



## **HKBN Announces Acquisition of New World's Telecommunications and Online Marketing Solutions Business**

### ***HKBN strengthens its Enterprise Solutions business and drives consolidation in the fixed line market in Hong Kong***

**Hong Kong, 18 February 2016** – HKBN Ltd. (“HKBN” or the “Company”; SEHK stock code: 1310) today announced that HKBN and its indirect wholly-owned subsidiary, HKBN Group Limited (“HKBNGL”), have entered into a Share Purchase Agreement with New World Development Company Limited (SEHK stock code: 17) and its direct wholly-owned subsidiary, New World Telephone Holdings Limited (“NWTHL”), pursuant to which HKBNGL has conditionally agreed to acquire the telecommunications and online marketing solutions businesses (the “Target Business”) owned by NWTHL. HKBNGL will acquire the Target Business for a cash consideration of HK\$650 million on a cash-free, debt-free basis (subject to adjustments), financed through a debt facility, with an additional cash rebate for services provided by HKBNGL and the Target Business to NWTHL and related parties based on 50% of settled invoices up to HK\$50 million in aggregate.

NWTHL's telecoms business is highly complementary to the Company's existing business. NWTHL's fixed line and broadband telecoms business generated revenue of HK\$613 million for the year ended 30 June 2015, with a primary focus on the Enterprise Solutions (“ES”) market. NWTHL's telecommunications business is run through a network covering approximately 491 commercial buildings in key business districts around Hong Kong. Services include international voice services (IDD services), data centre services, as well as other fixed line and broadband services. NWTHL's online marketing solutions business encompasses search advertising, online display advertising and social media solutions catering to commercial customers.

The combination will result in a business with more than HK\$3 billion in total revenue and more than HK\$1 billion in ES revenue, based on the audited accounts of HKBN for the year ended 31 August 2015 and the unaudited combined management accounts of the Target Business for the year ended 30 June 2015. The acquisition will strengthen HKBN's presence and capabilities in the ES market and create the necessary scale to compete effectively with incumbent players of the broader enterprise telecommunications market.

#### **Benefits of the Transaction**

- *Strategy:* Allows HKBN to more than double its ES business – NWTHL's business is an ES focused business with more than 94% of telecommunications services revenue generated from commercial customers.
- *Customer base:* Expands HKBN's customer base in medium-sized enterprises, allowing HKBN to accelerate its growth in the SME segment – HKBN's current enterprise customers are mostly small businesses, while NWTHL's customer base primarily comprises medium businesses.

- *Network*: Significantly increases the breadth and depth of HKBN's reach by adding nearly 200 commercial buildings as well as provides additional route diversity for overlapping coverage buildings.
- *Synergies*: Creates synergy opportunities including savings of 5% to 10% on cash operating expenses from the year ending 30 June 2017 onwards, capital expenditure savings from the acquisition of fibre coverage owned by the Target Business and revenue upside from cross-selling.
- *Financial*: Offers the potential to sell a network hub site property owned by the Target Business valued on behalf of HKBN at approximately HK\$67 million.

Mr. William Yeung, Chief Executive Officer and Co-Owner of HKBN, said, "This acquisition will double our scale in the Enterprise Solutions Market, which represents approximately one third of the total revenues for the enlarged group based on the latest audited/unaudited financial statements of HKBN and the Target Business respectively. We are dedicated to making our Hong Kong a better place to live, by providing high-speed broadband access and top-class telecommunications services to the residential and business markets, and we see this deal as the logical next step in this journey."

Mr. Ni Quiaque Lai, Head of Talent Engagement, Chief Financial Officer and Co-Owner of HKBN, noted, "HKBN's success has been a direct result of our Talents and our relentless focus on disruptive innovation. During our IPO in March 2015, we said that we will continue to further penetrate the enterprise market, and now we are delivering on this promise with the announcement of this acquisition."

HKBN has invested a total of approximately HK\$4.1 billion in fixed assets over the past 14 years establishing one of the most extensive fibre optic networks in Hong Kong. In 2004, HKBN successfully built the largest Metro Ethernet network in the world. In 2005, HKBN became the first Internet Service Provider in the city offering 1,000Mbps residential Fibre-to-the-Home service. In 2013, HKBN completed an acquisition of Y5ZONE Limited and further extended its Wi-Fi business development.

The acquisition is subject to the approval of HKBN shareholders. Each of Canada Pension Plan Investment Board, Mr. William Yeung and Mr. Ni Quiaque Lai, representing approximately 18.14%, 2.55% and 3.18% of HKBN's issued share capital, respectively, has provided an irrevocable undertaking to HKBN and NWTNL to vote in favour of the resolution to approve the acquisition.

The acquisition will be financed by a 5-year bullet term loan facility of up to HK\$700 million underwritten by JPMorgan Chase Bank, N.A., Hong Kong Branch.

J.P. Morgan Securities (Asia Pacific) Limited acts as financial advisor to HKBN on the acquisition.

For further details of the transaction please refer to our announcement on our website: <http://hkbn.net/new/en/about-us--investor-engagement--announcement-circulars.shtml>.

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**About HKBN Ltd.**

HKBN Ltd. (SEHK Stock Code: 1310), operating through Hong Kong Broadband Network Limited, is the largest provider of residential fibre broadband services (symmetrical 100Mbps and above) in Hong Kong by number of residential subscriptions, with a core purpose to “Make Our Hong Kong a Better Place to Live”. HKBN offers an array of world-class enterprise solutions, including broadband and data connectivity, voice communication, managed Wi-Fi solutions, Cloud solutions and IT advisory services, as well as a diversified portfolio of residential broadband and Wi-Fi access, communication and entertainment services. HKBN owns an extensive fibre network in Hong Kong, which covers over 2.1 million residential homes passed, representing approximately 79% of Hong Kong’s total residential units, and more than 2,000 commercial buildings. HKBN takes great pride in developing its 2,400 plus Talents into a competitive advantage.

For the year ended 31 August 2015, HKBN generated HK\$2.3 billion of revenue, which comprised 75% residential, 20% enterprise solutions and 5% product sales.