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

**PROPOSED ADOPTION OF THE CO-OWNERSHIP PLAN III**

On 2 November 2017, the board (the “**Board**”) of directors (the “**Directors**”) of HKBN Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) considered and approved the proposal to adopt a restricted share unit (the “**RSUs**”, each of which entitles the grantee to receive upon vesting 1 new ordinary share in the share capital of the Company (the “**Award Shares**”)) scheme (the “**Co-Ownership Plan III**”) to be approved and adopted at a general meeting of the Company (the “**General Meeting**”).

**Reasons, purposes and objectives of the Co-Ownership Plan III**

The reasons, purposes and objectives of the Co-Ownership Plan III are to incentivise skilled and experienced talents to remain with the Group and to motivate them to strive for the future development and expansion of the Group in order to create value to the shareholders of the Company (the “**Shareholders**”), by providing them with a co-investment opportunity to acquire equity interests in the Company, while encouraging them to be long-term holders of the Company’s shares.

**Conditions**

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

- (a) the passing of a resolution by the Independent Shareholders at a general meeting to approve the adoption of the Co-Ownership Plan III and to grant a specific mandate to the Directors to allot and issue ordinary shares of the Company (the “**Shares**”) under the Co-Ownership Plan III up to 3% of the total number of issued Shares as at the date of the general meeting of the Company at which the adoption of the Co-Ownership Plan III 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 III (the “**Scheme Mandate**”); and

- (b) the Listing Committee of The Stock Exchange of Hong Kong Limited (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.

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 III.

### **Key features of the Co-Ownership Plan III**

- **Term:** Subject to any early termination of the Co-Ownership Plan III in accordance with its rules, the proposed term of the Co-Ownership Plan III is approximately four years from the date on which the Co-Ownership Plan III becomes effective.
- **Eligible participants:** Persons who are eligible to participate in the Co-Ownership Plan III are (i) an executive Director of the Company; or (ii) an employee of the Company or any member of the Group that is of Point 3 grade or above and whose probation period (if applicable) has expired 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 (“**Talents**”). As of the date of this announcement, there are approximately 600 Talents, representing approximately 20.5% of the total number of existing employees of the Group.
- **Purchased shares:** The Company will invite Talents to use their own funds to purchase Shares (the “**Purchased Shares**”) through the plan trustee and agree to be granted the RSUs. The aggregate monetary amount for the Purchased Shares to be purchased by any Talent must be: (i) equal to or exceed 1/6 of the annual remuneration package of such Talent; and (ii) not more than the annual remuneration package of such Talent (the “**Investment Amount**”).
- **Invitation Periods:** The first invitation period will be 20 business days from the commencement date of the Co-Ownership Plan III. Talents who have previously not been invited to participate in the Co-Ownership Plan III will be invited by the Company to purchase Shares in the following subsequent invitation periods (i) 10 business days from the date of publication of the 2018 annual report of the Company; and (ii) 10 business days from the date of publication of the 2019 annual report of the Company, if pursuant to the Scheme Mandate there is headroom under the Co-Ownership Plan III to accept further Participants after the take up from the previous invitation(s) and purchase(s) of the Purchased Shares.
- **Trustee:** The Company will appoint a professional trustee for the Co-Ownership Plan III (the “**Plan Trustee**”) to make on-market purchases of Shares with the Investment Amount of the participants and hold the Purchased Shares on trust for the Talents who have accepted an invitation to participate in the Co-Ownership Plan III (the “**Participants**”) and to assist with the administration of, and the granting and vesting of RSUs granted pursuant to, the Co-Ownership Plan III.
- **Basis for determining number of RSUs:** The number of RSUs to be granted to a Participant 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 financial years of 2018, 2019 and 2020 of the Co-Ownership Plan III. 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 annual report in respect of a financial 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 III, and then divided by the aggregate number of Shares in issue on the date of the Company's annual report for such financial year;
- (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 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; and
- (iii) 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.

If the Adjusted Available Cash per Share for Distribution, on a cumulative basis, over the 2018, 2019 and 2020 financial years of the Company reaches HK\$2.40, RSUs will be granted on the basis that the Participants would be granted with one RSU for every Purchased Share that is purchased by the Plan Trustee on behalf of the Participants, and the Participants would, subject to the satisfaction of the vesting conditions and on the vesting date, receive one Award Share for every RSU that it is granted. A cumulated Adjusted Available Cash per Share for Distribution in excess of HK\$2.40 will not give rise to any further entitlement.

If the Adjusted Available Cash per Share for Distribution, on a cumulative basis, over the 2018, 2019 and 2020 financial years of the Company reaches a value in excess of HK\$2.10 and up to HK\$2.40, RSUs will be granted to the Participants on a pro rata basis, and the number of RSUs to be granted will be determined on a linear scale between zero RSU and one RSU for every Purchased Share that is purchased by the Plan Trustee on behalf of the Participants (with more RSUs to be granted the closer the actual achieved level is to HK\$2.40).

- **Early termination:** If the Board resolves to early terminate the Co-Ownership Plan III upon the occurrence of an M&A event, the minimum level of the cumulative Adjusted Available Cash per Share for Distribution required to be achieved by the Company before any RSU will be granted is (depending on the time when such M&A event occurs) HK\$0.60, HK\$1.40 <sup>(Note 1)</sup> and above HK\$2.10 at the end of 2018, 2019 and 2020 financial year of the Company respectively. In general, the number of RSUs to be granted would be calculated on a pro rata basis by reference to the maximum entitlement at HK\$2.40 provided that the relevant minimum level of the cumulative Adjusted Available Cash per Share for Distribution prior to the termination is met. No RSUs will be granted if an M&A Event occurs during the 2018 financial year. “**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 (the “**Listing Rules**”).

*Note 1:* If an M&A Event occurs during the period between the 2019 financial year and the 2020 financial year and the Board resolves to early terminate the Co-Ownership Plan III, HK\$1.40 is the optimal cumulative target of the Adjusted Available Cash per Share for Distribution for the 2019 financial year that needs to be met before RSUs can be granted. However, if the actual achieved cumulative Adjusted Available Cash per Share for Distribution is in excess of HK\$1.30 (but below HK\$1.40), as the achieved Adjusted Available Cash per Share for Distribution is sufficiently close to the optimal level, the Participants would also be entitled to be granted with some RSUs. The number of RSUs to be granted in this situation will be determined on a linear scale, with more RSUs to be granted the closer the actual achieved level is to HK\$1.40.

- **Scheme mandate limit:** The total maximum number of new Shares that may underlie the RSUs to be granted pursuant to the Co-Ownership Plan III is 3% of the Shares in issue on the day of the General Meeting (as may be adjusted in the event of a reorganisation in capital structure of the Company).
- **RSU grant date:** RSUs will be granted on the date of publication of the Company's annual report for the 2020 financial year if the minimum level of the cumulative Adjusted Available Cash per Share for Distribution is achieved. The granting of the RSUs will occur earlier than the publication of the annual report of the Company for the 2020 financial year if the maximum targeted accumulated Adjusted Available Cash per Share for Distribution is achieved prior to the end of the 2020 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.

- **Entitlement of good leaver:** If a Participant becomes a Good Leaver prior to the RSU grant date, the number of RSUs to be granted shall be prorated according to the duration of time of the Participant's participation in the Co-Ownership Plan III. "Good Leaver" means a Participant who ceases to be employed by reason of death; retirement at or after the age of 60; permanent ill health or physical or mental disability; or who has been deemed by the Board to be a good leaver according to the terms of the Co-Ownership Plan III. Any leaver during the term of the Co-Ownership Plan III who is not a Good Leaver will not be entitled to the granting of any RSU.
- **Entitlement of a late Participant:** If a Participant participates in the Co-Ownership Plan III after the commencement date and prior to the RSU grant date, the number of RSUs to be granted shall be prorated according to the duration of time of the Participant's participation in the Co-Ownership Plan III.
- **Transfer of Purchased Shares prior to grant date:** A Participant may require the Plan Trustee to transfer any Purchased Share prior to the RSU grant date. However, such Participant shall cease to participate in the Co-Ownership Plan III and shall not be entitled to any grant of RSUs, unless the Board designates such Participant as a Good Leaver.
- **Vesting of the RSUs and issuance of the Award Shares:** Vesting of the 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\$9.27; and
  - (ii) the cumulative capital expenditure of the Group during the 2018, 2019 and 2020 financial years is not less than HK\$1.2 billion (provided that the annual capital expenditure of the Group during each financial year is not less than HK\$250 million).

The Company will allot and issue, upon the satisfaction of the above vesting conditions, the Award Shares to the Participants on the vesting date.

- **Corporate events:** Other corporate events which may trigger early termination include (i) a general offer by way of takeover or otherwise made to all the Shareholders; (ii) a general offer for Shares by way of scheme of arrangement made by any person to all the Shareholders; (iii) a compromise or arrangement between the Company and the Shareholders and/or the creditors of the Company proposed in connection with a scheme for the reconstruction of the Company; and (iv) notice given by the Company to the Shareholders to convene a general meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up the Company.

Upon the occurrence of a corporate event, the Board may determine, at its absolute discretion but treating all Participants fairly and taking into account the length of participation of the Participant in the Co-Ownership Plan III, whether the Participant is a Good Leaver or a bad leaver (where applicable), the number of RSUs that shall be granted or vest, the period within which such RSUs shall be granted or vest (as the case may be provided that a Grantee shall only be entitled to receive up to a maximum of one Award Share for each RSU granted to him) and the condition (if any) to vesting or the waiver of any or all such conditions, of any of the RSUs.

- **Reorganisation in capital structure:** In the event of an alteration in the capital structure of the Company by way of a capitalisation of profits or reserves, bonus issue, rights issue, open offer, subdivision or consolidation of shares or reduction of the share capital of the Company in accordance with applicable laws and the Listing Rules (other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company or any of its subsidiaries is a party or in connection with any share option, restricted share or other equity-based incentive schemes of the Company) while any RSU has not vested, such corresponding adjustments (if any) should be made to the number or nominal value of Shares underlying the RSU so far as unvested, provided that any such adjustments (i) shall be proportionate to the change in the share capital of the Company; and (ii) shall give a RSU grantee no less proportion of the share capital of the Company as that to which that grantee was previously entitled.

### **SCHEME MANDATE TO ISSUE NEW SHARES UNDERLYING THE RSUS TO BE GRANTED UNDER THE CO-OWNERSHIP PLAN III**

On 2 November 2017, the Board has resolved to, subject to the approval of the Independent Shareholders, allot and issue up to the number of new Shares which represents 3% of the Company's total share capital of Shares as at the date of the General Meeting (as may be adjusted in the event of a reorganisation in capital structure of the Company) to Participants under the Co-Ownership Plan III by way of issue and allotment of new Shares pursuant to the Scheme Mandate, which may be granted by the Shareholders at the General Meeting.

As of the date of this announcement, the number of the total issued Shares of the Company is 1,005,666,666. If the Scheme Mandate is utilised to the fullest extent, 30,169,999 new Shares will be issued and will represent approximately 2.91% of the total issued Shares as enlarged by and immediately following such full utilisation of the Scheme Mandate and issue of the Award Shares underlying the RSUs to be granted, assuming no other Shares will be issued or repurchased by the Company from the date of this announcement and until such full utilisation of the Scheme Mandate.

## **PROPOSED CONNECTED TRANSACTIONS INVOLVING THE POTENTIAL GRANT OF RSUS TO CONNECTED PARTICIPANTS**

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 III is a connected participant (the “**Connected Participant**”). As of the date of this announcement, there are 2 executive Directors of the Company and 5 directors of the Company’s subsidiaries who are Connected Participants <sup>(Note 2)</sup>.

The Connected Participants are also included as eligible participants under the Co-Ownership Plan III 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 III 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 III and the grant of RSUs to the Connected Participants will be subject to, among others, the approval by the Independent Shareholders at the General Meeting.

Assuming that (i) all the Connected Participants will agree to participate, and do participate, in the Co-Ownership Plan III to the fullest extent; (ii) all conditions to the grant of the RSUs are satisfied and the maximum entitlements to the RSUs have been granted; and (iii) all the Connected Participants become grantees of RSUs and vested with the Award Shares upon satisfaction of the vesting conditions, and on the basis of the 3% limit by reference to the number of the total issued Shares of the Company as of the date of this announcement, the maximum number of Award Shares that will be awarded to the Connected Participants is 3,345,731 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.**

## **INFORMATION ABOUT THE GROUP**

The Group is principally engaged in the provision of high-speed fibre broadband services and enterprise solutions in Hong Kong, offering a wide range of telecommunications solutions for residential and enterprise markets, encompassing broadband, Wi-Fi, cloud solutions, data connectivity, data facilities, system integration and voice communications. Through partnerships with over-the-top service providers and mobile facilities based carriers, it also offers over-the-top entertainment and mobile services.

## **IMPLICATIONS UNDER THE LISTING RULES**

The Co-Ownership Plan III 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 III, 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 III, the grant of the Scheme Mandate and the grant of RSUs to the Connected Participants.

*Note 2:* The Connected Participants comprise 2 executive directors of the Company, namely Mr. William Chu Kwong YEUNG and Mr. Ni Quiaque LAI, and 5 directors of the Company’s subsidiaries, namely Mr. Tak Wa William YEUNG, Mr. Yue Kit Andrew WONG, Ms. Yan Fen LIU, Ms. Wing Sze CHAN and Ms. Wai Han Stella YU.

The Directors (other than the independent non-executive Directors whose view will be set out in the Letter from the Independent Board Committee of the circular to be dispatched to the Shareholders) are of the view that the terms of the Co-Ownership Plan III, the Scheme Mandate and the Connected Grant 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 III, Mr. William 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 III.

The independent board committee, comprising all the independent non-executive Directors, has been formed to advise the independent Shareholders on the proposed grant of RSUs to the Connected Participants. An independent financial adviser has been appointed to advise the independent board committee and the independent Shareholders in this regard.

## **DESPATCH OF CIRCULAR**

A circular of the Company containing, among other things, further details of the Co-Ownership Plan III and the Scheme Mandate and a notice convening the General Meeting is expected to be despatched to the Shareholders on or before 23 November 2017.

**WARNING: The information above represents only a summary of certain proposed terms of the Co-Ownership Plan III, 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 III is subject to approval by the independent Shareholders, the Co-Ownership Plan III 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, 2 November 2017

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

*Executive Directors*

Mr. William Chu Kwong YEUNG  
Mr. Ni Quiaque LAI

*Non-executive Director*

Ms. Deborah Keiko ORIDA

*Independent Non-executive Directors*

Mr. Bradley Jay HORWITZ (*Chairman*)  
Mr. Stanley CHOW  
Mr. Quinn Yee Kwan LAW, SBS, JP

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