THIS RESPONSE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Share Offer, this Response Document or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in **HKBN Ltd.**, you should at once hand this Response Document to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

香港寬頻
HONG KONG
BROADBAND NETWORK

HKBN Ltd.
香港寬頻有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1310)

RESPONSE DOCUMENT IN RELATION TO VOLUNTARY CONDITIONAL GENERAL CASH OFFER BY CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED ON BEHALF OF CHINA MOBILE HONG KONG COMPANY LIMITED TO ACQUIRE ALL OF THE ISSUED SHARES IN HKBN LTD. (OTHER THAN THOSE ALREADY OWNED BY CHINA MOBILE HONG KONG COMPANY LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

Joint Financial Advisers to the Company

Morgan Stanley J.P.Morgan

Independent Financial Adviser to the Independent Board Committee

SOMERLEY CAPITAL LIMITED

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Response Document unless the context requires otherwise.

A letter from the Board is set out on pages 7 to 18 of this Response Document. A letter from the Executive Director is set out on pages 19 to 27 of this Response Document. A letter from the Independent Board Committee containing its recommendation to the Disinterested Shareholders in respect of the Share Offer is set out on pages 28 to 29 of this Response Document. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Share Offer is set out on pages 30 to 69 of this Response Document.

9 August 2025

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Page

In this Response Document, unless the context otherwise requires, the following terms shall have the following meanings:

"2024 Final Dividend"	the final dividend for the year ended 31 August 2024 of HK$0.165 per Share, which was paid by the Company to the Shareholders on 3 January 2025
"2025 Interim Dividend"	the interim dividend for the six months ended 28 February 2025 of HK$0.155 per Share, which was paid by the Company to the Shareholders on 10 June 2025
"acting in concert"	has the meaning ascribed to it in the Takeovers Code, and "persons acting in concert" and "concert parties" should be construed accordingly
"Amended and Restated Co-Ownership Plan IV"	the restricted share unit scheme adopted by the Company on 11 May 2023, which has been terminated immediately upon the Offeror's making of the Share Offer (i.e. on 6 August 2025)
"associate(s)"	has the meaning ascribed to it in the Takeovers Code
"Authority"	any supranational, national, federal, state, regional, provincial, municipal, local or other government, governmental, quasi-governmental, legal, regulatory or administrative authority, department, branch, agency, commission, bureau or body (including any securities or stock exchange) or any court, tribunal, or judicial or arbitral body
"Board"	the board of Directors
"Business Day"	a day on which the Stock Exchange is open for transaction of business
"CCASS"	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
"China Mobile"	China Mobile Limited, a company incorporated in Hong Kong with limited liability under the Companies Ordinance, which is dual-listed on the Stock Exchange with stock codes 941 (HKD Counter) and 80941 (RMB Counter) and on the Shanghai Stock Exchange with stock code 600941
"China Mobile Group"	China Mobile and its subsidiaries from time to time

"CICC"	China International Capital Corporation Hong Kong Securities Limited, the financial adviser to the Offeror in respect of the Share Offer, which is a licensed corporation under the SFO, licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO
"Closing Date"	the First Closing Date or if so extended, any subsequent closing date as may be determined by the Offeror in relation to the Share Offer and announced by the Offeror in accordance with the Takeovers Code
"Companies Act"	the Companies Act (2023 Revision) of the Cayman Islands, as amended from time to time
"Companies Ordinance"	Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Company" or "HKBN"	HKBN Ltd. (香港寬頻有限公司), a company incorporated in the Cayman Islands and whose Shares are listed on the Main Board of the Stock Exchange (Stock Code: 1310)
"Compulsory Acquisition Right"	the right of the Offeror, pursuant to section 88 of the Companies Act, to compulsorily acquire the Offer Shares not acquired by the Offeror under the Share Offer as described in the paragraph headed "17. Right of Compulsory Acquisition" in the "Letter from CICC" in the Offer Document
"Condition(s)"	the condition(s) to the Share Offer, details of which are set out in the paragraph headed "4. Conditions to the Share Offer" in the "Letter from CICC" in the Offer Document
"Conditions Long Stop Date"	3 February 2026, or such later date as the Offeror may in its sole discretion determine and in all cases, as permitted by the SFC Executive
"Director(s)"	the director(s) of the Company
"Disinterested Shareholders"	the holders of Disinterested Shares, including, for the avoidance of doubt, any member of the CICC group acting in the capacity of an exempt principal trader or exempt fund manager for the purpose of the Takeovers Code

"Disinterested Shares"	the Shares, other than any Shares which are beneficially owned by the Offeror or any party acting in concert with it, including, for the avoidance of doubt, any Share(s) held by any member of the CICC group on a non-discretionary and non-proprietary basis for and on behalf of its clients who are not the Offeror or any party acting in concert with it
"Executive Director"	the executive director of the Company, namely Mr. Chu Kwong YEUNG
"exempt fund managers"	has the meaning ascribed to it in the Takeovers Code
"exempt principal traders"	has the meaning ascribed to it in the Takeovers Code
"First Closing Date"	3 September 2025, or such later date as may be determined and announced by the Offeror in accordance with the Takeovers Code
"FY2023"	the financial year ended 31 August 2023
"FY2024"	the financial year ended 31 August 2024
"FY2025"	the financial year ended 31 August 2025
"Group"	the Company and its subsidiaries from time to time
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"ICT"	information and communication technology
"Independent Board Committee"	the independent board committee of the Board, comprising all the non-executive Directors who have no direct or indirect interest in the Share Offer, namely Ms. Ming Ming Anna CHEUNG and Ms. Kit Yi Kitty CHUNG, established to make a recommendation to the Disinterested Shareholders in respect of the Share Offer
"Independent Financial Adviser" or "Somerley"	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company with approval of the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code to advise on the Share Offer

"Irrevocable Undertakings"	the irrevocable undertakings dated 2 December 2024 given by each of the Undertaking Shareholders in favour of the Offeror
"J.P. Morgan"	J.P. Morgan Securities (Asia Pacific) Limited, a joint financial adviser to the Company in connection with the Share Offer, a company licensed under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities
"Latest Practicable Date"	6 August 2025, being the latest practicable date prior to the printing of this Response Document for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Morgan Stanley"	Morgan Stanley Asia Limited, a joint financial adviser to the Company in connection with the Share Offer, a company licensed under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities
"Offer Announcement"	the announcement dated 2 December 2024 issued by the Offeror in relation to the Share Offer pursuant to Rule 3.5 of the Takeovers Code
"Offer Despatch Announcement"	the announcement issued by the Offeror in respect of, among other things, the despatch of the Offer Document dated 6 August 2025
"Offer Document"	the offer document dated 6 August 2025 issued by the Offeror which sets out, among other things, the details of the Share Offer in accordance with the Takeovers Code
"Offer Document LPD"	4 August 2025, stated in the Offer Document to be the latest practicable date prior to the printing of the Offer Document for ascertaining certain information contained therein
"Offer Period"	has the meaning ascribed to it in the Takeovers Code, being the period commencing from 20 November 2024 and ending on the earlier of (i) the Closing Date; or (ii) the date on which the Share Offer lapses or is withdrawn

"Offer Price"	HK$5.075 per Share (which was adjusted from the original offer price of HK$5.23 per Share after the deduction of the amount of the 2025 Interim Dividend as announced in the Price Adjustment Announcement)
"Offer Share(s)"	Share(s) not already owned by the Offeror and the parties acting in concert with it
"Offeror" or "CMHK"	China Mobile Hong Kong Company Limited, a company incorporated in Hong Kong with limited liability under the Companies Ordinance and an indirect wholly-owned subsidiary of China Mobile
"PRC"	the People's Republic of China
"Pre-Condition(s)"	the pre-condition(s) to the making of the Share Offer by the Offeror, details of which are set out in the paragraph headed "Pre-Conditions to the Offer" in the Offer Announcement and which were satisfied on 1 August 2025
"Pre-Conditions Long Stop Date"	28 November 2025, or such later date as the Offeror may in its sole discretion determine and in all cases, as permitted by the SFC Executive
"Price Adjustment Announcement"	the announcement dated 28 May 2025 issued by the Offeror in relation to, among other things, the adjustment to the Offer Price
"Relevant Period"	the period commencing on 20 May 2024, being the date falling six months preceding the date of commencement of the Offer Period (being 20 November 2024), up to and including the Latest Practicable Date
"Response Document"	this circular dated 9 August 2025 issued by the Company in response to the Offer Document in accordance with the Takeovers Code
"RSUs"	restricted share units which were previously granted under the Amended and Restated Co-Ownership Plan IV and were outstanding prior to the issuance of the Offer Document, and all of which have lapsed upon the termination of the Amended and Restated Co-Ownership Plan IV immediately upon the Offeror's making of the Share Offer

"Rule 3.8 Announcements"	collectively, the announcements published by the Company on 14 March 2025, 22 April 2025, 21 May 2025, 6 June 2025, 16 July 2025, 24 July 2025 and 4 August 2025 pursuant to Rule 3.8 of the Takeovers Code, and "Rule 3.8 Announcement" means any of them
"SFC"	the Securities and Futures Commission of Hong Kong
"SFC Executive"	the Executive Director of the Corporate Finance Division of the SFC or its delegate
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Offer"	the voluntary conditional general cash offer made by CICC on behalf of the Offeror for all the issued Shares (other than those already owned by the Offeror and parties acting in concert with it) on the terms and conditions set out in the Offer Document
"Share Offer Acceptance Form"	the form of acceptance and transfer of the Offer Shares in respect of the Share Offer accompanying the Offer Document
"Share(s)"	the share(s) in the share capital of the Company, which currently comprises only the ordinary share(s) in the ordinary share capital of the Company with a par value of HK$0.0001 each, which are subscribed for and traded in Hong Kong Dollars and listed on the Main Board of the Stock Exchange
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to that term in the Listing Rules
"Takeovers Code"	the Code on Takeovers and Mergers issued by the SFC
"Trustee"	Computershare Hong Kong Trustees Limited, as trustee of the Amended and Restated Co-Ownership Plan IV
"Unconditional Date"	means the date on which the Share Offer becomes or is declared unconditional in all respects
"Undertaking Shareholders"	Canada Pension Plan Investment Board and/or TPG Wireman, L.P. (as applicable)
"%"	per cent.

HKBN Ltd.
香港寬頻有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1310)

Executive Director:
Mr. Chu Kwong YEUNG

Independent Non-Executive Directors:
Ms. Cordelia CHUNG *(Chairman)*
Ms. Ming Ming Anna CHEUNG
Ms. Kit Yi Kitty CHUNG

Registered Office:
P.O. Box 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands

Principal Place of Business in Hong Kong:
19th Floor, Tower 1, The Quayside
77 Hoi Bun Road, Kwun Tong
Hong Kong

9 August 2025

To the Disinterested Shareholders

Dear Sir or Madam,

RESPONSE DOCUMENT IN RELATION TO VOLUNTARY CONDITIONAL GENERAL CASH OFFER BY CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED ON BEHALF OF CHINA MOBILE HONG KONG COMPANY LIMITED TO ACQUIRE ALL OF THE ISSUED SHARES IN HKBN LTD. (OTHER THAN THOSE ALREADY OWNED BY CHINA MOBILE HONG KONG COMPANY LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

Reference is made to (i) the Offer Announcement, (ii) the Price Adjustment Announcement, (iii) the other announcements issued by the Offeror dated 23 December 2024, 23 January 2025, 21 February 2025, 21 March 2025, 10 April 2025, 9 May 2025, 9 June 2025, 20 June 2025, 27 June 2025, 25 July 2025 and 1 August 2025 in relation to the Share Offer, (iv) the Rule 3.8 Announcements, (v) the announcement dated 16 June 2025 issued by the

Company in relation to the establishment of the Independent Board Committee and the appointment of the Independent Financial Adviser, (vi) the Offer Document and (vii) the Offer Despatch Announcement.

On 2 December 2024, the Offeror issued the Offer Announcement announcing that, subject to the satisfaction or, if capable of being waived, waiver of the Pre-Conditions, CICC would, on behalf of the Offeror, make a voluntary conditional general cash offer to acquire all of the issued Shares (other than those already owned by the Offeror and parties acting in concert with it).

On 1 August 2025, the Offeror announced that all Pre-Conditions to the making of the Share Offer have been satisfied.

On 6 August 2025, the Offeror despatched the Offer Document, accompanied with the Share Offer Acceptance Form, setting out details of the Share Offer.

The purpose of this Response Document is to provide you with, among other things, (i) information from the Board in response to the Share Offer; (ii) information from the Executive Director in response to the Share Offer; (iii) the recommendation of the Independent Board Committee to the Disinterested Shareholders in respect of the Share Offer; (iv) the advice of the Independent Financial Adviser to the Independent Board Committee in respect of the Share Offer; and (v) certain information on the Group.

You are advised to read this Response Document, the recommendation of the Independent Board Committee and the letter from the Independent Financial Adviser, in conjunction with the Offer Document, carefully before taking any action in respect of the Share Offer.

The Share Offer is subject to the Conditions being satisfied or, if capable of being waived, waived on or before the Conditions Long Stop Date and therefore the Share Offer may or may not become unconditional and may or may not be completed. Shareholders and/or potential investors of the Company are advised to exercise caution in dealing in the securities of the Company. Persons who are in doubt as to the action they should take or their position should consult their stockbrokers, bank managers, solicitors or other professional advisers.

THE SHARE OFFER

The information relating to the Share Offer below is based on the Offer Document. You are recommended to refer to the Offer Document and the Share Offer Acceptance Form for further details on the terms and conditions of the Share Offer.

CICC, for and on behalf of the Offeror and in compliance with the Takeovers Code, has made the Share Offer to acquire all the Offer Shares on the following terms:

For each Offer Share .... HK$5.075 in cash

Pursuant to the Offer Announcement and the Price Adjustment Announcement, the 2025 Interim Dividend was deducted from the original offer price of HK$5.23 per Share as stated in the Offer Announcement, such that the resulting Offer Price is now reduced to HK$5.075 per Share.

As disclosed in the Offer Document, save for the 2024 Final Dividend and the 2025 Interim Dividend, if, after the date of the Offer Document, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the Shares, the Offeror shall reduce the Offer Price by the amount or value of such dividend, distribution and/or, as the case may be, return of capital after consultation with the Executive, in which case any reference in the Offer Document or any other announcement or document to the Offer Price will be deemed to be a reference to the Offer Price as so reduced. Any such reduction will apply to those Shares in respect of which the Offeror will not be entitled to the relevant dividend, distribution and/or return of capital.

Save for the 2024 Final Dividend and the 2025 Interim Dividend, there has not been any other dividend or distribution announced, declared or paid by the Company after the date of the Offer Announcement and up to the Latest Practicable Date. As at the Latest Practicable Date, save for any final dividend for the year ending 31 August 2025 that may be declared, the Company has no intention to make, declare or pay any future dividend or distribution prior to the close or lapse of the Share Offer.

The Shares to be acquired by the Offeror under the Share Offer shall be fully paid and shall be acquired free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the Closing Date or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, the record date of which is on or after the Closing Date. Any dividends or other distributions the record date of which is before the Closing Date will be paid by the Company to the Shareholders who are qualified for such dividends or distributions.

The Offeror will not increase the Offer Price (except in wholly exceptional circumstances as may be permitted by the SFC Executive or in such circumstances as described further in the section headed "Irrevocable Undertakings"). Shareholders and potential investors of the Company should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Offer Price (except in the abovementioned circumstances).

Conditions of the Share Offer

As disclosed in the paragraph headed "4. Conditions to the Share Offer" in the "Letter from CICC" as set out in the Offer Document, the Share Offer is conditional upon the satisfaction or, if capable of being waived, waiver of the following Conditions on or prior to the Conditions Long Stop Date:

(a) valid acceptances of the Share Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on or prior to the Closing Date (or such later time or date as the Offeror may, subject to the rules of the Takeovers Code, decide) in respect of such number of Shares which, together with any Shares acquired or agreed to be acquired prior to or during the offer period for the Share Offer (whether pursuant to the Share Offer or otherwise), will result in the Offeror and persons acting in concert with it holding more than 50% of the voting rights in the Company;

(b) the Shares remaining listed and traded on the Stock Exchange up to the Closing Date save for any temporary suspension(s) of trading of the Shares and no indication being received on or before the Closing Date from the SFC and/or the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange is or is likely to be withdrawn;

(c) no event having occurred which would make the Share Offer and/or (if the Offeror were to exercise any Compulsory Acquisition Right) the withdrawal of listing of the Shares void, unenforceable, illegal or impracticable or would prohibit implementation of the Share Offer or would impose any additional material conditions or obligations with respect to the Share Offer or any part thereof;

(d) up to and including the time when the Condition set out in (a) above is satisfied, (i) no Authorities in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry, or enacted or made or publicly proposed any of the foregoing, and (ii) there having been no outstanding statute, regulation, demand or order, in each case which would make the Share Offer and/or (if the Offeror were to exercise any Compulsory Acquisition Right) the withdrawal of listing of the Shares void, unenforceable or illegal or prohibit implementation of the Share Offer or which would impose any material conditions, limitations or obligations with respect to the Share Offer; and

(e) from 31 August 2024 up to and including the time when the Condition set out in (a) above is satisfied, there having been no material adverse change in the business, assets, financial or trading positions or prospects or conditions (whether operational, legal or otherwise) of the Group to an extent which is material in the context of the Group taken as a whole.

The Offeror reserves the right to waive, in whole or in part, the Conditions set out in (b) and (e) and, to the extent it would not make the Share Offer and/or (if the Offeror were to exercise any Compulsory Acquisition Right) the withdrawal of listing of the Shares illegal, the Conditions set out in (c) and (d) above. The Condition set out in (a) above cannot be waived. If any of the Conditions is not satisfied or, if capable of being waived, waived on or before the Conditions Long Stop Date, the Share Offer will lapse.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Share Offer if the circumstances which give rise to the right to invoke such Condition(s) are of material significance to the Offeror in the context of the Share Offer.

The Offer Document stated that, as at the Offer Document LPD, none of the Conditions has been satisfied, or if capable of being waived, waived, and as at the date of the Offer Document, the Offeror is not aware of any circumstances which may result in any of the Conditions set out in (b), (c), (d) or (e) above not being satisfied.

Completion of the Share Offer is subject to the Conditions being satisfied or, if capable of being waived, waived on or before the Conditions Long Stop Date. Accordingly, the Disinterested Shareholders and prospective investors of the Company are reminded that the Share Offer may or may not become unconditional and may or may not be completed.

IRREVOCABLE UNDERTAKINGS

As stated in the Offer Document, on 2 December 2024, the Offeror and each of Canada Pension Plan Investment Board and TPG Wireman, L.P. entered into the Irrevocable Undertakings, pursuant to which each of Canada Pension Plan Investment Board and TPG Wireman, L.P. irrevocably agreed to accept the Share Offer on the terms of the Irrevocable Undertakings. Following completion of the transfer of Shares from TPG Wireman, L.P. to the Offeror on 7 May 2025, the Irrevocable Undertaking given by TPG Wireman, L.P. was terminated.

As at the Offer Document LPD, Canada Pension Plan Investment Board held 182,405,000 Shares, representing 12.33% of the issued share capital of the Company. Pursuant to its Irrevocable Undertaking, Canada Pension Plan Investment Board has irrevocably undertaken to the Offeror to accept the Share Offer in respect of all of the Shares held by it. Canada Pension Plan Investment Board has also agreed that, during the term of its Irrevocable Undertaking, it shall not sell, transfer, charge, encumber, grant any option over or otherwise dispose of any interest in any Shares held by it.

The Irrevocable Undertaking given by Canada Pension Plan Investment Board shall terminate if: (a) the Executive consents to the Offeror not making the Share Offer; (b) an event occurs which means that the Offeror is no longer required by the Takeovers Code to proceed with the Share Offer; (c) the Pre-Conditions are not satisfied, or if capable of being waived, not waived on or prior to the Pre-Conditions Long Stop Date; (d) the Share Offer lapses or is withdrawn; (e) (i) any person (other than the Offeror) makes a bona fide offer at a higher price to acquire all of the Shares owned by Canada Pension Plan Investment Board, (ii) the Offeror fails to increase the Offer Price to above such competing offer price within a specified deadline after having been given notice of such competing offer by Canada Pension Plan Investment Board, and (iii) Canada Pension Plan Investment Board enters into a binding agreement with such other person to sell all of its Shares at the relevant higher price, provided that if such binding agreement terminates prior to its completion, the Irrevocable Undertaking will be reinstated with effect from such termination; or (f) any person (other than the Offeror) publishes an announcement of a firm intention to make an offer under Rule 3.5 of the Takeovers Code to acquire all of the Shares at a higher price, and the Offeror fails to increase the Offer Price to above such competing offer price within a specified deadline. For the avoidance of doubt, the Offeror reserves the right to increase the Offer Price in the circumstances described in (e) and (f) above.

FURTHER DETAILS OF THE OFFER

Further details of the Share Offer including, among others, the expected timetable, the conditions, terms and procedures of acceptance of the Share Offer, are set out in the Offer Document, the Share Offer Acceptance Form and further announcements made or to be made by the Offeror (if any).

INFORMATION OF THE GROUP

The Company, a limited liability company incorporated in the Cayman Islands, is a leading provider of residential and enterprise fibre broadband and internet services in Hong Kong. Since its establishment in 1999, the Company has undergone a remarkable transformation, driven by the leadership of its management teams and the dedication of its talents.

From its humble beginnings as a local startup, HKBN has evolved into a disruptive force in the telecommunications sector and is now firmly established as a fully integrated ICT powerhouse. Throughout this transformative journey, the Company has remained steadfast in its mission: to redefine the way customers live, learn, work, and play by delivering the most innovative and dependable services at exceptional value.

Today, HKBN is a fully integrated one-stop ICT powerhouse with operations spanning Hong Kong, Macao, and mainland China. HKBN's diverse team of professionals brings together deep technical expertise, enabling the Company to deliver not only connectivity solutions but also a wide range of services and technologies that enhance the lives of residential customers and empower enterprises to achieve higher levels of efficiency, scalability, and agility.

HKBN has consistently demonstrated a strong commitment to infrastructure development and technological advancement. Since inception, the Company has invested approximately HK$11 billion in its network infrastructure and related assets, underscoring its long-term vision and commitment to delivering exceptional service quality.

The Company's strategic merger with WTT Holding Corp. in April 2019, followed by the acquisitions of Jardine OneSolution Holdings (C.I.) Limited, Adura Hong Kong Limited, and Adura Cyber Security Services Pte. Ltd. in December 2019, have significantly expanded HKBN's operational scale and customer reach. These transformative transactions marked a pivotal shift in the Group's strategic focus toward enterprise services, resulting in enterprise-related segments contributing 60% or more of the Group's total revenue since FY2020.

HKBN remains firmly committed to creating long-term value for its stakeholders by maintaining its position as a high-quality, high-value asset and delivering sustained growth through innovation, operational excellence, and customer-centricity.

The Company has a highly entrepreneurial culture with hundreds of talents who are also co-owners of the Company's business through investing their own savings and financial resources in the shares of the Company. The concepts of having talents' interests and commitments incentivised by the Company's share and other incentive schemes are well entrenched in HKBN's business. It is HKBN's corporate culture, devotions and perseverance which underpinned the success of the Company's business to-date.

The Company expresses sincere gratitude to our executives, management team and dedicated talents in creating and building such a successful business which will continue to grow and prosper in the future to come.

FINANCIAL INFORMATION OF THE COMPANY

	Year ended 31 August 2022	**Year ended 31 August 2023**	**Year ended 31 August 2024**	**Six months ended 29 February 2024**	**Six months ended 28 February 2025**
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	11,626,164	11,692,176	10,650,922	5,809,091	5,734,269
EBITDA(1)	2,609,750	2,289,914	2,364,759	1,151,172	1,206,122
Profit (loss) before tax	712,216	(1,231,331)	29,125	7,788	113,066
Profit (loss) after tax	553,321	(1,267,408)	10,277	1,534	107,560
Adjusted free cash flow(2)	1,133,253	763,249	620,145	124,248	126,186
Dividend per Share *(HK cents)*	60	40	31.5	15	15.5

(1) EBITDA is profit for the year plus finance costs, income tax expense, depreciation, amortisation of intangible assets (net of direct cost incurred in corresponding period), amortisation of customer acquisition and retention costs, loss/(gain) on disposal of associates/subsidiaries, share of loss of discontinued operation, impairment on goodwill, impairment on interest in a joint venture and less interest income.

(2) Adjusted free cash flow is EBITDA less capital expenditure, customer acquisition and retention costs, net interest paid, income tax paid, premium paid on senior notes redemption, lease payments in relation to right-of-use assets, changes in working capital and other non-cash items including amortisation of obligations under granting of rights, change in fair value of contingent consideration, Co-Ownership Plan II related non-cash items and loss on derecognition of contingent consideration.

The Company considers EBITDA to be one of the most important metrics in evaluating the underlying strength and performance of its business, and regards enterprise value/EBITDA ("**EV/EBITDA**") as an important metric in valuation, which is also widely adopted as a primary valuation methodology by the research analysts and the investor community. Since FY2023, the Company has driven consistent growth in EBITDA, underpinned by a strategic focus on delivering additional value-added offerings, upgrading customers to faster speed services, and enhancing operational efficiency. These initiatives have reinforced HKBN's market competitiveness and operating leverage, further solidifying its position as a high-quality and high-performing ICT enterprise.

While the Company's net profit and adjusted free cash flow (AFF) in FY2023 were impacted by the sharp rise in global interest rates following the United States of America Federal Reserve's tightening cycle, by FY2024 both net profit and adjusted free cash flow (AFF) had stabilized. The Company has also adopted a more systematic hedging practice for greater financial strength in future rate tightening cycles.

During the above financial years/periods, the Company has sustained the levels of dividend payout as shown in the above table notwithstanding fluctuations in the Company's profits. These dividend payments have been supported by the Company's high cash generation ability, which is characterised by steady recurrent incomes and stable customer contracts.

Your attention is drawn to Appendices I and II to this Response Document which contain further financial and general information of the Group.

RECENT DEVELOPMENTS IN THE FINANCIAL POSITION OF THE COMPANY

On 18 March 2025, the Group successfully refinanced bank loans with an aggregate principal amount of HK$5.25 billion, originally maturing on 24 November 2025, through the incurrence of a new long-term term loan facility. Further strengthening its capital position, the Group secured an incremental facility of HK$1.5 billion which was utilised on 17 April 2025 for the early prepayment of part of the bank loans due on 9 April 2026. Such newly refinanced bank loans have a more favourable maturity date of 18 March 2030, significantly extending the Group's debt maturity profile and enhancing overall financial flexibility.

The Company has recently been in negotiations with actual and/or potential lenders in relation to the extension, amendment and/or refinancing of its borrowings. The Company has made progress in this respect and interest costs may well be lower in FY2025 than the record levels in FY2024.

CHANGES IN THE SECURITIES OF THE COMPANY SINCE THE OFFER ANNOUNCEMENT

Vendor Loan Notes

On 14 March 2025, all of the vendor loan notes issued by the Company and held by Twin Holding Ltd were converted into 83,661,106 Shares, as disclosed in the Rule 3.8 Announcement published by the Company on the same date.

On 22 April 2025, all of the vendor loan notes issued by the Company and held by TPG Wireman, L.P. were converted into 83,661,106 Shares, as disclosed in the Rule 3.8 Announcement published by the Company on the same date.

Following the above conversions of the vendor loan notes issued by the Company, there are no longer any outstanding vendor loan notes that are convertible into Shares in issue.

RSUs

With respect to the RSUs that were granted under the Amended and Restated Co-Ownership Plan IV, according to the rules of the Amended and Restated Co-Ownership Plan IV, the Board has discretion to determine whether or not to terminate such plan upon the making of a general offer by way of takeover to all the Shareholders (other than the offeror or any person acting in concert with the offeror). On this basis, the Board has, on 1 August 2025, resolved to terminate the Amended and Restated Co-Ownership Plan IV subject to, and effective immediately upon, the making of the Share Offer by the Offeror.

Accordingly, the Amended and Restated Co-Ownership Plan IV has been terminated immediately upon the Offeror's making of the Share Offer. Upon such termination, (i) all 11,494,101 unvested RSUs granted under the Amended and Restated Co-Ownership Plan IV have lapsed immediately and did not entitle the grantees to any award Share (or any portion thereof), and therefore no award Share will be issued by the Company, and (ii) all Shares held by the Trustee shall be returned to the relevant participants of the Amended and Restated Co-Ownership Plan IV, in each case, in accordance with the relevant rules of the Amended and Restated Co-Ownership Plan IV. Such Shares held by the Trustee will be transferred to a nominee account managed by Computershare Hong Kong Investor Services Limited (as plan manager) for and on behalf of the relevant participants of the Amended and Restated Co-Ownership Plan IV and are registered in the name of HKSCC Nominees Limited, and the relevant participants are able to deal with their relevant Shares at their own discretion. For further details, please refer to the Rule 3.8 Announcement published by the Company on 4 August 2025.

SHAREHOLDING INFORMATION OF THE COMPANY

As at the Latest Practicable Date, the Company has a total of 1,478,921,568 Shares in issue, of which a total of 228,627,451 Shares (representing 15.46% of the total issued share capital of the Company) were disclosed by the Offeror to be held by it and parties acting in concert with it in the Offer Document. Save as disclosed above, the Company has no outstanding securities, options, derivatives or warrants which are convertible or exchangeable into Shares and the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

INFORMATION ON THE OFFEROR AND CHINA MOBILE

Please refer to the Offer Document for the information on the Offeror and China Mobile.

INTENTION OF THE OFFEROR WITH REGARD TO THE GROUP

The information set out below is reproduced from the Offer Document:

"*Upon completion of the Share Offer, if successful, the Company will become an indirect subsidiary of China Mobile, which is dual listed on the Hong Kong and Shanghai Stock Exchanges.*

As at the Offer Document LPD, it is the intention of the Offeror for the Group to continue to carry on its existing business and the Company does not have any plan to make any material change to: (a) the business of the Group (including any redeployment of any fixed asset of the Group); or (b) the continued employment of the employees of the Group (other than in the ordinary course of business). As at the Offer Document LPD, the Offeror has no intention to downsize, cease or dispose of any existing business or operations of the Group.

Following completion of the Share Offer, the Offeror will continue to consider how best to support the Group's future development and expansion, as well as integration within the China Mobile Group to maximise synergies."

The Board has noted and is aware of the above intention of the Offeror in respect of the Group and its employees.

RIGHT OF COMPULSORY ACQUISITION AND LISTING STATUS OF THE COMPANY

As disclosed in the Offer Document, whilst the Offeror's objective in making the Share Offer is not to privatise the Company, the Offeror intends to avail itself of the right under section 88 of the Companies Act to compulsorily acquire those Shares not acquired by the Offeror under the Share Offer if, within four months after the date of the Offer Document, it has received valid acceptances in respect of not less than 90% of the Shares not already held by the Offeror and/or parties acting in concert with it. On completion of any such compulsory acquisition (if applicable), the Company would become a direct wholly-owned subsidiary of the Offeror and in this regard, an application would be made for the withdrawal of listing of the Shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules.

If the level of acceptances of the Share Offer reaches the prescribed level under the Companies Act required for compulsory acquisition and if the requirements of Rule 2.11 of the Takeovers Code are satisfied, an application will be made to the Stock Exchange to suspend dealings in the Shares until the withdrawal of listing of the Shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules.

As disclosed in the Offer Document, the Stock Exchange has stated that, if, at the close of the Share Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares (excluding treasury shares), are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there is insufficient Shares in public hands to maintain an orderly market, the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

The Offeror's ability to exercise the Compulsory Acquisition Right in respect of the Offer Shares is dependent on the level of acceptances of the Share Offer reaching the prescribed levels under the Companies Act and the requirements of Rule 2.11 of the Takeovers Code being satisfied. Upon the closing of the Share Offer, in the event that the Offeror is not able to effect the compulsory acquisition of the remaining Offer Shares, the Shares will remain listed on the Stock Exchange. The directors of the Offeror have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Company's Shares, where the Offeror is unable to exercise the Compulsory Acquisition Right under section 88 of the Companies Act.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

As disclosed in the announcement dated 16 June 2025 issued by the Company, pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee, comprising all the non-executive Directors who have no direct or indirect interest in the Share Offer, namely Ms. Ming Ming Anna CHEUNG and Ms. Kit Yi Kitty CHUNG, has been established to make a recommendation to the Disinterested Shareholders in respect of the Share Offer and to advise the Disinterested Shareholders as to whether or not the terms of the Share Offer are fair and reasonable and as to the acceptance of the Share Offer.

As Ms. Cordelia CHUNG (an independent non-executive Director), in her capacity as the Chairman of the Board and representing the Company, was involved in certain discussions with the Offeror in respect of the Share Offer either prior to or after the publication of the Offer Announcement, she is regarded as having a direct or indirect interest in the Share Offer for the purposes of Rule 2.8 of the Takeovers Code. Accordingly, Ms. Cordelia CHUNG is not a member of the Independent Board Committee.

For completeness, at the time of formation of the Independent Board Committee on 15 June 2025, Ms. Shengping YU (who was a non-executive Director at that time) was also regarded as having a direct or indirect interest in the Share Offer for the purposes of Rule 2.8 of the Takeovers Code in light of the fact that as Ms. Shengping YU, as a representative of Twin Holding Ltd (who was a substantial Shareholder at that time), was involved in certain discussions with the Offeror in relation to the Share Offer either prior to or after the publication of the Offer Announcement. Accordingly, Ms. Shengping YU was not a member of the Independent Board Committee. As disclosed in the announcement dated 8 August 2025 issued by the Company, Ms. Shengping YU has resigned as a non-executive Director with effect from 8 August 2025 with the consent of the SFC Executive pursuant to Rule 7 of the Takeovers Code.

Somerley has been appointed as the Independent Financial Adviser, with the approval of the Independent Board Committee, to advise the Independent Board Committee in respect of the Share Offer.

VIEWS AND RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 28 to 29 of this Response Document which contains its recommendation to the Disinterested Shareholders as to whether the terms of the Share Offer are or are not, fair and reasonable and as to their acceptance of the respective Share Offer; and (ii) the letter from the Independent Financial Adviser set out on pages 30 to 69 of this Response Document which contains its advice to the Independent Board Committee in connection with the Share Offer, as well as the principal factors and reasons considered by it in arriving at its advice. Disinterested Shareholders should read these letters in conjunction with the Offer Document carefully before taking any action in respect of the Share Offer.

The Independent Financial Adviser is of the view that the Share Offer is fair and reasonable so far as the Disinterested Shareholders are concerned and advises the Independent Board Committee to recommend the Disinterested Shareholders to accept the Share Offer. The Offeror has said its objective is not to privatise the Company but avails itself of the Compulsory Acquisition Right if the required acceptance threshold of 90% is met and proceeds with the delisting of the Company. This condition may or may not be fulfilled. Consequently, Shareholders who are attracted by recent progress made by the management of the Company or by the prospects of the Group following the Share Offer if a financially powerful offeror gains control, have a viable alternative to acceptance of the Share Offer. Such Shareholders may consider retaining some or all of their Shares.

Having considered the terms of the Share Offer and the advice from the Independent Financial Adviser, the Independent Board Committee is of the view that the Share Offer is fair and reasonable so far as the Disinterested Shareholders are concerned and recommends the Disinterested Shareholders to accept the Share Offer.

The views of the two members of the Board, who are not members of the IBC, in respect of the Share Offer are set out below.

The Chairman of the Board concurs with the views of the Independent Board Committee and the Independent Financial Adviser as stated above.

The Executive Director's view is that he does not accept the Offer Price as being fair and reasonable. Your attention is drawn to the letter from the Executive Director set out on pages 19 to 27 of this Response Document which contains details of the views of the Executive Director on the Share Offer and the reasoning for such view.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this Response Document. You are also recommended to read carefully the Offer Document and the accompanying Share Offer Acceptance Form for further details in respect of the procedures for acceptance of the Share Offer.

By order of the Board
HKBN Ltd.
Cordelia CHUNG
Chairman

9 August 2025

To the Disinterested Shareholders

Dear Sir or Madam,

RESPONSE DOCUMENT IN RELATION TO VOLUNTARY CONDITIONAL GENERAL CASH OFFER BY CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED ON BEHALF OF CHINA MOBILE HONG KONG COMPANY LIMITED TO ACQUIRE ALL OF THE ISSUED SHARES IN HKBN LTD. (OTHER THAN THOSE ALREADY OWNED BY CHINA MOBILE HONG KONG COMPANY LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

As Founder-CEO and the 6th largest shareholder (per public information) holding approximately 2% of the total issued shares of the Company, my view is that CMHK's Offer Price of HKD5.075/share (minus any future dividends, if any) does not reflect the intrinsic value of HKBN and the tremendous upside of "CMHK + HKBN" synergies.

I do not accept the current Offer Price as being fair and reasonable.

I will continue to hold my Shares IF dividend policy remains unchanged.

My assessment is based on a combination of my three decades of operational experience in the telecom industry and current macroeconomic trends. To sum up:

1. Offer Price does not capture HKBN's sustainable growth driven by our unique culture and competitive advantages.

2. Offer Price does not include a premium for HKBN's value, compared to CMHK's attempts to build its own network.

3. Offer Price does not reflect the tremendous upside from synergies from an integration with CMHK.

4. Offer Price does not reflect the latest market conditions, including the more favourable interest rate environment. EV/EBITDA of HKBN is well below that of peers.

1. OFFER PRICE DOES NOT REFLECT HKBN'S SUSTAINABLE GROWTH, POWERED BY OUR UNIQUE CULTURE AND COMPETITIVE EDGES.

- Since HKBN's initial public offering in 2015, our unique skin-in-the-game culture (invest our own money to tie with key performance indicators) has led HKBN to grow rapidly to number 2 in the fixed telecom industry in Hong Kong, through organic growth in the residential market and through merger and acquisitions in the enterprise market.

  o Our revenue grew from over HKD2 billion residential focused in 2015, to nearly HKD11 billion powerhouse today.

  o HKBN delivered HKD2,290 million EBITDA in FY23, HKD2,365 million EBITDA in FY24, and HKD1,206 million in the first half of FY25, outperforming its peers in recent financial results, with FY24 and FY25 interim EBITDA growth of approximately 3.3% and 4.8% year-on-year, respectively (vs. Hong Kong Telecommunications (HKT) Limited's ("**HKT's**") approximately 2.6% EBITDA growth rate in FY24 and approximately 3.5% EBITDA growth rate in the first half of FY25).

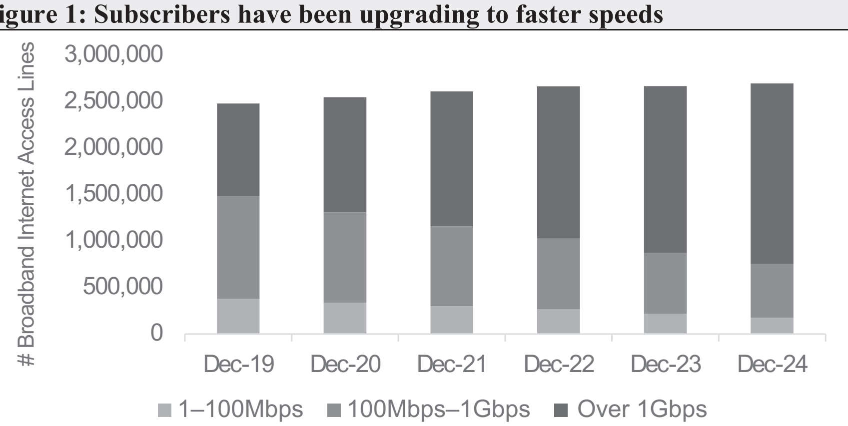
- Our GROWTH is substantiated by our competitive edges of 3Rs:

  (1) Recession Resilient, (2) Recurring Revenue, and (3) Robust Number 2.

  (1) **Recession Resilient:** Fixed broadband service is a utility-like basic essential need of each home and enterprise. In times of economic uncertainty, or trade/tariff tensions, there is no adverse impact on this domestic and local need.

  In fact, the current trend is increasing demand for higher speeds and bandwidth (see Figure 1). We pioneered the commercial launch of 25gbps in 2024, to offer customers higher speeds at a higher monthly fee.

Figure 1: Subscribers have been upgrading to faster speeds



Source: Office of the Communications Authority (June 19, 2025 Report)

(2) **Recurring Revenue:** Our core Fixed Telecom Network Services ("**FTNS**") service revenue has over 70% profit margin consistently over the past 5 years and is underpinned by 2 to 4-year contracts in the residential market and 2 to 10-year contracts in the enterprise market.

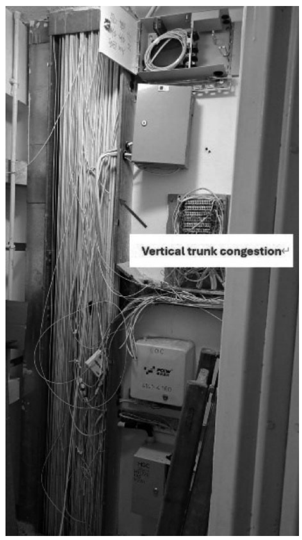
(3) **Robust Number 2, with no new entrant:** Our extensive fiber coverage and large customer base in both enterprise and residential markets give us the competitive advantage of SCALE in beating the smaller players (HGC Global Communications Limited ("**HGC**"), iCable Communications Limited ("**iCable**") and CMHK's fixed broadband sales) and being offensive towards HKT, who has the concern of cannibalization as they have the highest market share and average revenue per user. FTNS is a business requiring many years of negative cash flow because the network buildout needs huge capex investment and decades of time. We have not seen new entrants in the last 2 decades, and do not expect another new winner like HKBN in the near future.

2. OFFER PRICE DOES NOT INCLUDE THE PREMIUM OVER CHINA MOBILE'S SELF-BUILD ATTEMPT.

1. CMHK is not able to create the comparable value of HKBN on their self-build attempt. HKBN has invested over HKD11billion in capex and 25 years of time to build a fully-fiber network in Hong Kong, owning over 900,000 loyal residential subscribers and 98,000 loyal enterprise customers who have an average tenure of 8 years, contributing about HKD11 billion annual revenue and about HKD2.4 billion EBITDA for FY2024 and stable cash flow for growth, dividend and interest payment.

2. It has been demonstrated that CMHK was unable to build a comparable network since they got access to iCable's infrastructure many years ago. The main reason is that the trunks inside most of the buildings in HKBN's existing 2.6 million homes' coverage are jam-packed, without space for any new entrants' vertical-wiring installations (see Figure 2).

Figure 2: Hong Kong buildings have congested trunks which prevent new entrants



Source: HKBN

3. This offer price should take into consideration the cost, time and effort required for establishing a 3-in-1 fixed telecom network (HKBN + former WTT HK Limited + former New World Telecommunications Limited), relationship-building with HKBN's existing customers and its brand appeal.

3. OFFER PRICE DOES NOT REFLECT THE TREMENDOUS UPSIDE FROM SYNERGIES FROM AN INTEGRATION WITH CMHK.

For CMHK, it's like "get HKBN, get the world".

Once CMHK takes control of HKBN, the Hong Kong telecom market will only have two BIG fixed + mobile integrated telecom service providers, i.e. HKT and "CMHK + HKBN". These two own over 80% market share in both mobile and fixed telecom services, leaving mobile-only players and fixed-only players in a non-competitive position.

(i) **Huge Synergies from the merger:**

- ***Revenue & Market Share:***

  Fixed + Mobile Bundle

  Fixed broadband and mobile broadband bundling will increase the revenue and market share of both CMHK and HKBN at the expense of the mobile-only or fixed-only players who do not have the same to compete.

  Default ICT Service Provider for Public Sector and Mainland-based Companies

  As a state-owned enterprise, CMHK+HKBN is positioned as the preferred ICT service provider for the Hong Kong government and Mainland-based companies coming to Hong Kong. Hong Kong government ICT spending is projected to increase by 22% in 2024–2025 compared to the previous year (Table 1), while 2024 has seen 20% year-on-year increase in the number of Mainland companies setting up their regional headquarters, offices or branches in Hong Kong (Table 2). This trend underscores CMHK+HKBN's strategic role amid growing digital transformation initiatives and expanding cross-border business activities.

Table 1: Increment in Hong Kong Government ICT Spendings

Hong Kong Government ICT Spendings	*HK$'M*	**Year-on-year Increment**
2017–18	8,565	
2018–19	9,660	13%
2019–20	10,721	11%
2020–21	12,448	16%
2021–22	13,241	6%
2022–23	14,162	7%
2023–24	15,821	12%
2024–25 (estimated)	**19,352**	**22%**

** Source: DigitalPolicy.gov.hk*

Table 2: Total number of regional headquarters/regional offices/local offices by elected country/territory where the parent company was located

Year	Companies with Parent Sites Outside HK	Mainland based	Companies with Parent Sites Outside HK y-o-y	Mainland based y-o-y
2020	9,025	1,986		
2021	9,049	2,080	0.3%	4.7%
2022	8,978	2,114	-0.8%	1.6%
2023	9,039	2,177	0.7%	3.0%
2024	**9,960**	**2,620**	**10.2%**	**20.3%**

** Source: Report on Annual Survey of Companies in Hong Kong with Parent Companies Located outside Hong Kong*

- ***CMHK's financial support to HKBN:***

  (1) Growth capex — HKBN can further expand its fiber network to areas with only HKT's coverage, and invest in international connectivity as well as our technology and digital capabilities to better service our customers across the Greater Bay Area and beyond.

  (2) Pay down debts — alleviate the annual interest payment of up to HKD600 million to 700 million.

- ***Cost synergies***

  There are clear opportunities for cost synergies on capital expenditure and operating expenditure.

  Key areas for potential savings include:

  o International Bandwidth Procurement — particularly between Hong Kong and Mainland China

  o Mobile Backhaul Cost Synergies — CMHK, like all mobile operators in Hong Kong, relies heavily on substantial fiber data lines from fixed-line providers like HKBN to support the backhaul of its mobile base stations

4. OFFER PRICE DOES NOT REFLECT THE LATEST MARKET CONDITIONS.

- **The market (Hang Seng Index) has recovered substantially since the date of the Offer Announcement:**

When the Share Offer was announced in December 2024, the Offer Price was determined under markedly different market conditions, with the market just beginning to recover from a challenging year, reflecting CMHK's view on valuation and merger synergies at that time.

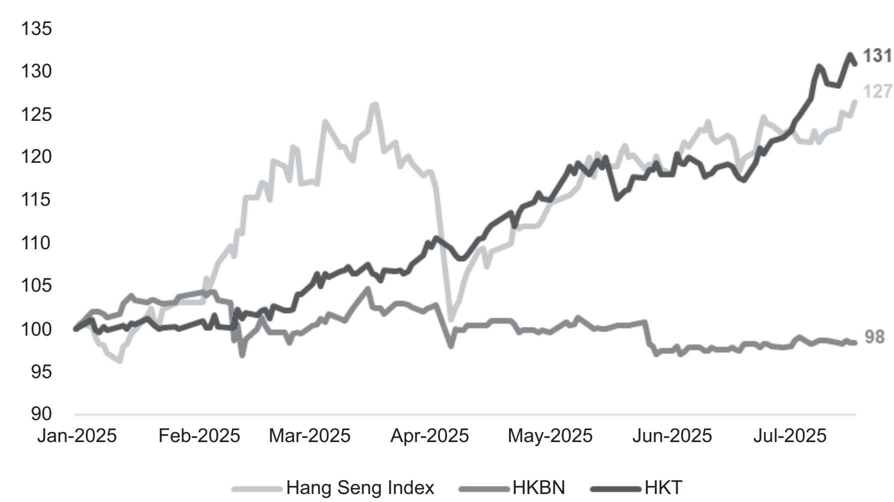
The share price of Hang Seng Index and our peer, HKT, remained stagnant until around February 2025, when their share price increased, in part driven by improved economic environment, including lower Hong Kong Interbank Offered Rate ("**HIBOR**").

These factors would also benefit HKBN, particularly HIBOR, given its impact on HKBN's cash flow and dividends.

However, HKBN's share price has stagnated at a ceiling price of HKD4.93–5.32/share post February 2025 due to the Share Offer and was not able to price in this improved operating environment.

If HKBN's share price were to achieve a growth rate aligned with the Hang Seng Index (which is up by approximately 27% year-to-date, as of July 18, 2025), the share price could potentially be above HKD6/share and be in line with HKT's share price movement.

Figure 3: Share Price Comparison — HKBN, HKT, Hang Seng Index (Rebased to 100 on Jan 2, 2025)

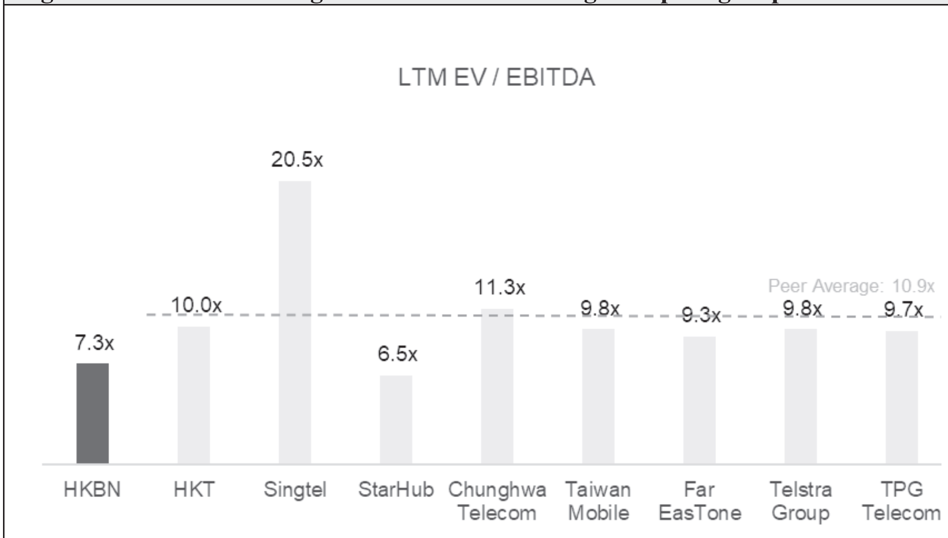


Source: Capital IQ (as of July 18, 2025)

- **Peer (HKT) comparison:** HKT's share price reached a three-year high this year, and has risen approximately 33% year-to-date (as of August 6, 2025), in line with the Hang Seng Index. Based on last twelve months ("**LTM**") EBITDA, HKT's EV/EBITDA trading multiple is currently at 10.4x (as of August 6, 2025), compared to HKBN EV/EBITDA multiple of 7.3x (as of August 6, 2025). HKBN has reported stronger EBITDA growth than HKT during this period. If HKBN also adopts a 10.4x multiple, the share price could potentially be at approximately HKD10.06/share. Even at 8.0x, our share price would be at approximately HKD6.13/share.

- **Regional comparison:** HKBN is also trading at a valuation below its regional peer average. If we compare HKBN's LTM EV/EBITDA of 7.3x, this is below peer average of 10.9x, in a peer group that includes leading telecom companies from Singapore, Taiwan and Australia.

Figure 4: HKBN is trading at the low end of its regional peer group



Source: Company Disclosures, Market Data as of July 18, 2025

- **More favorable interest rate environment:** The increase in HIBOR since 2022 adversely impacted our cash flows, but in the last few months, rate has been coming down. In May 2025, website AASTOCKS.com quoted Morgan Stanley research, noting that the improving rates environment can significantly benefit higher-levered companies, using HKT, PCCW Limited and SUNeVision Holdings Limited as examples, estimating that they can significantly grow cash flows and profits from interest savings if HIBOR remained below 3%. Since then, HIBOR has declined further to approximately 1%. HKBN directly benefits from lower rates in terms of cash flow and dividends. Going forward, we estimate that a 1% decline in HIBOR boosts HKBN's cash flow by about approximately HKD100 million (as a comparison, HKBN's FY24 adjusted free cash flow was HKD620 million).

  In the case of an integration with China Mobile, HKBN is likely to command more favorable financing terms to boost HKBN's robust cash flow generation.

- **Analyst's Report:** UBS research set a target price for HKBN at HKD4.2 in November 2024. HKBN's share price was HKD3.4 on October 31, 2024 (FY24 earnings release date). This indicates a positive outlook on HKBN, driven by the strong performance, with a target price approximately 24% higher than HKBN's share price at that time. Since then, HKBN's performance has been robust, with first half FY25 EBITDA growth of 4.8% year-on-year.

In my view, HKBN standalone is at grade B.

HKBN will be at grade A with CMHK's support and synergies.

HKD5.075 is a grade C offer price.

I feel obliged to share my thoughts and actions with our Shareholders.

I do not accept this Offer Price as being fair and reasonable.

I will hold my Shares **IF** the dividend policy remains unchanged.

I accept full responsibility for the accuracy of the information contained in this letter and confirm that this letter represents my own personal views, opinions and information which, having made all reasonable enquiries and to the best of my knowledge, have been arrived at after due and careful consideration.

Yours faithfully,
CHU KWONG YEUNG
Executive Director

HKBN Ltd.
香港寬頻有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1310)

9 August 2025

To the Disinterested Shareholders

Dear Sir or Madam,

RESPONSE DOCUMENT IN RELATION TO VOLUNTARY CONDITIONAL GENERAL CASH OFFER BY CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED ON BEHALF OF CHINA MOBILE HONG KONG COMPANY LIMITED TO ACQUIRE ALL OF THE ISSUED SHARES IN HKBN LTD. (OTHER THAN THOSE ALREADY OWNED BY CHINA MOBILE HONG KONG COMPANY LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

We refer to the Response Document dated 9 August 2025 issued by the Company in response to the Offer Document, in which this letter forms a part. Unless the context otherwise requires, terms defined in the Response Document shall have the same meanings as in this letter.

We have been appointed to form the Independent Board Committee to consider the terms of the Share Offer and to advise the Disinterested Shareholders as to whether or not the Share Offer is fair and reasonable and to make a recommendation as to acceptance of the Share Offer.

Somerley has been appointed, with our approval, as the Independent Financial Adviser to advise us in respect of the above. Details of its advice and the principal factors and reasons which it has considered before arriving at its advice and recommendation are set out in the letter from the Independent Financial Adviser on pages 30 to 69 of the Response Document.

We also wish to draw your attention to the letter from the Board, the letter from the Executive Director and the additional information set out in the appendices to the Response Document.

Having considered the terms of the Share Offer and the advice from the Independent Financial Adviser, we concur with Somerley's advice and consider that the Share Offer is fair and reasonable so far as the Disinterested Shareholders are concerned and recommend the Disinterested Shareholders to accept the Share Offer.

Disinterested Shareholders should consider carefully the terms of the Share Offer and are recommended to read the full text of the letter from the Independent Financial Adviser set out in the Response Document before making a decision to accept or not to accept the Share Offer. If in any doubt, the Disinterested Shareholders should consult their own professional advisers for professional advice.

Yours faithfully,
For and on behalf of the Independent Board Committee
Ms. Ming Ming Anna CHEUNG **Ms. Kit Yi Kitty CHUNG**
Independent non-executive Directors

The following is the full text of a letter of advice from Somerley prepared for the purpose of inclusion in this Response Document, setting out its advice to the Independent Board Committee in connection with the Share Offer.

SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

9 August 2025

To: the Independent Board Committee

Dear Sirs,

VOLUNTARY CONDITIONAL GENERAL CASH OFFER BY CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED ON BEHALF OF CHINA MOBILE HONG KONG COMPANY LIMITED TO ACQUIRE ALL OF THE ISSUED SHARES IN HKBN LTD. (OTHER THAN THOSE ALREADY OWNED BY CHINA MOBILE HONG KONG COMPANY LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in connection with the Share Offer, details of which are set out in the letter from the Board contained in the Response Document to the Shareholders dated 9 August 2025, of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Response Document.

On 2 December 2024, the Offeror issued the Offer Announcement announcing that, subject to the satisfaction, or, if capable of being waived, waiver of the Pre-Conditions, CICC would, on behalf of the Offeror, make a voluntary conditional general cash offer to acquire all of the issued Shares (other than those already owned by the Offeror and parties acting in concert with it). The Offeror disclosed that it had received Irrevocable Undertakings in respect of approximately 411 million Shares (representing 27.79% of the issued share capital of the Company as at the Latest Practicable Date).

On 2 December 2024, the Company announced that it had received a non-binding indication of interest from I Squared Asia Advisors Pte. Limited ("**I Squared**") to acquire 100% interest in the Company (the "**I Squared Offer**"). On 30 June 2025, the Company announced the I Squared Offer was terminated.

On 14 March 2025, following receipt of a notice of conversion of Vendor Loan Notes (the "**VLNs**") from Twin Holding Ltd., all of the VLNs held by it with a total principal amount of HK$970,468,828 have been converted into 83,661,106 Shares (based on the conversion price of HK$11.60 per Share) and the issuance and allotment of the new Shares by the Company to Twin Holding Ltd. have been completed.

On 9 April 2025, the Offeror and TPG Wireman, L.P. ("**TPG**", one of the Undertaking Shareholders) entered into the share purchase agreement (the "**Share Acquisition**") pursuant to which TPG agreed to sell, and the Offeror agreed to purchase (i) 144,966,345 Shares; and (ii) 83,661,106 new Shares upon conversion of the VLNs in full into Shares at the original offer price of HK$5.23 (the "**Original Offer Price**"). On 22 April 2025, the VLNs held by TPG were converted into 83,661,106 new Shares. Completion took place on 7 May 2025. As at the Latest Practicable Date, there is no outstanding VLNs. The Board had, on 4 August 2025, resolved to terminate the Amended and Restated Co-Ownership Plan IV subject to the making of the Share Offer by the Offeror. Upon the issuance of the Offer Document by the Offeror on 6 August 2025, the Amended and Restated Co-Ownership Plan IV has been terminated and all Unvested RSUs have lapsed immediately. As at the Latest Practicable Date, there are no outstanding RSUs.

On 25 April 2025, the Company declared 2025 Interim Dividend of HK$0.155 per Share. Pursuant to the Offer Announcement and the Price Adjustment Announcement issued by the Offeror on 28 May 2025, the 2025 Interim Dividend shall be deducted from the Original Offer Price so that the Offer Price is now HK$5.075 per Share.

On 1 August 2025, the Offeror announced that all the Pre-Conditions had been satisfied. On 4 August 2025, the Offeror and Twin Holding Ltd entered into the share purchase agreement, pursuant to which Twin Holding Ltd agreed to sell, and the Offeror agreed to purchase, 213,570,097 Shares, representing 14.44% of the total issued Shares, at HK$5.075 per Share (the "**Further Share Acquisition**"). The Offeror posted its formal Offer Document on 6 August 2025 and the first closing date of the Share Offer is 3 September 2025.

As at the Latest Practicable Date, the number of issued Shares was 1,478,921,568. On that date, the Offeror held 442,197,548 Shares, representing 29.90% of the total number of Shares in issue, which having aggregated with the remaining Irrevocable Undertaking in respect of 182,405,000 Shares, amounts to 42.23% of the issued Shares.

The Independent Board Committee, comprising all the non-executive Directors who have no direct or indirect interest in the Share Offer, namely Ms. Ming Ming Anna Cheung and Ms. Kit Yi Kitty Chung, has been established by the Board to make recommendations to the Disinterested Shareholders as to whether the Share Offer is, or is not, fair and reasonable and as to acceptance. As Ms. Cordelia Chung (an independent non-executive Director), in her capacity as the Chairman of the Board and representing the Company, was involved in certain discussions with the Offeror in respect of the Share Offer either prior to or after the publication of the Offer Announcement, she is regarded as having a direct or indirect interest in the Share Offer for the purpose of Rule 2.8 of the Takeovers Code. Accordingly, Ms. Cordelia Chung is not a member of the Independent Board Committee. For completeness, at the time of formation of the Independent Board Committee on 15 June 2025, Ms. Shengping

YU (who was a non-executive Director at that time) was also regarded as having a direct or indirect interest in the Share Offer for the purposes of Rule 2.8 of the Takeovers Code in light of the fact that Ms. Yu, as a representative of Twin Holding Ltd (who was a substantial Shareholder at that time), was involved in certain discussions with the Offeror in relation to the Share Offer either prior to or after the publication of the Offer Announcement. Accordingly, Ms. Yu was not a member of the Independent Board Committee. As disclosed in the announcement dated 8 August 2025 issued by the Company, Ms. Shengping YU has resigned as a non-executive Director with effect from 8 August 2025 with the consent of the SFC Executive pursuant to Rule 7 of the Takeovers Code.

We, Somerley, have been approved by the Independent Board Committee and appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee in the same regard.

We are not in the same group as the financial or other professional advisers (including a stockbroker) to the Offeror or the Company. Apart from the existing engagement in connection with the Share Offer, we confirm that we did not have any significant connection, business, financial or otherwise, with the Company and/or Offeror or the controlling shareholders of either of them within two years prior to the commencement of the Offer Period up to the Latest Practicable Date, of a kind reasonably likely to create, or create the perception of, a conflict of interest or reasonably likely to affect the objectivity of our advice. Save for normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Offeror or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them. We consider ourselves independent in forming our opinion in respect of the Share Offer.

In formulating our opinion and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group (collectively, "**Management**"), which we have assumed are true, accurate and complete in all material aspects as at the Latest Practicable Date. Should there be any material changes to our opinion after the Latest Practicable Date, Shareholders will be notified as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have reviewed, inter alia, the interim report for the six months ended 28 February 2025 of the Company (the "**FY2025 Interim Report**"), the annual reports of the Company for the years ended 31 August 2020, 2021, 2022, 2023 and 2024 (the "**FY2020 Annual Report**", "**FY2021 Annual Report**", "**FY2022 Annual Report**", "**FY2023 Annual Report**" and "**FY2024 Annual Report**", respectively), the Offer Document and the information contained in the Response Document including the statement of material change set out in appendix I of the Response Document. We have sought and received confirmation from the Directors that all material relevant information has been supplied to us and that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to doubt the truth, accuracy or completeness of the information provided to us, or to believe that any material information has been omitted or withheld. We have relied on such information and consider that the information which we have received is sufficient for us to reach an informed view. We have, however, not conducted any independent investigation into the business and affairs of the Group, the Offeror and their respective subsidiaries or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied.

We have not considered the taxation implications or regulatory implications on the Disinterested Shareholders of acceptance of the Share Offer since these are particular to their individual circumstances. In particular, the Disinterested Shareholders who are overseas Shareholders or subject to overseas taxation or regulatory requirements on securities dealings should consider their own tax position and observe applicable legal or regulatory requirements and, if in any doubt, should consult their own professional advisers.

PRINCIPAL TERMS OF THE SHARE OFFER

The Share Offer

The Share Offer is now being made on the basis of the Offer Price and is:

For each Share .... **HK$5.075 in cash**

The original Offer Price announced on 2 December 2024 was HK$5.23 per Share. On 25 April 2025, the Company declared the 2025 Interim Dividend. Based on the Price Adjustment Announcement, after having deducted the 2025 Interim Dividend from the original Offer Price of HK$5.23 per Share, the resulting Offer Price is HK$5.075 per Share.

As disclosed in the Offer Document, save for the 2024 Final Dividend (which is specifically carved out) and the 2025 Interim Dividend, if, after the date of the Offer Document, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the Shares, the Offeror shall reduce the Offer Price by the amount or value of such dividend, distribution and/or, as the case may be, return of capital after consultation with the SFC Executive, in which case any reference in the Offer Document or any other announcement or document to the Offer Price will be deemed to be a reference to the Offer Price as so reduced. Any such reduction will apply to those Shares in respect of which the Offeror will not be entitled to the relevant dividend, distribution and/or return of capital.

Save for the 2024 Final Dividend and the 2025 Interim Dividend, there has not been any other dividend or distribution announced, declared or paid by the Company after the date of the Offer Announcement and up to the Latest Practicable Date. As at Latest Practicable Date, save for the final dividend for the year ending 31 August 2025, the Company has no intention to make, declare or pay any future dividend or distribution prior to the close or lapse of the Share Offer.

The Offeror will not increase the Offer Price (except in wholly exceptional circumstance as may be permitted by the SFC Executive or in such circumstances as described further in the section headed "Irrevocable Undertakings" in the letter from the Board). Shareholders and potential investors should be aware that, following the making of this statement, the Offeror is not allowed to increase the Offer Price except in the abovementioned circumstances. These relate principally to the I Squared Offer which has been terminated. Therefore, we do not expect any change to the Offer Price of HK$5.075 per Share.

Conditions of the Share Offer

As explained above, as at the Latest Practicable Date, the Offeror held 442,197,548 Shares, representing 29.90% of the total number of Shares in issue. In addition, the Offeror has received an Irrevocable Undertaking in respect of 182,405,000 Shares, which having aggregated with the foregoing, amounts to 42.23% of the issued Shares. The Share Offer is subject to the satisfaction or, if capable of being waived, waiver of the following Conditions on or prior to the Conditions Long Stop Date:

(a) valid acceptances of the Share Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on or prior to the Closing Date (or such later time or date as the Offeror may, subject to the rules of the Takeovers Code, decide) in respect of such number of Shares which, together with any Shares acquired or agreed to be acquired prior to or during the offer period for the Share Offer (whether pursuant to the Share Offer or otherwise), will result in the Offeror and persons acting in concert with it holding more than 50% of the voting rights in the Company;

(b) the Shares remaining listed and traded on the Stock Exchange up to the Closing Date save for any temporary suspension(s) of trading of the Shares and no indication being received on or before the Closing Date from the SFC and/or the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange is or is likely to be withdrawn;

(c) no event having occurred which would make the Share Offer and/or (if the Offeror were to exercise any Compulsory Acquisition Right) the withdrawal of listing of the Shares void, unenforceable, illegal or impracticable or would prohibit implementation of the Share Offer or would impose any additional material conditions or obligations with respect to the Share Offer or any part thereof;

(d) up to and including the time when the Condition set out in (a) above is satisfied, (i) no Authorities in any jurisdiction having taken or instituted any action, proceeding, suit, investigation, or enquiry, or enacted or made or publicly proposed any of the foregoing, and (ii) there having been no outstanding statute, regulation, demand or order, in each case which would make the Share Offer and/or (if the Offeror were to exercise any Compulsory Acquisition Right) the withdrawal of listing of the Shares void, unenforceable or illegal or prohibit implementation of the Share Offer or which would impose any material conditions, limitations or obligations with respect to the Share Offer; and

(e) from 31 August 2024 up to and including the time when the Condition set out in (a) above is satisfied, there having been no material adverse change in the business, assets, financial or trading positions or prospects or conditions (whether operational, legal or otherwise) of the Group to an extent which is material in the context of the Group taken as a whole.

We regard Condition (a) above, which requires in effect the Offeror's holding to exceed 50% and is the only Condition which cannot be waived, as the most important Condition. As set out above, the Offeror owns or has Irrevocable Undertaking in respect of 42.23% of the issued share capital of the Company.

The Offeror reserves the right to waive, in whole or in part, the Conditions (b) to (e) and, to the extent it would not make the Share Offer and/or (if the Offeror were to exercise any Compulsory Acquisition Right) the withdrawal of the listing of the Shares illegal, the Conditions (c) to (d) above.

If any of the Conditions is not satisfied or, if capable of being waived, waived on or before the Conditions Long Stop Date of 3 February 2026, the Share Offer will lapse. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Share Offer if the circumstances which give rise to the right to invoke any such Condition(s) are of material significance to the Offeror in the context of the Share Offer.

As at the Offer Document LPD, none of the Conditions have been satisfied or if capable of being waived, waived, and as at the date of the Offer Document, the Offeror is not aware of any circumstances which may result in any of the Conditions (b), (c), (d) or (e) above not being satisfied.

Right of compulsory acquisition

In the Offer Document, the Offeror has stated that, whilst the Offeror's objective in making the Share Offer is not to privatise the Company, the Offeror intends to avail itself of the right under section 88 of the Companies Act to compulsorily acquire those Shares not acquired by the Offeror under the Share Offer if, within four months after the date of the Offer Document, it has received valid acceptances in respect of not less than 90% of the Shares not already held by the Offeror and/or parties acting in concert with it. On completion of any such compulsory acquisition (if applicable), the Company would become a direct wholly-owned subsidiary of the Offeror and in this regard, an application would be made for the withdrawal of listing of the Shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules.

If the level of acceptances of the Share Offer reaches the prescribed level under the Companies Act required for compulsory acquisition and if the requirements of Rule 2.11 of the Takeovers Code are satisfied, an application will be made to the Stock Exchange to suspend dealings in the Shares until the withdrawal of listing of the Shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules.

Listing status of the Company

As disclosed in the Offer Document, the Stock Exchange has stated that if, at the close of the Share Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares (excluding treasury shares), are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there is insufficient Shares in public hands to maintain an orderly market, the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

As noted above, the Offeror's ability to exercise the Compulsory Acquisition Right in respect of the Offer Shares is dependent on the level of acceptances of the Share Offer reaching the prescribed levels under the Companies Act and the requirements of Rule 2.11 of the Takeovers Code being satisfied. Upon the closing of the Share Offer, in the event that the Offeror is not able to effect the compulsory acquisition of the remaining Offer Shares, the Shares will remain listed on the Stock Exchange. The directors of the Offeror have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Company's Shares, where the Offeror is unable to exercise the Compulsory Acquisition Right under section 88 of the Companies Act.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation on the Share Offer, we have taken into account the following principal factors and reasons:

1. Information on the Group

The Company is a company incorporated in the Cayman Islands with limited liability and its principal business activity is the provision of residential and enterprise fibre broadband services and residential and enterprise broadband internet services in Hong Kong. The Company went public in 2015 as a residential centric fibre broadband service provider. Through a series of mergers and acquisitions, especially the merger with WTT Holding Corp ("**WTT**") in 2019 (the "**WTT Merger**"), the Group has transformed itself into an enterprise centric integrated ICT service provider (the "**Transformation**").

Effective 28 February 2024, Mr. Yeung Chu Kwong ("**Mr. Yeung**") returned to the role of the Chief Executive Officer of the Company. Mr. Yeung joined the Group in 2005 as the Chief Operating Officer and was appointed as the Chief Executive Officer in November 2008 – August 2018. He has more than 30 years' experience in the telecommunications industry.

1.1. Financial performance

In order to show the impact of the Transformation on the Group's results, we set out below the summarised consolidated income statements of the Group for the six years ended 31 August 2019, 2020, 2021, 2022, 2023 and 2024 ("**FY2019**", "**FY2020**", "**FY2021**", "**FY2022**", "**FY2023**" and "**FY2024**", respectively) and six months ended 28/29 February 2025 and 2024 ("**1H2025**" and "**1H2024**", respectively) since the Transformation, as extracted from the FY2020 Annual Report, FY2021 Annual Report, FY2022 Annual Report, FY2023 Annual Report, FY2024 Annual Report and FY2025 Interim Report:

TABLE 1: SUMMARISED CONSOLIDATED INCOME STATEMENTS OF THE GROUP

(HK$'000)	**1H2025** *(Unaudited)*	**1H2024** *(Unaudited)*	**FY2024** *(Audited)*	**FY2023** *(Audited)*	**FY2022** *(Audited)*	**FY2021** *(Audited)*	**FY2020** *(Audited)*	**FY2019** *(Audited)*
Revenue	**5,734,269**	**5,809,091**	**10,650,922**	**11,692,176**	**11,626,164**	**11,463,745**	**9,452,957**	**5,107,637**
— Enterprise solutions	2,549,534	2,310,418	4,828,376	4,825,008	4,427,441	4,965,553	4,708,063	2,324,329
— Enterprise solutions related product	892,191	951,692	1,846,125	1,934,378	2,351,289	2,310,286	1,806,409	—
— Residential solutions	1,165,568	1,181,509	2,344,060	2,392,820	2,433,159	2,465,294	2,447,072	2,472,707
— Handsets and other product	1,126,976	1,365,472	1,632,361	2,539,970	2,414,275	1,722,612	491,413	310,601
Network costs and costs of sales	(3,719,688)	(3,794,321)	(6,661,678)	(7,525,019)	(7,155,803)	(6,950,885)	(4,926,272)	(1,834,054)
EBITDA [(1)]	1,206,122	1,151,172	2,364,759	2,289,914	2,609,750	2,568,507	2,505,443	1,709,348
Finance costs	(366,024)	(400,712)	(860,236)	(702,303)	(239,204)	(481,029)	(526,961)	(259,271)
Profit/(loss) attributable to Shareholders	**107,560**	**1,534**	**10,277**	**(1,267,408)**	**553,321**	**206,872**	**97,174**	**214,527**
Adjusted free cash flow ("**AFF**") [(2)]	126,186	124,248	620,145	763,249	1,133,253	1,131,543	1,114,144	750,170
AFF per Share [(3)] (HK cents)	**9.62**	**9.47**	**47.3**	**58.2**	**86.4**	**86.3**	**84.9**	**57.2**
Dividend per Share (HK cents)	**15.5**	**15**	**31.5**	**40**	**60**	**76.5**	**75**	**70**

Notes:

(1) EBITDA is profit for the year plus finance costs, income tax expense, depreciation, amortisation of intangible assets (net of direct cost incurred in corresponding period), amortisation of customer acquisition and retention costs, loss/(gain) on disposal of associates/subsidiaries, share of loss of discontinued operation, impairment on goodwill, impairment on interest in a joint venture and less interest income.

(2) AFF is EBITDA less capital expenditure, customer acquisition and retention costs, net interest paid, income tax paid, premium paid on senior notes redemption, lease payments in relation to right-of-use assets, changes in working capital and other non-cash items including amortisation of obligations under granting of rights, change in fair value of contingent consideration, Co-Ownership Plan II related non-cash items and loss on derecognition of contingent consideration.

(3) Calculated based on number of shares in issue as at the respective year end.

(a) Revenue

The Group completed the WTT Merger in April 2019 and acquisition of Jardine OneSolution Holdings (C.I.) Limited, Adura Hong Kong Limited and Adura Cyber Security Services Pte. Ltd. (together, "**JOS**") in December 2019 (the "**JOS Acquisition**"). As a result, the Group's revenue increased by 85% from HK$5.1 billion in FY2019 to HK$9.5 billion in FY2020 and further by 21% to HK$11.5 billion in FY2021. Due to the Transformation, the enterprise business surpassed the residential business since FY2020 to become the largest contributor to the Group's revenue.

The Group's revenue in the period of FY2021 – FY2024 stabilised at around HK$11 billion – HK$12 billion. Both enterprise business and residential business remained resilient amid headwinds including resurgence of COVID-19 pandemic in FY2021 – FY2022, high inflation, uncertain macro-economic conditions in post-pandemic period and fierce market competition. Revenue from handsets and other products declined significantly in FY2023 – FY2024.

Revenue from enterprise solutions saw a 10% growth in 1H2025. Mainly due to weak sales of handsets and other products (1H2025 recorded a 17% decrease in this segment as compared to 1H2024), the Group's overall revenue experienced a modest 1% decrease to HK$5.7 billion in 1H2025 as compared to HK$5.8 billion in 1H2024.

(b) Network costs and costs of sales

The Group's network costs and costs of sales increased by 169% year-on-year to HK$4.9 billion in FY2020 and further increased by 41% year-on-year to HK$7.0 billion in FY2021, mainly due to enlarged business scale after the WTT Merger, the JOS Acquisition and organic business growth during the respective years. The Group's network costs and costs of sales then increased year-on-year by HK$205 million or 3% to HK$7.2 billion in FY2022, mainly due to the increased cost of inventories led by an increase in sales of smartphone products and enterprise solutions related products, which was partially offset by a decrease in costs of wholesale IDD. In FY2023, the Group's network costs and costs of sales increased by HK$369 million or 5% to HK$7.5 billion, mainly due to the increase in the cost of wholesale IDD which was partially offset by the decrease in cost of inventories.

The Group's network costs and cost of sales decreased year-on-year by 11% to HK$6.7 billion in FY2024 mainly due to the decrease in cost of inventories, with a further decrease by 2% to HK$3.7 billion in 1H2025.

The Group's gross margin stabilised at 35% – 38% during FY2021 – 1H2025.

(c) EBITDA

Mainly due to the increase in network costs and costs of sales, the Group's EBITDA decreased by 12% from HK$2.6 billion in FY2022 to HK$2.3 billion in FY2023. It improved by 3% to HK$2.4 billion in FY2024, mainly due to reduced operating expenses from operational improvements. Due to strong operational performance such as 10% revenue growth in system integration business (SI Business) and strategic initiatives targeted at driving growth such as setting up HKBN Inno Tech Ecosystem Alliance in January 2025 to assist mainland Chinese companies in setting up locally and facilitating global firms' access to mainland China markets, the Group's EBITDA increased by 5% to HK$1.2 billion in 1H2025 as compared to 1H2024.

We regard enterprise value/EBITDA ("**EV/EBITDA**") as an important metric in analysing the Company. We calculate the EV by reference to the market value of the Company's Shares plus interest bearing debt less cash. In the case of the Company, the net debt component of EV is considerably higher than the market value of its Shares. Please see Note 3 to the Table 5 below for a more detailed description of EV/EBITDA.

(d) Finance costs

In FY2023 and FY2024, finance costs were on an upward trend, largely attributable to increases in interest and finance charges on bank loans due to HIBOR increase. As a result, the ratio of the finance costs to AFF increased from 21% in FY2022 to 92% in FY2023 and 139% in FY2024.

In 1H2025, due to the decline in HIBOR and HK$2 million increase in fair value gain on interest-rate swaps, the finance costs decreased by 9% to HK$366 million as compared to 1H2024. The Group's substantial and changing finance costs are one of the main reasons why the Group's net profit is more volatile than EBITDA and why in our opinion EBITDA is a more reliable indicator of value than net profit.

According to the release by the Hong Kong Bank of Association of Banks, the one-month HIBOR dropped from 3.98% to 0.57% in May 2025. It saw a gradual rebound to 1.18% in July 2025 and then moved between 0.88% and 1.18% during the one-month period before the Latest Practicable Date (the "**HIBOR Cut**"). Under the Group's hedging strategy, HK$5,250 million of bank borrowings is covered by an interest swap fixing the HIBOR interest rate exposure at 3.95% until 24 November 2025. The Group may well be able to achieve further interest savings in 2H2025.

(e) Profit/(loss) attributable to Shareholders

The Group's profit doubled in FY2021 as (i) the Group's revenue in FY2021 increased by 21% as discussed above; and (ii) other operating expense and finance costs dropped. In FY2022, the network costs and costs of sales increased by 3%, in line with the growth in revenue in the corresponding period. Other operating expenses decreased by 4% mainly attributable to streamlined businesses and halved finance costs mainly caused by the increase in fair value gain on interest-rate swap and decrease in loss on extinguishment of senior notes. As a result, the Group's profit doubled for a second consecutive year in FY2022.

According to the FY2023 Annual Report, faced with high interest rate environment which depressed global macro-IT spending, the Group recognised an impairment on goodwill of HK$1.2 billion in FY2023. Furthermore, the Group's finance costs increased by 194% mainly caused by an increase in interest and finance charge on bank loans due to interest rate hikes. Due to the impairment on goodwill and sharply increasing finance costs coupled with flat revenue, the Group recorded a loss of HK$1.3 billion in FY2023.

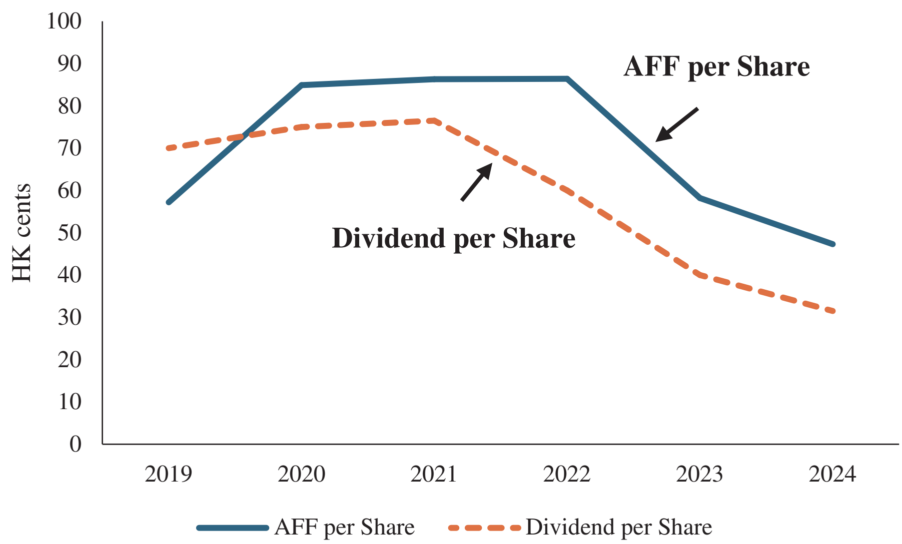
Despite flat revenue in FY2024 and continued high interest rate environment, the Group turned profitable in FY2024 mainly due to the absence of the significant impairment on goodwill and decreased costs.

For 1H2025, profit increased significantly from HK$1.5 million in 1H2024 to HK$108 million in 1H2025, primarily driven by operational efficiencies that reduced operating expenses and lowered finance costs.

(f) AFF and dividend

According to the Company's annual reports, one of the factors the Company takes into account when determining the dividends is AFF, which is based on EBITDA less, inter alia, the cash outflow required to maintain its operation including net interest paid, income tax paid and lease payments. A comparison of AFF per Share and dividend per Share in 2019 – 2024 is illustrated below:

FIGURE 1: AFF PER SHARE COMPARED TO DIVIDEND PER SHARE IN 2019 – 2024



Following increased network costs and costs of sales and increased net interest paid, the Group's AFF dropped to HK$763 million in FY2023. It further decreased to HK$620 million in FY2024 mainly resulting from increased net interest paid and decreased working capital inflow. As a result, AFF per Share was 57.2 cents, 84.9 cents, 86.3 cents, 86.4 cents, 58.2 cents and 47.3 cents in FY2019 – FY2024, respectively. The Group's AFF increased by 2% to HK$126 million in 1H2025 as compared to 1H2024, mainly due to a higher EBITDA, a decrease in net interest paid, a decrease in customer acquisition and retention costs and a decrease in income tax paid, which were partially offset by higher capital expenditure and an increase in working capital outflow.

The dividend per Share was 70 HK cents, 75 HK cents, 76.5 HK cents, 60 HK cents, 40 HK cents and 31.5 HK cents in FY2019 – FY2024 respectively, while AFF per Share was 57.2 HK cents, 84.9 HK cents, 86.3 HK cents, 86.4 HK cents, 58.2 HK cents and 47.3 HK cents in the corresponding financial years respectively. As a result, the ratio of dividend per Share to AFF per Share was maintained at around 90% in FY2019 – FY2021 and around 70% in FY2022 – FY2024. According to the Company's announcement dated 27 October 2022, in light of the changes in the global and local economic and market conditions including market turbulence caused by COVID-19 pandemic, geopolitics and rising interest rate, and operating environment, a revision of the dividend policy was made to give the Group more flexibility and agility to seize more business, investment, growth, and early debt repayment opportunities.

The interim dividend per Share in respect of 1H2025 was 15.5 HK cents, representing a 3.3% increase over 1H2024 of 15 HK cents. The Company has not made a forecast of final dividend for FY2025, which ends on 31 August 2025.

Comments

The WTT Merger and JOS Acquisition in 2019 have not only expanded the Group's business scale and customer base, but also transformed the Group into an enterprise centric integrated ICT service provider with enterprise related segments contributing 60% or above of the Group's revenue since FY2020. The completion of the WTT Merger and JOS Acquisition took place in April 2019 and December 2019, respectively.

After having fully consolidated the results of WTT and JOS, the Group's revenue and EBITDA were relatively stable in FY2021 – FY2024 as compared to the more volatile profit attributable to Shareholders. The Group recognised an impairment of HK$1.2 billion in view of high interest environment and depressed global macro-IT spending in FY2023, part of the reasons for the loss in FY2023.

The Group was able to increase its profit in FY2024 – 1H2025 due to the absence of the significant impairment on goodwill and decreased costs. Mr. Yeung took over the role of Chief Executive Officer in February 2024.

AFF, which is derived from EBITDA less, inter alia, the cash outflow required for operation, is used to determine the dividend payout. The interest rate hike between March 2022 and July 2023 and continued high interest environment caused the Group's AFF per Share to decline by 33% in FY2023 and continued to drop in FY2024, as did the dividend per Share.

In 1H2025, however, mainly benefitting from increased EBITDA and decreased HIBOR, the Group's AFF improved by 2%. Accordingly, the interim dividend was increased by 0.5 cents year-on-year in 1H2025. Further savings in interest charges are likely for the six months ended 31 August 2025 (2H2025).

1.2. Financial position

Set out below are the summarised consolidated statement of financial position of the Group as at 31 August 2019, 2020, 2021, 2022, 2023 and 2024 as extracted from the FY2020 Annual Report, FY2021 Annual Report, FY2022 Annual Report, FY2023 Annual Report and FY2024 Annual Report, and as at 28 February 2025 as extracted from the FY2025 Interim Report:

TABLE 2: SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE GROUP

(HK$'000)	**As at 28 February**	**As at 31 August**					
	2025	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**
	(Unaudited)	*(Audited)*	*(Audited)*	*(Audited)*	*(Audited)*	*(Audited)*	*(Audited)*
Total assets	**17,371,436**	**17,668,832**	**18,147,605**	**20,427,098**	**21,768,433**	**22,124,115**	**20,382,024**
Goodwill	7,816,507	7,816,507	7,816,507	9,016,507	9,016,507	9,016,507	8,788,319
Intangible assets	2,168,717	2,367,621	2,775,801	3,202,607	3,606,163	4,200,644	4,638,643
Cash and cash equivalents	1,077,969	1,217,406	1,016,769	1,129,226	1,421,124	676,457	662,816
Total liabilities	**14,965,350**	**15,114,568**	**15,096,523**	**15,503,015**	**16,230,670**	**15,663,616**	**12,925,463**
Bank and other borrowings	10,943,824	10,977,603	10,956,714	11,210,917	11,312,699	6,329,035	4,454,253
Senior note	—	—	—	—	—	4,101,847	5,169,137
Total equity ("NAV") [(1)]	**2,406,086**	**2,554,264**	**3,051,082**	**4,924,083**	**5,537,763**	**6,460,499**	**7,456,561**
NAV per Share (HK$) [(2)]	**1.63**	**1.73**	**2.06**	**3.33**	**3.74**	**4.37**	**5.04**

Notes:

1. Refers to total equity attributable to equity shareholders of the Company at the relevant time.

2. Calculated based on NAV as at the respective year/period end divided by the sum of (i) the number of Shares in issue and (ii) 167,322,212 new Shares that would be issued upon full conversion of the VLNs as at the respective year/period end.

(a) Total assets

Goodwill, intangible assets and cash and cash equivalents accounted for the largest part of the Group's total assets. Changes in goodwill during the period were mainly caused by the WTT Merger in FY2019 which increased the goodwill by HK$7.0 billion. Impairment resulting from the shortfall in the actual results against forecast in the second half of FY2023 reduced the goodwill by HK$1.2 billion in FY2023 to HK$7.8 billion. The Group's goodwill remains at HK$7.8 billion as at 28 February 2025.

The Group's intangible assets mainly consist of customer relationships of various businesses and brands and trademarks arising from business combinations. The decreases in intangible assets in FY2019 – 1H2025 were mainly caused by amortisations.

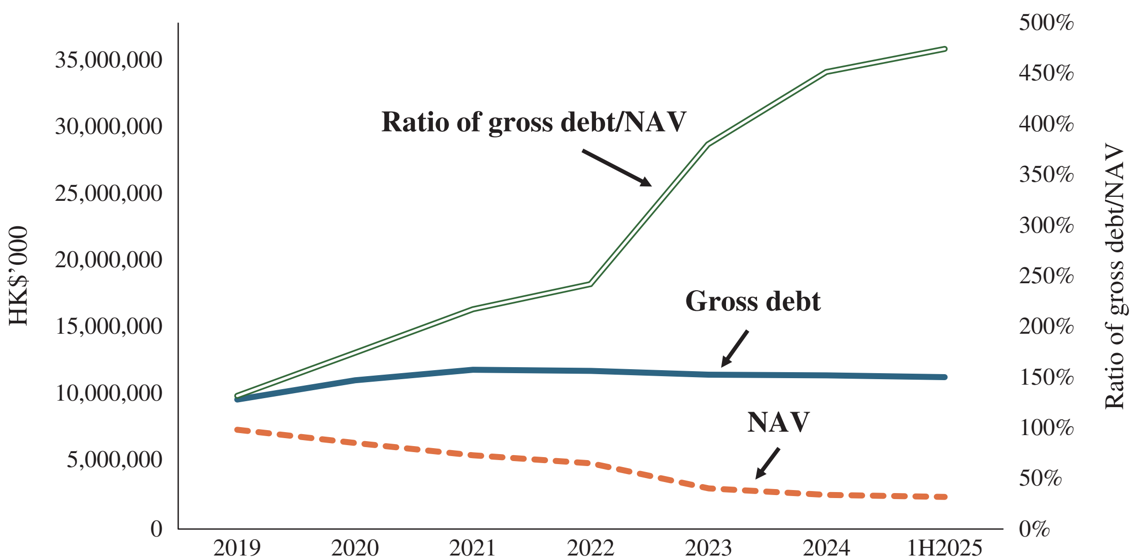
The Group's cash and cash equivalents have been relatively stable since 2021 at around HK$1.1 – 1.4 billion. The Group recorded relatively mild net cash and cash equivalents decrease in FY2023 and increase in FY2024. The Group's cash and cash equivalents decreased by 11% to HK$1.1 billion as at 28 February 2025 as compared to 31 August 2024, mainly due to a majority of income tax being paid in 1H2025.

(b) Total liabilities

The Group's total liabilities increased from HK$12.9 billion in FY2019 to HK$15.7 billion in FY2020, representing a year-on-year increase of 21%. The increase was mainly due to consolidation of JOS's liabilities after the completion of JOS Acquisition in FY2020 and the increase in bank and other borrowings. The increase in bank and other borrowings in FY2020 was due to the early redemption of the senior notes of HK$1.1 billion and payment of the cash consideration of HK$391.5 million for the JOS Acquisition. Bank and other borrowings further increased from HK$6.3 billion in FY2020 to HK$11.3 billion in FY2021 following the redemption of the senior note in full. Thereafter, the Group's total liabilities broadly stabilised at approximately HK$15 billion – HK$16 billion.

The Group's gearing ratio (calculated based on gross debt divided by NAV) has shown on an upward trend, rising from 130% in FY2019 to 474% in 1H2025, mainly due to a declining NAV. The trend of the gross debt, NAV and gearing ratio over the past six and a half year is illustrated below:

FIGURE 2: GROSS DEBT, NAV AND GEARING RATIO IN 2019 – 1H2025



On 18 March 2025, the Group refinanced bank loans with principal amount of HK$5.25 billion due on 24 November 2025 by a term loan facility. On 17 April 2025, the Group drew down an incremental facility in an amount of HK$1.5 billion for the prepayment of bank loans due on 9 April 2026. Such refinanced bank loan is due on 18 March 2030.

The Company has recently been in negotiation with its banks to extend and revise terms of its borrowings. We are informed by the Management that (i) it has made progress in this respect and interest costs may well be lower in FY2025 than the record levels in FY2024; and (ii) the Group's loan facilities contain no covenant relating to the ratio of gross debt to net assets. As advised by the Management, bank borrowings provided to the Group are normally subject to covenants related to net gearing to EBITDA ratio rather than debt to net assets, which improved from 5.1 times as at 31 August 2023 to 4.8 times as at 28 February 2025. To further improve such ratio, the Management will continue to make efforts to improve the Group's EBITDA including some cost control measures such as digitalisation and operational improvements. In addition, according to the Offer Document, the Offeror is currently in discussions with the Company with the aim of helping the Company to secure more optimal financing terms.

Please refer to the indebtedness statement in the Appendix I to the Response Document for the position as at 30 June 2025.

(c) NAV and NAV per Share

The Group's NAV trended downwards in FY2019 – 1H2025, from HK$7.5 billion as at 31 August 2019 to HK$2.4 billion as at 28 February 2025, largely due to the dividend payments to Shareholders and distribution to holders of VLNs exceeding the Group's profit each year/period and HK$1.2 billion impairment made for FY2023.

The NAV as at 28 February 2025 was HK$1.63 per Share.

Comments

Goodwill and intangible assets account for more than half of the Group's total assets. The majority of the goodwill and intangible assets are related to the Group's enterprise business, the major contributor to the Group's revenue. To redeem the senior notes so as to reduce the high interest expenses, the Group increased bank and other borrowings in FY2021 and they have remained around HK$11 billion since then.

1.3. Industry overview

The Group is mainly engaged in provision of telecommunication services to residential and enterprises customers in Hong Kong. For FY2024, Hong Kong market contributed HK$9.6 billion income, representing 90% of the Group's total revenue.

Hong Kong has advanced telecommunication infrastructure. In the IMD World Digital Competitiveness Ranking 2024 published by the IMD World Competitiveness Centre (one of the most renowned institutions globally for competitiveness evaluation), Hong Kong ranked third in Asia and seventh in the World in terms of digital competitiveness. Benefiting from the advanced telecommunication infrastructure, according to the Office of Communication Authority of Hong Kong (OFCA), Hong Kong has one of the world's highest penetration rates for fixed broadband services and mobile services. As at December 2024, 96.8% of the households in Hong Kong are using fixed broadband service. The number of mobile service subscriptions was 28 million in December 2024, remaining one of the highest penetration rates in the world at 359.6%.

On the other hand, these statistics also indicate that Hong Kong telecommunication market is highly saturated, as evidenced by the year-on-year changes ("**YoY Changes**") in the number of lines (exchange lines and non-exchange lines) for wireline services, registered broadband internet access lines and public mobile subscriptions in the past ten years, which have been set out as follows:

Year	**Wireline services (exchange lines and non-exchange lines)**	**Registered broadband internet access lines**	**Public mobile subscriptions**
2024	-5%	1%	14%
2023	-5%	0%	9%
2022	-4%	2%	-10%
2021	-3%	2%	7%
2020	-3%	3%	-3%
2019	-1%	3%	11%
2018	-1%	2%	14%
2017	-1%	1%	10%
2016	0%	12%	3%
2015	-3%	3%	-3%

Source: The website of OFCA.

In 2015 – 2023, the number of lines for wireline services and registered broadband internet access lines exhibited negative or stagnant growth. The YoY Changes of public mobile subscriptions, in contrast, demonstrated volatility. This volatility, based on our analysis on the breakdown of the public mobile subscriptions, may be due to the shift from 3G to 4G and 5G resulting from the wireless technology advances as evidenced by (i) rapidly decreasing 3G subscriptions, (ii) a surge in 4G subscriptions in 2015 – 2021 and (iii) a mild decrease in 4G subscriptions and a skyrocketing growth in 5G subscriptions after 5G rolled out in Hong Kong since 2022. The rollout of the real-name registration programme in September 2021, which requires users to complete the registration for their SIM cards with the service providers from March 2022 onwards, might have also impacted mobile subscriptions during the time.

All sectors of Hong Kong's telecommunications market have been liberalised with no foreign ownership restrictions. As at December 2024, according to OCFA, there were 29 licensees authorised to provide local fixed carrier services, 188 licensees authorised to provide external fixed communication services and 337 licensees authorised to provide internet services. To retain or increase the market share, according to major players' annual reports, cut-throat price wars were commonly seen before 2018 at the cost of eroded profit margins. In 2018 – 2022, it is reported that price wars eased and Hong Kong telecommunication operators turned to focus on improving service quality and devising innovative plans to better serve customers' needs. Some major players including HKT, SmartTone and the Group increased prices of some of their broadband plans and mobile data plans since 2018. However, with the arrival of 5G era in 2022, it is reported that the price war reignited among Hong Kong telecom carriers with an aim to gain a head start in boosting 5G user base.

Comments

In view of the highly saturated and fiercely competitive Hong Kong telecommunication market coupled with global market turbulence, Hong Kong telecommunication operators are under pressure to deliver sustainable business growth at acceptable profit margins. In 2025, as stated in the Group's FY2025 interim results announcement, the operating environment is remaining challenging. The Group will continue prioritizing operational efficiency to yield measureable gains and strengthen cost structure and enhance its ability to adjust to market shifts.

2. Offeror's intention with regard to the Group and reasons for and benefits of the Share Offer

Upon completion of the Share Offer, if successful, the Company will become an indirect subsidiary of China Mobile, which is dual-listed on the Hong Kong and Shanghai Stock Exchanges. As at the Latest Practicable Date, it is the intention of the Offeror for the Group to continue to carry on its existing business and the Offeror does not have any plan to make any material change to: (a) the business of the Group (including any redeployment of any fixed asset of the Group); or (b) the continued employment of the employees of the Group (other than in the ordinary course of business). Following completion of the Share Offer, the Offeror will continue to consider how best to support the Group's future development and expansion, as well as integration within the China Mobile Group to maximise synergies.

For the year ended 31 December 2024, the China Mobile Group's operating revenue was RMB1,040.8 billion, up by 3.1% year-on-year and profit attributable to equity shareholders was RMB138.4 billion, up by 5.0%. As at 31 December 2024, total equity attributable to its equity shareholders was RMB1,392.0 billion, up by 3.7%. The substantial larger balance sheet of the China Mobile Group and its leading position in the China telecommunications market are expected to benefit the Group in various aspects from business collaboration and research and development to financial management and stability.

As set out in the section headed 15 of letter from CICC in the Offer Document, the Offeror considers that the Share Offer (i) (a) unlocks shareholder value at a compelling premium; (b) provides shareholders with a unique opportunity to fully monetise investment with limited liquidity; and (c) helps the shareholders realise gains amidst current uncertain market conditions; and (ii) (a) enables the Offeror to support the Company in strengthening its financial position by addressing key issues such as debt management and interest expenses; and (b) enables the Offeror to leverage its industry-leading expertise and resources to enhance the Company's competitive position and expand its market presence.

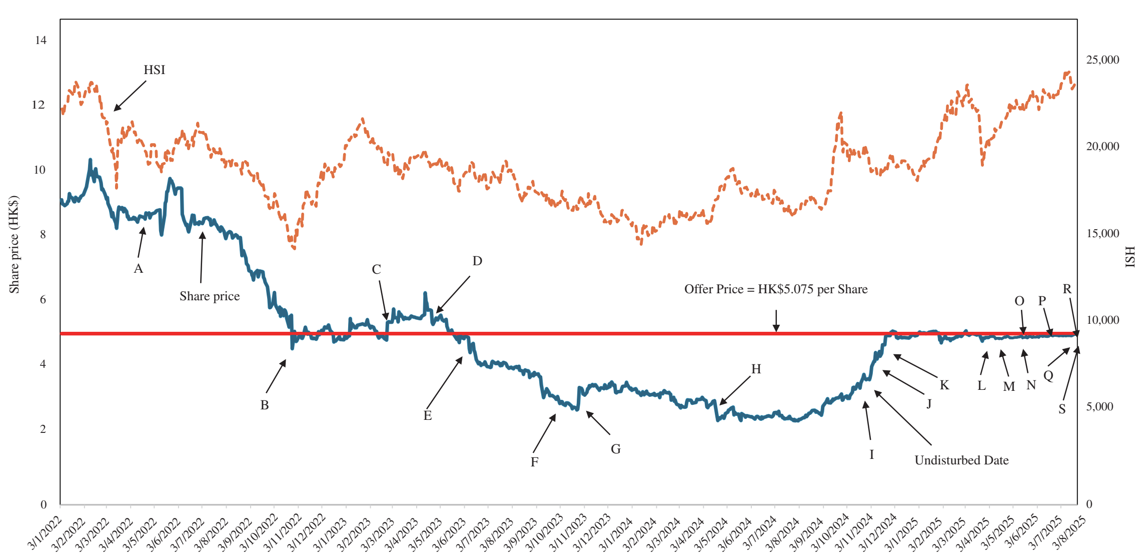
3. Evaluation of the Offer Price of HK$5.075 per Share

3.1. Share analysis

(a) Share price performance

Set out below is the movement of the closing prices of the Shares (on an ex-dividend basis) on the Stock Exchange during the period from 1 January 2022 up to and including the Latest Practicable Date (the "**Review Period**"), which covers recent major announcements of the Company published during the Review Period. The Review Period is considered sufficient to provide a general overview of the recent market performance of the Shares. The Share price performance as compared to the Offer Price and Hang Seng Index (the "**HSI**") during the Review Period is illustrated as follows:

FIGURE 3: SHARE PRICE PERFORMANCE (ON AN EX-DIVIDEND BASIS) COMPARED TO OFFER PRICE AND THE HSI



Source: Bloomberg and website of the Stock Exchange

Reference no.	Date	Event
A	21 April 2022	FY2022 interim results announcement
B	27 October 2022	FY2022 annual results announcement and revision of dividend policy
C	2 March 2023	3.7 announcement in relation to a possible offer from I Squared (the "**2023 Possible Offer**")
D	26 April 2023	FY2023 interim results announcement
E	13 June 2023	3.7 announcement re: termination of the 2023 Possible Offer
F	9 October 2023	Profit warning
G	2 November 2023	FY2023 annual results announcement
H	26 April 2024	FY2024 interim results announcement
I	31 October 2024	FY2024 annual results announcement
J	20 November 2024	3.7 announcement re: the Share Offer
K	2 December 2024	Offer Announcement 3.7 announcement re: the I Squared Offer
L	9 April 2025	Disposal of TPG interest in the Company to the Offeror
M	25 April 2025	FY2025 interim results announcement
N	27 May 2025	Ex-dividend date (the "**Ex-dividend Date**")
O	28 May 2025	Price Adjustment Announcement
P	30 June 2025	End of offer period for I Squared Offer
Q	1 August 2025	Satisfaction of all Pre-Conditions (the "**Fulfillment Date**")
R	4 August 2025	Further Share Acquisition
S	6 August 2025	Despatch of the Offer Document

The Share price fell from HK$10.805 on 9 February 2022 to HK$8.545 on 15 March 2022. A slight increase in Share price was seen after the release of FY2022 interim results announcement on 21 April 2022. The Share price then broadly followed the trend of the HSI to fall from above HK$10 in late May 2022 to below HK$6 in late October 2022. During the time, Fed rate was increased by a cumulative 3 percentage points.

On 27 October 2022, the Company announced FY2022 annual results and a revised prudent dividend policy, following which the Share price fell below the Offer Price for the first time at HK$4.575 on 28 October 2022. Since then, the Share price movements have largely departed from the trend of HSI. A surge in the Share price was seen after the release of the 3.7 announcement in relation to the 2023 Possible Offer on 2 March 2023, from HK$5.465 on 2 March 2023 to HK$6.415 on 18 April 2023. However, the Share price gradually fell to below HK$5.00 after the FY2023 interim results announcement on 26 April 2023 and the termination of the 2023 Possible Offer on 13 June 2023. On 9 October 2023, the Company announced in a profit warning that the Group was expected to record a consolidated loss of approximately HK$1.3 billion in FY2023 due to increase in finance cost and the recognition of impairment on goodwill of approximately HK$1.2 billion. After the profit warning, the Share price hit a low of 2.555 on 31 October 2023. Between November 2023 and September 2024, the Share price traded in the range of HK$2.2 – HK$3.5. During this period, the Company reported a loss of HK$1.3 billion in its FY2023 annual results announcement on 2 November 2023 and a 93% year-on-year decrease in the Group's profit in its FY2024 interim results announcement on 26 April 2024. In contrast, the HSI generally trended upward during the same period.

In the 4th quarter of 2024, the Share price moved upward, from HK$2.955 on 2 October 2024 to HK$4.935 on 31 December 2024. During this period, the Company announced that the Group turned around from a loss in FY2023 to a profit in FY2024 in its FY2024 annual results announcement on 31 October 2024. The Share price closed at HK$3.555 on the Undisturbed Date (i.e. 12 November 2024), the last trading day prior to irregular trading volumes and price movements in the Shares.

On the date of Offer Announcement, a 3.7 announcement was made regarding I Squared Offer, which indicated its preliminary interest to acquire 100% interest in the Company. The 3.7 Announcement and Offer Announcement released in late November 2024 and early December 2024 drove further gains in the Share price to a level near to the Offer Price.

On 9 April 2025, it was announced that the Offeror and TPG entered into a share purchase agreement pursuant to which TPG agreed to sell, and the Offeror agreed to purchase, all the Shares (including the new Shares to be issued upon conversion of VLNs) held by TPG at the Offer Price. However, no significant impact was seen on the Share price.

On the Ex-dividend Date, the Share price closed at HK$4.99. On 28 May 2025, the Offeror released the Price Adjustment Announcement to confirm the impact of 2025 Interim Dividend on the Original Offer Price and stated that the Offer Price shall be HK$5.075 per Share after having deducted the 2025 Interim Dividend. On 30 June 2025, the Company announced that I Squared no longer intended to proceed with the I Squared Offer to acquire 100% of the outstanding shares of the Company. From the Ex-dividend Date to the Latest Practicable Date, the closing prices of the Share were below the Offer Price.

We have run a regression analysis to examine the relationship between the HSI and Share price during the period from 1 January 2022 up to and including the Undisturbed Date (the "**Undisturbed Period**"). Based on the result, the Share price movement seemed to gradually depart from that of the HSI during the Undisturbed Period and there was no strong correlation between the HSI movement and Share price movement in the later part of the Undisturbed Period. As mentioned above, the Company revised its dividend policy on 27 October 2022 and issued a profit warning which disclosed the recognition of HK$1.2 billion impairment on goodwill on 9 October 2023. These fundamental changes specific to the Group may be a cause of discrepancies between the HSI movement and the Share price movement.

As at the Latest Practicable Date, the Share closed at HK$5.05, representing a premium of 0.50% over the Offer Price.

(b) Offer Price comparison with undisturbed prices and NAV

A comparison of the Offer Price of HK$5.075 per Share with the recent closing prices of the Shares (on an ex-dividend basis) and NAV per Share (after having adjusted for the 2025 Interim Dividend) is set out as follows:

TABLE 3: SHARE PRICE (ON AN EX-DIVIDEND BASIS) COMPARISON

	Closing price or average closing price of the Shares (on an ex-dividend basis) *(HK$)*	**Premium represented by the Offer Price**
Latest Practicable Date	5.05	0.50%
Undisturbed Date	3.56 (the "**Undisturbed Price**")	42.76%
5 trading days [(1)]	3.58	41.88%
	(HK$)	**Premium represented by the Offer Price**
NAV as at 28 February 2025 (after having adjusted for the 2025 Interim Dividend) [(2)]	1.47	224.79%

Source: Bloomberg and the website of the Stock Exchange

Notes:

1. Up to and including the Undisturbed Date.

2. Calculated based on the Group's NAV as at 28 February 2025 having adjusted for the 2025 Interim Dividend and the number of Shares in issue as at the Latest Practicable Date.

On an ex-dividend basis, the Offer Price of HK$5.075 represents premium of approximately 42.8% over the Undisturbed Price. The Offer Document sets out comparisons over longer periods, but we consider these comparisons less valid, as the Share price and trading volume increased after the FY2024 annual results announcement on 31 October 2024, seven trading days before the Undisturbed Date.

The Offer Price represents a premium of 224.79% over NAV per Share of HK$1.47 per Share (adjusted for the 2025 Interim Dividend) as at 28 February 2025. However, we do not consider the premium over NAV a useful criterion for assessing the Company's value, which in our view, is largely determined by EBITDA and dividend yield as discussed in sub-section 1.1(d) and 3.1(a) above.

On the Latest Practicable Date, the Offer Price represents a premium of 0.50% over the closing price of the Shares. The Share price movement after the Undisturbed Date has been determined, in our view, by the Share Offer. Since the Offer Announcement, the Share price has traded mostly at a small discount to the Offer Price, the exceptions being, in our view, due to the expectation of a possible competitive situation which in the end has not materialised.

Comments

The Share price is influenced by a combination of factors, including the Group's business and financial performance, the Company's dividend distribution, the broader market sentiment and the Share Offer, although the impact of these factors varies at different periods. The Share price fell below the Offer Price for the first time after the revision of the Company's target dividend payout in late October 2022 from not less than 90% (with an intention to pay 100%) to 75% of the AFF. The 2023 Possible Offer in the first half of 2023 gave the Share price a short-term boost. However, since the lapse of the 2023 Possible Offer in June 2023 and up to and including the last trading day prior to release of the Offer Announcement, the Share was traded below the Offer Price. After the release of the 3.7 Announcement and Offer Announcement, the Share price moved to a level close to the Offer Price but with intermittent dips, which may imply market uncertainty about the Share Offer being subject to a number of Pre-Conditions (i.e. obtaining of approvals from PRC and Hong Kong authorities) and conditions of the Share Offer itself (i.e. the Offeror holding more than 50% of the voting rights of the Company as at the Closing Date).

It is conventional, as is done above, to compare the Offer price with the undisturbed market price, i.e. the price before any disorderly trading shortly before the announcement of an offer, as after that the market price will be influenced by the offer price. In this case, the Share Offer, announced in December 2024, was subject to extensive Pre-Conditions, so that the voluntary general offer document was only formally posted in August 2025, some nine months later.

During the period from the Undisturbed Date to the Fulfillment Date ("**Pre-Conditional Period**"), the HSI has increased by approximately 23.5% and the share prices of two Comparable Companies (as defined in section 3.2 below) increased by 27.8% and 12.3%. For illustration only, if the Company's Share price is assumed to have increased by the same percentage as the average of the HSI and the two Comparable Companies (i.e. by 21.2%) during that period, the adjusted reference price for comparison would have been HK$4.31–4.34 ("**Adjusted Illustrative Price**"). On that basis, the premiums of the Offer Price over the Adjusted Illustrative Price would have been approximately 17% – 18%, as opposed to approximately 42% to 43% as set out above. However, we note that the Company is not a member of the HSI and the Share price has not recently been closely correlated with movements of HSI. We have certain reservations (as expressed in section 3.2) about using the Comparable Companies for valuation. Other factors such as the Company's size, stability, gearing, changes in interest rates and dividend policy, may also have affected the Company's Share price in the absence of the Share Offer.

Consequently, although the Company's Share price might have increased during the Offer Period in the absence of the Share Offer, it is in our view not possible to quantify any such price increase reliably. Even if the Adjusted Illustrative Price were to be adopted for the sake of example, the premium of the offer price over the market price is within the range of the Comparable GOs set out in section 3.2 below.

(c) Trading liquidity

Set out below are the monthly total trading volumes of the Shares and the percentages of the monthly total trading volume of the Shares to the total issued Shares of the Company during the Review Period:

TABLE 4: TRADING LIQUIDITY OF THE SHARES

	Monthly total trading volume of the Shares	Percentage of the monthly total trading volume of the Shares to the total issued Shares [(1)]
2022		
January	27,093,762	2.07%
February	50,335,998	3.84%
March	60,344,585	4.60%
April	48,632,083	3.71%
May	**93,441,210**	**7.12%**
June	**91,222,220**	**6.96%**
July	33,489,540	2.55%
August	43,219,168	3.30%
September	56,453,442	4.30%
October	**112,271,255**	**8.56%**
November	83,911,893	6.40%
December	64,294,931	4.90%
2023		
January	99,629,354	7.60%
February [(2)]	100,354,910	7.65%
March [(2)]	**172,147,501**	**13.13%**
April	**162,685,177**	**12.40%**
May	59,904,221	4.57%
June	93,965,404	7.16%
July	33,815,399	2.58%
August	46,845,152	3.57%
September	113,571,680	8.66%
October	56,688,966	4.32%
November	128,940,901	9.83%
December	68,808,633	5.25%

	Monthly total trading volume of the Shares	Percentage of the monthly total trading volume of the Shares to the total issued Shares [(1)]
2024		
January	45,907,944	3.50%
February	46,423,707	3.54%
March	**148,550,541**	**11.33%**
April	**143,214,284**	**10.92%**
May	**194,296,764**	**14.81%**
June	75,699,101	5.77%
July	57,665,435	4.40%
August	66,549,108	5.07%
September	107,727,620	8.21%
October	**137,297,114**	**10.47%**
November [(3)]	**294,979,911**	**22.49%**
December [(3)]	**194,053,178**	**14.80%**
2025		
January	117,296,734	8.94%
February	139,156,700	10.61%
March	146,682,459	10.51%
April	77,170,894	5.22%
May	39,078,247	2.64%
June	54,302,901	3.67%
July	41,774,972	2.82%
August (up to and including the Latest Practicable Date)	15,753,721	1.07%

Source: Bloomberg and the website of the Stock Exchange

Notes:

(1) The calculation is based on the monthly total trading volumes of the Shares divided by the total number of Shares in issue as at the end of each month or the Latest Practicable Date, as applicable.

(2) Trading in the Shares was suspended during the period from 28 February 2023 to 1 March 2023 pending the release of the 3.7 announcement in relation to the 2023 Possible Offer.

(3) Trading in the Shares was suspended on 19 November 2024 pending the release of the 3.7 announcement in relation to the Share Offer and on 2 December 2024 pending the release of the Offer Announcement.

Surges in trading turnover were seen in March and April 2023, coupled with fluctuations of Share closing price, which might be caused by the 2023 Possible Offer announced in early March 2023. After the termination of the 2023 Possible Offer was announced in June 2023, the monthly turnover failed to maintain the high level in the remaining months of 2023. From March 2024 to May 2024, the monthly turnover returned to a level of above 10% of the total issued Shares. We have discussed with the Management and they are unaware of the reason for the increase in turnover in those months. The monthly turnover then fell down to a level of 4% – 9% of the total issued Shares before it surged again to reach 10.5% – 22.5% of the total issued Shares in October – December 2024. During this period, the Company announced the possible offer from the Offeror in November 2024 and the Offeror announced the Share Offer in December 2024.

Comments

The Shares are not as heavily traded as major blue chips but see moderate and consistent volume due to, in our opinion, the recurring nature of revenue of the Group and the Company's high dividend payout. The Share Offer, in our view, provides an exit opportunity for Shareholders with relatively sizeable shareholdings to realise their investments in the Shares at a fixed cash price without the risk of disturbing the market price.

3.2. Comparable analysis

(a) Comparable companies

Information on the business of the Group is set out in the section 1 above. In FY2024, the Group generated around 56% of its revenue from provision of telecommunication related services including mainly enterprise solutions and residential solutions in Hong Kong. The market capitalisation of the Company was approximately HK$7.5 billion based on the closing Share price and number of Shares in issue as at the Latest Practicable Date.

We considered listed companies engaged in similar business segments of the Company (i.e. provision of technology and telecommunications and related services including enterprise solutions and total home solutions) and contribution from Hong Kong market of not less than 30%. The screening results of Bloomberg based on the aforementioned selection criteria having been cross-checked by our review of their latest financial statements identify two comparable companies, being HKT Trust and HKT Limited (6823.HK) ("**HKT**") and CITIC Telecom International Holdings Ltd. (1883.HK) ("**CITIC Telecom**") (the "**Comparable Companies**"), which, so far as we are aware of, are exhaustive based on the aforementioned selection criteria.

We have also reviewed companies listed on the Main Board of the Stock Exchange with over 50% of their last full-year revenue generated from provision of telecommunication related services without enterprise and home solutions in Hong Kong and market capitalisation ranging from HK$1 billion to HK$10 billion by Bloomberg screening tools. Two such companies were identified, Hutchison Telecom Hong Kong Holdings (215.HK) and SmarTone Telecommunications Holdings Limited (315.HK). However, they are both primarily mobile operators and have large net cash balances. Consequently, we do not consider them comparable in either business or financial terms.

In conducting our analysis, we have considered the EV/EBITDA ratio, the dividend yield and the price-to-book ratio ("**PBR**") of the Company implied by the Offer Price with those of the Comparable Companies, which, we consider, are widely accepted multiples to evaluate a company in the telecommunications sector. We also considered using the price-to-earnings ratio but owing to the Company's volatile profit/loss record, we concluded that it would not be appropriate. Details of the Comparable Companies are set out in the table below:

TABLE 5: COMPARABLE COMPANIES

Company (stock code)	Market Capitalisation	EV/EBITDA [3]	Dividend yield [4]	PBR [5]
	(in HK$ billion)	*(times)*	*(%)*	*(times)*
HKT (6823.HK)	91.97[1]	9.83	6.57	2.73
CITIC Telecom (1883.HK)	9.38[1]	5.89	7.42	0.92
	Average	**7.86**	**6.99**	**1.82**
The Company (1310.HK) based on the Offer Price of HK$5.075	**7.51[2]**	**7.18**	**6.31**	**3.45**

Source: Bloomberg and the websites of the Comparable Companies and the Stock Exchange

Notes:

1. The market capitalisations of the Comparable Companies are calculated based on the average share closing price of the respective companies over the one month up to and including the Latest Practicable Date (adjusted for any dividend declared during the one-month period up to and including the Latest Practicable Date) multiplied by the number of issued shares based on their respective monthly returns for the month of July 2025.

2. The market capitalisation of the Company is calculated based on the Offer Price multiplied by the number of Shares in issue as at the Latest Practicable Date.

3. EV is the sum of market capitalisation, minority interest, equity instruments and total debt, minus cash or cash equivalents as referenced from their respective latest published financial reports. EBITDA is profit for the last trailing twelve-month period plus finance costs, income tax expense, depreciation, amortisation of intangible assets (net of direct cost incurred in corresponding period), amortisation of customer acquisition and retention costs, loss/(gain) on disposal of associates/subsidiaries, share of loss of discontinued operation, impairment on goodwill, impairment on interest in a joint venture and less interest income for the last trailing twelve-month period, the basis of which is same as that used by the Company in its annual reports.

4. The dividend yields of the Comparable Companies and the Company are calculated based on their dividend per share in the past 12 months as referenced from their respective latest published financial reports divided by their respective market capitalisation.

5. The PBRs of the Comparable Companies and the Company are calculated based on their respective market capitalisation divided by their respective net assets attributable to the shareholders/equity holders after having adjusted for the latest declared dividend as referenced from their respective latest published financial reports.

As regards the EV/EBITDA ratio, HKT at 9.83 times is the highest, as would be expected from a large company which is the sector leader. CITIC Telecom, at 5.89 times, has a similar market capitalisation to the Company but a diverse business location. The EV/EBITDA ratio of the Company at the Offer Price is 7.18 times lies approximately halfway between the two Comparable Companies.

We have also reviewed dividend yield, as we consider investors may be attracted by the relatively high yields paid by the telecommunications sector. The Company has a dividend yield of 6.31% (at the Offer Price), lower than both HKT (6.57%) and CITIC Telecom (7.42%). If Shareholders value yield, on the above basis, they could achieve a somewhat higher yield by switching into the Comparable Companies if they accept the Share Offer.

The Company also has the highest PBR at 3.45 times, compared with 2.73 times for HKT and 0.92 times for CITIC Telecom, suggesting the Company at the Offer Price may be highly valued on this metric. This may reflect some investor concern over the Company's balance sheet. However, we regard PBR as the least important of the three metrics shown in Table 5 above.

The two Comparable Companies, which in our view are the closest comparables in terms of business scope and location, could provide some reference as to the valuation and the dividend payout of this type of business as valued by the market in Hong Kong.

(b) Comparable voluntary general offers

We have researched voluntary general offer transactions announced in respect of Hong Kong listed companies during the Review Period, which (i) did not involve share buy-backs, share exchange offers or privatisations; (ii) were conditional on the offeror obtaining more than 50% of the total issued shares of the offeree companies; and (iii) became unconditional (i.e. were successful). A total of 11 general offer transactions (the "**Comparable GOs**") have been identified, which, so far as we are aware of, are exhaustive based on the aforementioned criteria. Details of the Comparable GOs are set out in the table below:

TABLE 6: COMPARABLE GOS

			Premium or (discount) represented by offer price over/to closing share price/average share price on/over				
Date of initial announcement[(1)]	**Company name (stock code)**	**Market Capitalisation[(4)]**	**Last full trading day[(2)]**	**5-trading day[(3)]**	**30-trading day[(3)]**	**60-trading day[(3)]**	**90-trading day[(3)]**
		(in HK$ million)					
3 April 2025	PT International Development Corporation Limited (372)	53	12.90%	9.38%	(2.42)%	(16.39)%	(10.23)%
20 March 2025	Microware Group Limited (1985)	408	11.48%	9.85%	7.42%	9.52%	9.62%
4 December 2024	Courage Investment Group Limited (1145) ("**Courage Investment**") [(5)]	120	(8.83)%	(13.72)%	(25.71)%	(24.96)%	(17.49)%
24 September 2024	Xingda International Holdings Limited (1899)	2,496	0.00%	0.78%	0.98%	(0.28)%	(4.58)%
6 August 2024	Hang Pin Living Technology Company Limited (1682) ("**Hang Pin**") [(6)]	63	(20.00)%	(20.63)%	(22.23)%	(9.66)%	0.61%
9 May 2024	Greatview Aseptic Packaging Company Limited (468)	3,729	26.19%	26.79%	24.86%	31.67%	37.20%
11 April 2024	Tonking New Energy Group Holdings Limited (8326) ("**New Energy**") [(7)]	82	(48.45)%	(42.40)%	(30.89)%	(18.51)%	(14.87)%
1 February 2024	Willas-Array Electronics (Holdings) Limited (854)	289	49.32%	70.98%	78.25%	75.53%	67.85%
29 November 2023	C.banner International Holdings Limited (1028)	332	39.13%	37.93%	22.29%	27.02%	24.77%
5 October 2023	New Sparkle Roll International Group Limited (970) ("**New Sparkle**") [(8)]	351	(10.00)%	(8.16)%	(2.56)%	(1.87)%	(2.59)%
30 June 2022	Cash Financial Services Group Limited (510)	110	25.37%	58.73%	33.18%	41.29%	45.54%
	Highest		**49.32%**	**70.98%**	**78.25%**	**75.53%**	**67.85%**
	Lowest		**(48.45)%**	**(42.40)%**	**(30.89)%**	**(24.96)%**	**(17.49)%**
2 December 2024	**The Company (1310)**	**7,506**	**42.76%**	**41.88%**	**57.20%**	**75.48%**	**87.87%**

Source: Bloomberg and the website of the Stock Exchange

Notes:

1. The date of Rule 3.5 announcement or Rule 3.7 announcement pursuant to the Takeovers Code, whichever is earlier.

2. The last undisturbed full trading day as disclosed in the respective initial announcement or last full trading day prior to the release of the initial announcement.

3. Up to and including the last full trading day.

4. Calculated based on the offer price multiplied by the number of issued shares as at the latest practicable date as disclosed in their respective offer/composite document.

5. According to the composite document in relation to the voluntary general offer to Courage Investment's shares, the monthly trading volume was below 1% of the total issued shares during the twelve-month period prior to the last trading day.

6. According to the composite document in relation to the voluntary general offer to Hang Pin's shares, the average daily trading volume of Hang Pin's shares ranged between nil to approximately 0.0381% of the then total number of issued shares during the twelve-month period preceding the commencement of the offer period and Hang Pin was loss making since 2022.

7. According to the composite document in relation to the voluntary general offer to New Energy's shares, the average daily trading volume of New Energy's shares was only 0.4% of the total issued shares during the twelve-month period up to and including the last trading day.

8. According to the response document in relation to the voluntary general offer to New Sparkle's shares, the average daily trading volume was below 0.4% of the total issued shares during the one-year period prior to the last trading day.

9. Subject to rounding differences.

Voluntary general offers for listed companies in Hong Kong, which are normally unsolicited, are not very common. Many such companies already have controlling shareholders. Consequently, the more usual takeover proposal involves a negotiation with the controlling shareholder followed by a mandatory general offer. This is particularly true for large companies, so the list of Comparable GOs shown above is mainly for smaller companies, only two examples having a market capitalisation of over HK$1 billion.

Because voluntary general offers are not very usual, only eleven being identified in the last three and a half years, the circumstances around them may also be unusual. Four of the Comparable GOs were priced at a discount to market prices and yet were successful, possibly because the target companies were small with very limited liquidity, resulting in market prices which proved unrealistic. The premium represented by the offer price over the share closing price on the last full trading day of other transactions ranged from nil to 49%, with the average of the two largest market capitalisations being approximately 13% – 14%.

(c) Comparable transactions

We have also attempted to identify acquisitions of telecommunication service providers from MergerMarket (a M&A market intelligence service provider), and noted that the latest acquisition involving a target company with at least 30% of its latest full-year revenue contributed from the provision of telecommunication related services in Hong Kong similar to that of the Group, was the WTT Merger. The WTT Merger took place in 2018 and was completed in April 2019. Based on the circular dated 26 October 2018 in relation to the WTT Merger (the "**WTT Merger Circular**"), the EV/EBITDA implied by the consideration was 12.7 times. However, we note that the Group recognised an impairment on goodwill of HK$1.2 billion in FY2023, less than four years after completion of WTT Merger. As advised by the Management, the impairment was largely related to WTT group. Given that WTT Merger was more than 7 years ago and a substantial impairment was made afterwards, we are of the view that the terms of the WTT Merger have little relevance to present market conditions.

Comments

Two Comparable Companies, HKT and CITIC Telecom, have been identified which engage in similar business segments as the Company. However, we have some reservations as regard their businesses, operations, size and prospects being sufficiently similar to those of the Company to provide a compelling comparison. The market capitalisation, balance sheet and revenue of HKT are substantially larger than those of the Company. As regards CITIC Telecom, the Hong Kong market is not the major but a 30%-40% revenue contributor in the latest year. The dividend payout policies of the Comparable Companies are less aggressive than the Company as evidenced by the gradual improvement of their NAV over the years. Even so, the dividend yields of HKT and CITIC Telecom are higher than the Company on the basis set out in the table above.

DISCUSSION

(a) Telecoms Sector in Hong Kong is mature. The Group's revenue declined in FY2023 and FY2024 before a 1% uptick in 1H2025

The Group is mainly engaged in the provision of telecommunication services to enterprise and residential customers in Hong Kong. Growth is therefore highly dependent on the Hong Kong market. For FY2024, the Hong Kong market contributed 90% of the Group's total revenue.

The Hong Kong telecommunications market is mature. An industry overview is set out in section 1.3 above. According to OFCA, 97% of Hong Kong households are already using a fixed broadband service. In 2014–2023, the number of lines for wireline services and registered broadband internet access lines showed static or negative growth. Price competition among market participants is keen. Public mobile grew less than 1% on average during pandemic as opposed to over 10% in the preceding three years.

This has affected the Group's topline revenue, which has broadly declined from HK$11.5 billion in FY2021 to HK$10.7 billion in FY2024 (see Table 1 above). 1H2025 however showed a modest 1% growth in revenue. The Group's enterprise solutions segment has generally held up well, while sales of handsets and other products have shown a declining trend. In its FY2025 Interim Report, the Company described 1H2025 as having presented a "challenging environment, with cautious customer spending and shifting market conditions".

Overall, the Company is operating in a mature and competitive market in Hong Kong, with little topline growth in evidence.

(b) EBITDA steady, finance costs heavy, profits volatile and dividends stabilising after a period of decline

As set out in Table 1, despite a declining trend of revenue, EBITDA (which we regard as an important metric in assessing the Company's market value) has been stable over the last 5 years, totaling HK$2.5 billion in FY2021 and HK$2.4 billion in FY2024, 3 years later.

Following a change of Management in February 2024, a range of measures have been adopted to promote higher margin activities, improve efficiencies, promote customer relationships and cut staff and other operational expenses. Progress has been made by the revamped management team in that EBITDA increased by 5% in 1H2025, due to, in the Company's view, "strong operational performance and strategic initiatives".

Because of the Group's high bank and other borrowings of around HK$11 billion, finance costs have been heavy, peaking at HK$860 million in FY2024. In 1H2025, finance costs declined by 9% and the Company has stated that interest costs may well be lower in FY2025 than the record levels in FY2024. Nevertheless, finance costs remain substantial and represent a drag on net profits, which have been volatile, and also on free cash flow and dividends, which are in our opinion more important factors than net profits in valuing companies in the telecommunications sector.

Finance costs and a provision for goodwill in FY2023 have resulted in net profit being much more volatile than EBITDA during the period covered in Table 1, ranging from a loss of HK$(1.3) billion to a profit of HK$553 million.

As set out in Table 1, annual dividends per Share have declined consistently from 76.5 HK cents per Share in FY2021 to 31.5 HK cents per Share in FY2024. 2025 Interim Dividends for 1H2025 of 15.5 HK cents per Share (1H2024: 15.0 HK cents per Share) may have marked the end of this trend. The Company has not made a forecast of final dividend for FY2025.

The Company has informed us that it is likely to achieve tax savings in the next few years though (i) leveraging unused tax losses in the Group as part of its legal entity rationalisation strategy; and (ii) intra-group debt restructuring involving rational allocation of debt among the holding entity and operating subsidiaries.

In our view, the heavy finance costs, volatile profits and the decline in dividend per Share have been factors exerting a significant impact on the share price performance of the Company as set out in Figure 3 above.

(c) Borrowings exceed HK$11 billion and the gross debt/equity ratio is high

As mentioned in the Group's 2025 Interim Report, the gearing ratio (gross debt/total equity) was 4.7 times which we consider high. Figure 2 illustrates how total debt has remained at a similar level, while equity has declined significantly, resulting in the ratio of gross debt/equity trending upwards.

The Company has recently been in negotiation with its banks to explore options to extend and revise the terms of its borrowings. The newly financed bank loan of HK$6.75 billion carries a maturity date of March 2030, significantly extending the Group's debt maturity profile and enhancing overall financial flexibility. The Company has also informed us that the bank facilities have no covenants relating to the ratio of gross debt to equity but covenants instead relate to interest coverage and the ratio of net debt to EBITDA. The Company is confident that these covenants are based on realistic future projections. Nevertheless, the absolute level of borrowings remains high (see Appendix I to the Response Document for indebtedness as at 30 June 2025) and the level of equity, in our opinion, relatively low. We consider a continuing stretched balance sheet may have been another factor weighing on the Company's share price performance as set out in Figure 3 above.

(d) Offer Price compared to Share price

Figure 3 sets out the Share price performance for the last 3.5 years. Over this period, we consider the Share price has been adversely influenced by a number of factors including those as set out in paragraphs (b) and (c) above.

Following the announcement of 2023 Possible Offer from I Squared in March 2023, the Share price reached a high of HK$6.415 in mid-April 2023. The price fell back to below HK$5.00 after the interim results announcement for FY2023 and the termination of the 2023 Possible Offer in June 2023. After a profit warning in October 2023, the Shares retreated to HK$2.555 at the end of October 2023. For approximately the next year, the Shares traded in a range of HK$2.2 – HK$3.5, closing at HK$3.555 (adjusting for the FY2025 interim divided) on the Undisturbed Date (i.e. 12 November 2024).

On an ex-dividend basis, the Offer Price of HK$5.075 per Share represents a premium of approximately 42–43%, both over the price on Undisturbed Date of HK$3.56 and over the 5-day average price ended on the Undisturbed Date of HK$3.58.

We consider the selection of 12 November 2024 as the basis of comparison is not unreasonable as in the next four days a total of over 80 million Shares were traded and the Share price rose to HK$4.155, which suggests some speculation over likely offers was occurring.

However, we have largely disregarded the comparisons with the 30 day-average and longer periods set out in the Offer Document. The Share price reflected the important FY2024 results after they were announced on 31 October 2024, seven trading days before the Undisturbed Date. Following the results announcement, there was an increase in both the Share price and the trading volume, which we consider reflected improved fundamentals of the Company. Consequently, we regard comparisons with averages based substantially on prices prior to 31 October 2024 as unhelpful to Shareholders.

On this basis, we consider that to attribute a 42–43% premium to the Offer Price over market price is a valid starting point.

Owing to the Share Offer being subject to extensive Pre-Conditions, the Undisturbed Date of 12 November 2024 is some nine months before the posting of the Offer Document. During this time, the Share price has mainly traded at a small discount to the Offer Price apart from short periods due, in our opinion, to speculation about competing offer(s), which have not materialised. On this basis, we consider that the market price has been determined by the Offer Price. Mr. Yeung, the Executive Director argues in the "Letter from the Executive Director" contained in the Response Document that the Share price would have increased since the Undisturbed Date without the Share Offer and therefore by implication to attribute a premium of 42–43% to the Share Offer alone could be an exaggeration. However, based on our analysis, the HSI has increased by 23.5% and the share prices of HKT and CITIC Telecom, Comparable companies as regards business activities, have increased by 27.8% and 12.3% respectively, significantly less than the 42–43% premium referred to the above. In addition, the Company is not a member of HSI and based on our regression analysis, the Share price movement over the last one year prior to the Undisturbed Date was not closely correlated with HSI. As noted above, in financial terms, HKT is many times larger, its performance more stable and its balance sheet stronger than the Company whereas CITIC Telecom's main business is in both Hong Kong and Macau. In addition, we have noted in paragraphs (b) and (c) above financial statistics of the Company which may in our opinion have been more influential on the Share price than the performance of the HSI or of HKT.

(e) Comparable analysis

We have considered three types of comparables:

(1) The ratings of Comparable Companies, particularly as regards EV/EBITDA and dividend yield

(2) Comparable transaction structures — i.e. voluntary general offers

(3) Comparable transactions

(i) Comparable Companies

We reviewed the ratings of the two Comparable Companies. HKT is cited as a comparable to the Company but it is much bigger in terms of revenue and market capitalisation and financially stronger with a steadier dividend paying record. CITIC Telecom is a similar sized to the Company, but with majority of business in both Hong Kong and Macau. We found that the EV/EBITDA ratios varied, with HKT higher rated as would be expected and CITIC Telecom lower, with the Company in the middle. The Company had the lowest dividend yield, suggesting Shareholders could switch for a higher income. The two Comparable Companies, which in our view are the closest comparables, provide some reference as to the valuation and dividend payout of this type of business as valued by the market in Hong Kong.

(ii) Comparable voluntary general offers

Successful voluntary general offers are not very common in Hong Kong, eleven being identified in the past three and a half years. Because voluntary general offers are unusual, the circumstances around them may also be unusual. A number of Comparable GOs have been successful despite being pitched at discounts to short-term market prices. Although the results vary widely, in our view they suggest the premium needed for a successful voluntary general offer of a company with a market capitalisation of over HK$1 billion is at least 13–14%.

(iii) Comparable transactions

We did not identify any comparable M&A transactions in the Hong Kong telecoms sector in recent years. The last such deal was in fact one done by the Company itself, the WTT Merger in 2019. This was valued at an EV/EBITDA multiple of 12.7 times but proved troublesome to execute and integrate and was the subject of an approximately HK$1.2 billion provision in 2023.

(f) Offer Price fair and reasonable in our opinion

Based on the factors and analysis set out in paragraphs (b), (c), and (d) above, we consider the Offer Price is fair and reasonable to the Disinterested Shareholders.

We also consider that the comparisons set out in paragraph (e) above, support the view that the Offer Price is fair and reasonable in that the Offer Price reflects valuations similar to, or somewhat more favourable to Disinterested Shareholders than, the basis of the comparables.

(g) Considerations as regards the Share Offer from China Mobile and listing/delisting of the Company's Shares

The Share Offer when launched was subject to substantial Pre-Conditions. Those have all now been fulfilled. The only significant condition of the Share Offer itself is control over more than 50% of the Shares, either by purchase or acceptances of the Share Offer.

The long Pre-Conditional Period allowed an opportunity for higher offers to be made by other parties if the Share Offer was considered by interested purchasers to be on the low side. For a period, there was some expectation that a rival bid would emerge but for whatever reasons that has proved not to be the case.

China Mobile obtained from the outset Irrevocable Undertakings to accept the Share Offer from two (i.e. Canada Pension Plan Investment Board and TPG) of the three largest Shareholders of the Company and has subsequently purchased the holdings of one (i.e. TPG) of them. Recently, China Mobile further acquired the Shares from another largest Shareholder (i.e. Twin Holding Ltd), resulting in China Mobile now owning 29.90% of the share capital. Together with the other Irrevocable Undertaking, China Mobile has potential control over 42.23% of the share capital, although if the 50% acceptance condition is not achieved, acceptances of the Share Offer, including the Shares subject to Irrevocable Undertaking, could not be retained by China Mobile.

As China Mobile owns over 10%, it already has the power to block any future offer conditional on 100% ownership, as it normally requires a holding of over 90% to "squeeze out" minorities.

Despite China Mobile's objective in making the Share Offer is not to privatise the Company, it intends to avail itself of the Compulsory Acquisition Right if the required acceptance threshold of 90% is met and proceed with the delisting of the Company. This condition may or may not be fulfilled. Consequently, Shareholders who are attracted by the recent progress made under the Management, or the prospects if a financially powerful shareholder gains control, have a viable alternative to retain some or all of their Shares. Maintaining the listing status would require at least 25% public shareholding which could involve a temporary suspension of trading or a marketing of existing or new Shares if acceptances of the Share Offer result in China Mobile holding more than a 75% interest.

(h) Comments on the "Letter from the Executive Director" contained in the Response Document

Shareholders are urged to read carefully the letter from Mr. Yeung, the founder-CEO of the Company and the sixth largest Shareholder. As the only executive Director of the Company and an entrepreneur with over 30 years' operational and management experience, his judgment on the business and potential of the Company carries weight. In particular, in his statement Mr. Yeung describes eloquently the Company's "growth being substantiated by competitive edges of 3Rs: (1) Recession Resilient; (2) Recurring Revenue; and (3) Robust Number 2", to which Shareholders are referred. We do not disagree that the Company's business has certain potential strengths and advantages.

We also agree that a more favourable interest rate environment will reduce the Company's finance charges, which reached HK$860 million for FY2024. This aspect is discussed in more detail in Section 1 above.

Our analysis (set out above) is that the Share price has risen to the current level of about HK$5 largely tracking the Offer Price of HK$5.075. In our opinion, the Offer Price of HK$5.075 has not set a "ceiling" and does nothing to prevent the share price from rising above the Offer Price if the Company's fundamentals justify it. In the recent mandatory unconditional cash offer for Sun Art Retail Group Limited (stock code: 6808), for example, the share price was consistently above the offer price during the offer period which ended on 27 March 2025.

Mr. Yeung also presents arguments on comparisons with HSI, HKT and other regional telecom companies. However, we note that the Company is not a member of HSI, HKT is a much bigger and less risky company and the Company's business is mainly in Hong Kong. In any case, these comparisons are not for the most part new and have been commented on by analysts and the press. Accordingly these factors, in our opinion, are "in the price". Only if there are some material and unexpected changes not evident from the Company's FY2024 results and the 1H2025 results, released only some four months ago, can a significant consistent uplift in the Company's Share price above the Offer Price be reasonably anticipated.

According to Mr. Yeung, HKBN has invested over HK$11 billion in capex to build a fully-fibre network in Hong Kong. Should this be the amount needed to purchase a new item of similar type and quality to replace the existing network, other assets and liabilities of the Group (including the bank and other borrowings of HK$11 billion) should also be taken into account in arriving at the enterprise value of the Company.

Recurring capital expenditure is needed to upgrade the Company's network and improve speeds to retain customers. Finance charges will remain substantial and may be volatile as indebtedness remains at HK$11 billion and shows little downward trend. At the same time, investors in the telecom sector demand a high yield. For example, HKT and CITIC Telecom yield 6.57% and 7.42% as at the Latest Practicable Date, respectively, compared to the Company's dividend yield of 6.3% at the Offer Price. These factors suggest the Company's freedom of action may be limited by financial constraints. Of course if China Mobile, a financially powerful group, gains control, this may change but that will only happen if China Mobile does gain control, over more than 50% of the Shares.

Our opinion that the Offer Price is "fair and reasonable", does not imply it is the best possible outcome for Shareholders. Mr. Yeung argues that the Offer Price does not fully reflect the benefits to China Mobile of acquiring the Company, but an offeror is not obliged to pay for benefits which it helps to create. At one stage, it seemed possible, even likely, that a higher competing offer would emerge. It may be significant however that in the event no competing offer did emerge despite the Company being "in play" for many months.

(i) Conditionality

The Share Offer is conditional upon valid acceptances of the Share Offer having been received (and where permitted, not withdrawn) on or before 4:00 p.m. on the Closing Date in respect of the Offer Shares, which together with the Shares already held by the Offeror and its concert parties, would result in the Offeror and its concert parties holding more than 50% of the voting rights of the Company as at the Closing Date. This Condition cannot be waived.

OPINION AND RECOMMENDATION

Having taken into account the principal factors and reasons above, none of which can be taken in isolation, we consider that the Share Offer is fair and reasonable so far as the Disinterested Shareholders are concerned and advise the Independent Board Committee to recommend the Disinterested Shareholders to accept the Share Offer.

The Offeror has said its objective is not to privatise the Company but avails itself of the Compulsory Acquisition Right if the required acceptance threshold of 90% is met and proceeds with the delisting of the Company. This condition may or may not be fulfilled. Consequently, Shareholders who are attracted by recent progress made by the Management, or by the prospects of the Group following the Share Offer if a financially powerful offeror gains control, have a viable alternative to acceptance of the Share Offer. Such Shareholders may consider retaining some or all of their Shares.

Although we consider it unlikely, it is possible that the Share price may exceed the Offer Price after the Latest Practicable Date and before the close of the Share Offer. We advise Disinterested Shareholders to monitor the market price and liquidity of the Shares and consider selling in the market if the proceeds exceeds HK$5.075 per Share.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED

M. N. Sabine
Chairman

Mr. M. N. Sabine is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over forty years of experience in the corporate finance industry.

1. SUMMARY OF THE FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of (i) the audited consolidated financial results of the Group (including items of income and/or expense which are material) for the financial years ended 31 August 2022, 2023 and 2024, respectively, as extracted from the relevant published annual report of the Company for the relevant years, and (ii) the unaudited consolidated interim results of Group for the six months ended 28 February 2025, as extracted from the published interim report of the Company for the relevant period.

	2022	**2023**	**2024**	**Six months ended 28 February 2025**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)	(Unaudited)
Revenue	11,626,164	11,692,176	10,650,922	5,734,269
Other net income	62,842	20,180	24,609	5,801
Network costs and costs of sales	(7,155,803)	(7,525,019)	(6,661,678)	(3,719,688)
Other operating expenses	(3,532,453)	(3,446,031)	(3,124,364)	(1,541,292)
Impairment on goodwill	—	(1,200,000)	—	—
Finance costs	(239,204)	(702,303)	(860,236)	(366,024)
Share of (losses)/profits of associates	4,167	(742)	—	—
Share of losses of joint ventures	(53,497)	(69,592)	(128)	—
Profit/(loss) before taxation	712,216	(1,231,331)	29,125	113,066
Income tax expense	(158,895)	(36,077)	(18,848)	(5,506)
Profit/(loss) for the period/year attributable to equity shareholders of the Company	553,321	(1,267,408)	10,277	107,560
Earnings/(loss) per share				
Basic	42.2 cents	(96.7) cents	0.8 cents	8.2 cents
Diluted	37.4 cents	(96.7) cents	0.7 cents	7.3 cents
Profit/(loss) for the period/year	553,321	(1,267,408)	10,277	107,560

	2022	2023	2024	Six months ended 28 February 2025
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)	(Unaudited)
Other comprehensive income for the period/ year				
Item that may be reclassified subsequently to profit or loss:				
— Exchange differences on translation of financial statements of subsidiaries outside Hong Kong, with nil tax effect	(18,129)	(14,750)	10,422	(11,716)
— Share of other comprehensive income of associates	(935)	(326)	106	—
— Exchange differences on translation of foreign operations transferred to consolidated income statement upon disposal	(1,917)	1,051	—	—
Other comprehensive income for the period/ year	(20,981)	(14,025)	10,528	(11,716)
Total comprehensive income for the period/ year attributable to equity shareholders of the Company	532,340	(1,281,433)	20,805	95,844
Amount of dividends distributed to owners	887,353	591,569	465,860	229,233
Dividends per share (HK$/share)	0.60	0.40	0.315	0.155

Save as disclosed above, the Group did not have any item of income or expense which was material for each of the three years ended 31 August 2022, 2023 and 2024, or for the six months ended 28 February 2025.

2. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

Set out below are the latest published audited consolidated financial statements of the Group for each of the three years ended 31 August 2022, 2023 and 2024, respectively, has been set out in the annual reports of the Company for the relevant years and is available on the website of the Company (https://www.hkbn.net/group) and the website of the Stock Exchange (www.hkexnews.hk) as specifically set out below:

- the annual report of the Company for the year ended 31 August 2022 (pages 121 to 221), which is accessible via the following hyperlink:

  https://www1.hkexnews.hk/listedco/listconews/sehk/2022/1110/2022111000199.pdf

- the annual report of the Company for the year ended 31 August 2023 (pages 135 to 239), which is accessible via the following hyperlink:

  https://www1.hkexnews.hk/listedco/listconews/sehk/2023/1115/2023111500189.pdf

- the annual report of the Company for the year ended 31 August 2024 (pages 139 to 233), which is accessible via the following hyperlink:

  https://www1.hkexnews.hk/listedco/listconews/sehk/2024/1114/2024111400133.pdf

No modified opinion, emphasis of matter or material uncertainty related to going concern was contained in the reports KPMG, of the auditors of the Company in respect of each of the three years ended 31 August 2022, 2023 and 2024 respectively.

3. UNAUDITED CONSOLIDATED INTERIM FINANCIAL INFORMATION OF THE GROUP

The unaudited consolidated interim results of Group for the six months ended 28 February 2025 and the notes thereof are set out in the interim report of the Company for the relevant period (pages 27 to 54), which is available on the website of the Company (https://www.hkbn.net/group) and the website of the Stock Exchange (www.hkexnews.hk) and is accessible via the following hyperlink:

https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0519/2025051900265.pdf

4. INDEBTEDNESS STATEMENT OF THE GROUP

As at 30 June 2025, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Response Document, the Group had the following indebtedness:

	HK$'000
Bank Borrowings (guaranteed and unsecured)	10,603,952
Other Borrowings (guaranteed and secured)	39,347
Lease Liabilities (unguaranteed and unsecured)	407,568
Total	11,050,867

Save as disclosed above and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at 30 June 2025, the Group did not have any other bank overdrafts or loans, or other similar indebtedness, mortgages, charges, or guarantees or other material contingent liabilities.

5. MATERIAL CHANGE IN RESPECT OF THE GROUP

The Directors confirm that, save for the following matters, of which items (i) to (iii) were set out in the interim report of the Company for the six months ended 28 February 2025 published on 19 May 2025, there had been no material change in the financial or trading position or outlook of the Group since 31 August 2024 (the date to which the latest audited consolidated financial statements of the Group were made up) and up to and including the Latest Practicable Date:

(i) the EBITDA increased by 5% year-on-year to HK$1,206 million in the first half of year 2025 (first half of year 2024: HK$1,151 million), due to strong operational performance and strategic initiatives targeted at driving growth including a 10% growth in enterprise solutions revenue (in particular, a 10% growth in system integration business revenue);

(ii) taking into account factors including the Group's financial performance, investment and funding requirements, early debt repayment, prevailing economic and market conditions, the Board has resolved to declare the payment of the 2025 Interim Dividend of 15.5 cents per Share (2024 interim dividend: 15.0 cents per Share);

(iii) the Group drew down term loan facilities in an aggregate amount of HK$6,750 million (a facility in an amount of HK$5,250 million was completed on 18 March 2025 and the other HK$1,500 million was completed on 17 April 2025) to refinance the existing bank loans. The HK$6,750 million term loan facilities, which are similar to the Group's previous syndicate loans with an additional sustainability linked feature (an interest rate adjustment mechanism that is linked to predetermined sustainability performance targets), are unsecured and repayable in full upon maturity on 18 March 2030;

(iv) the Company is positioning itself to achieve tax savings through (a) leveraging unused tax losses in the Group as part of its legal entity rationalisation strategy; and (b) intra-group debt restructuring involving rational allocation of debt among the holding entity and operating subsidiaries; and

(v) the Company has recently been in negotiation with its bankers to extend and revise the terms of its borrowings other than the facilities mentioned in (iii) above, which may substantially reduce the Group's interest costs in the financial year ended 31 August 2026 onwards.

1. RESPONSIBILITY STATEMENTS

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Response Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Response Document have been arrived at after due and careful consideration and there are no other facts not contained in this Response Document, the omission of which would make any statement in this Response Document misleading.

The information contained in this Response Document relating to the Share Offer, the Offeror and its concert parties has been extracted from or based on the Offer Document. The only responsibility accepted by the Directors in respect of such information is for the correctness and fairness of the extraction of such information and/or its reproduction or presentation.

2. SHARE CAPITAL

As at the Latest Practicable Date:

(a) the authorised share capital of the Company was HK$380,000 divided into 3,800,000,000 Shares;

(b) the issued and paid-up share capital of the Company was HK$147,892.2 divided into 1,478,921,568 Shares;

(c) all of the Shares in issue were fully paid or credited as fully paid and ranked *pari passu* in all respects including as to capital, dividends and voting;

(d) a total of 167,322,212 Shares had been issued by the Company since 31 August 2024, being the date to which the latest audited financial statements of the Company were made up, and up to the Latest Practicable Date;

(e) save for the 1,478,921,568 Shares in issue, the Company did not have any outstanding shares, options, warrants, convertible securities or other relevant securities in issue.

3. DISCLOSURE OF INTERESTS

(I) Directors' and chief executives' interests and short positions in securities of the Company and its associated corporations

As at the Latest Practicable Date, interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) of the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**"), or required to be disclosed under the Takeovers Code, are as follows:

Name of Director	**Capacity/Nature of Interest**	**Number of underlying shares held in long position**	**Approximate percentage of Interests** *(Note)*
YEUNG Chu Kwong	Beneficial owner	29,717,212	2.01%

Note:

The percentages are calculated based on the total number of shares of the Company in issue as at the Latest Practicable Date, i.e. 1,478,921,568 Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company and their respective associates had or is deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive of the Company are taken or deemed to have under such provisions of the SFO), or were required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, or required to be disclosed under the Takeovers Code.

As at the date of this Response Document, none of the Directors is an employee or a director of any of the substantial shareholders of the Company.

(II) Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO

As at the Latest Practicable Date, as far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Substantial Shareholders and other persons	*Notes*	Capacity/Nature of Interests	Number of Shares held	Approximate percentage of aggregate interests in issued share capital of the Company	Long position/ short position/ lending pool
Canada Pension Plan Investment Board	*(1)*	Beneficial interest	182,405,000	12.33%	Long position
GIC Private Limited	*(2)*	Beneficial interest	92,823,260	6.28%	Long position
Offeror	*(3)*	Beneficial interest	442,197,548	29.90%	Long position
JPMorgan Chase & Co.	*(4)*	Beneficial interest/ security interest/ approved lending agent	77,505,041	5.24%	Long position
		Beneficial interest	27,873,802	1.88%	Short position
		Approved lending agent	13,067,617	0.88%	Lending pool

Notes:

(1) Canada Pension Plan Investment Board held 182,405,000 Shares.

(2) GIC Private Limited held 92,823,260 Shares.

(3) On 7 May 2025, the Offeror has completed the acquisition of a total of 228,627,451 Shares from TPG Wireman, L.P. pursuant to a share purchase agreement dated 9 April 2025. On 4 August 2025, Twin Holding Ltd (as seller) and the Offeror (as buyer) entered into an agreement for the sale and purchase of a total of 213,570,097 Shares, with such transaction completing on 8 August 2025 (which is after the Latest Practicable Date).

(4) J.P. Morgan is one of the joint financial advisers to the Company in respect of the Share Offer. Accordingly, J.P. Morgan and the relevant members of the J.P. Morgan group which hold Shares on an own account basis or manage Shares on a discretionary basis are presumed to be acting in concert with the Company in accordance with class (5) of the definition of "acting in concert" under the Takeovers Code (except in respect of the Shares held by members of the J. P. Morgan group which are exempt principal traders or exempt fund managers, in each case recognized by the Executive as such for the purposes of the Takeovers Code). These Shares are held by members of the J.P. Morgan group that are exempt principal traders or exempt fund managers, or held on behalf of non-discretionary investment clients of the J.P. Morgan group.

(III) Additional information in relation to the Share Offer

As at the Latest Practicable Date,

(a) neither the Company nor any of the Directors had any direct or indirect shareholding in the Offeror;

(b) save as disclosed in the paragraph headed "3. Disclosure of Interests" in this Appendix, the Directors did not have any interest in the Shares, derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into the Shares;

(c) none of the subsidiaries of the Company, pension funds of the Company or any of its subsidiaries or persons who are presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert or who are associates of the Company by virtue of class (2) of the definition of associate under the Takeovers Code but excluding exempt principal traders and exempt fund managers, owned or controlled any Shares or any other convertible securities, warrants, options or derivatives in respect of the Shares and none of them had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period;

(d) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code but excluding exempt principal traders and exempt fund managers, and any other person;

(e) no person between whom there is an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code and the Company, or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) or (5) of the definition of acting in concert, or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code but excluding exempt principal traders and exempt fund managers, had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period;

(f) there was no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which was managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company, and none of such person (other than exempt fund managers) had dealt for value in such securities in the Company during the Relevant Period;

(g) neither the Company nor any of the Directors had borrowed or lent any Shares;

(h) save as disclosed below, none of the Directors had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares during the Relevant Period; and

Name of Director	Date of Transaction	Number of RSUs	Nature of Transaction
Chu Kwong YEUNG	6 August 2025	2,760,785	Lapse

(i) neither the Company nor any of the Directors had dealt for value in any shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of the shares of the Offeror during the Relevant Period.

Mr. Chu Kwong YEUNG, the Executive Director, has indicated his intention not to accept the Share Offer in respect of the 29,717,212 Shares (representing approximately 2.01% of the total issued Shares as at the Latest Practicable Date) held by him. For further details, please refer to the letter from the Executive Director set out on pages 19 to 27 of this Response Document.

4. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor its subsidiaries was engaged in any litigation or claims of material importance and no litigation or claims of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

5. MATERIAL CONTRACTS

As at the Latest Practicable Date, there were no contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) which had been entered into by the Company or any of its subsidiaries within the 2 years immediately preceding the commencement of the Offer Period and up to the Latest Practicable Date, which are or may be material in relation to the business of the Group as a whole.

6. ARRANGEMENT AFFECTING DIRECTORS

As at the Latest Practicable Date:

(i) no benefit was or will be given to any Director as compensation for loss of office or otherwise in connection with the Share Offer;

(ii) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Share Offer or otherwise connected with the Share Offer; and

(iii) there were no material contracts entered into by the Offeror in which any Director has a material personal interest.

7. UNDERSTANDING, ARRANGEMENT, AGREEMENT OR SPECIAL DEAL

As at the Latest Practicable Date, there was no understanding, arrangement or agreement or special deal between any Shareholder on the one hand, and the Company, its subsidiaries or associated companies on the other hand.

8. DIRECTOR'S SERVICE AGREEMENTS

As at the Latest Practicable Date, none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies in force which:

(i) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the Offer Period;

(ii) were continuous contracts with a notice period of 12 months or more; or

(iii) were fixed term contracts with more than 12 months to run irrespective of the notice period.

9. EXPERT AND CONSENT

The following are the qualifications of the expert contained in this Response Document:

Name	Qualification
Somerley	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the Independent Financial Adviser to the Independent Board Committee in respect of the Share Offer

The above expert has given and has not withdrawn its written consent to the issue of this Response Document with the inclusion herein of its letter, and the reference to its name in the form and context in which they appear.

As at the Latest Practicable Date, the above expert does not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

10. MISCELLANEOUS

(i) As at the Latest Practicable Date, the Company's registered office is at P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.

(ii) As at the Latest Practicable Date, the Company's principal place of business in Hong Kong is at 19/F, Tower 1, The Quayside, 77 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.

(iii) As at the Latest Practicable Date, the secretary of the Company is Mr. Chi Kit LEUNG. He is an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

(iv) As at the Latest Practicable Date, the Company's share registrar is Computershare Hong Kong Investor Services Limited, whose business address is Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(v) As at the Latest Practicable Date, Morgan Stanley's principal place of business is 30–32, 35–42 & 45–47 Floor and Part of Floor 3, 8–9, International Commerce Centre, 1 Austin Road West Kowloon, Hong Kong.

(vi) As at the Latest Practicable Date, J.P. Morgan's principal place of business in Hong Kong is at 18/F, 23/F–29/F Chater House, 8 Connaught Road Central, Hong Kong.

(vii) As at the Latest Practicable Date, the Independent Financial Adviser's registered office is at 20/F, China Building, 29 Queen's Road Central, Hong Kong.

(viii) The English texts of this Response Document shall prevail over the Chinese texts in case of inconsistency.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be available for inspection (i) on the website of the Company (https://www.hkbn.net/group); and (ii) on the website of the SFC (www.sfc.hk) from the date of this Response Document until the end of the Offer Period:

(i) the memorandum and articles of association of the Company;

(ii) the annual reports of the Company for each of the financial years ended 31 August 2022, 31 August 2023 and 31 August 2024;

(iii) the interim report of the Company for the six months ended 28 February 2025;

(iv) the letter from the Board, the text of which is set out on pages 7 to 18 of this Response Document;

(v) the letter from the Executive Director, the text of which is set out on pages 19 to 27 of this Response Document;

(vi) the letter from the Independent Board Committee, the text of which is set out on pages 28 to 29 of this Response Document;

(vii) the letter from the Independent Financial Adviser, the text of which is set out on pages 30 to 69 of this Response Document; and

(viii) the written consent referred to in the paragraph headed "9. Expert and Consent" in this Appendix II.