman*)

Ms. Edith Manling NGAN

Mr. Stanley CHOW

Mr. Yee Kwan Quinn LAW, SBS, JP

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