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HKBN Ltd.

香港寬頻有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1310)

**VERY SUBSTANTIAL ACQUISITION IN RELATION TO
THE PROPOSED TRANSACTION IN RELATION TO
THE ENTIRE ISSUED SHARE CAPITAL IN
WTT HOLDING CORP.
INVOLVING THE ISSUE OF
CONSIDERATION SHARES AND VENDOR LOAN NOTES
UNDER SPECIFIC MANDATE
AND
FURTHER UPDATES ON CO-OWNERSHIP PLAN III**

Financial Adviser to the Company

J.P.Morgan

THE PROPOSED TRANSACTION

The Board is pleased to announce that on 7 August 2018 (after trading hours), the Company, its direct wholly-owned subsidiary MLCL, TPG Wireman and Twin Holding entered into the Merger Agreement, pursuant to which, among other things, MLCL has conditionally agreed to purchase, and TPG Wireman and Twin Holding have conditionally agreed to sell, the entire issued share capital in WTT Holding at the consideration of HK\$5,489,756,860, of which (i) HK\$3,548,819,204 will be satisfied by allotment and issuance of the Consideration Shares; and (ii) HK\$1,940,937,656 will be satisfied by issuance of the Vendor Loan Notes in the following manner:

- (a) HK\$1,774,409,602 by the allotment and issuance of 152,966,345 Consideration Shares by the Company to TPG Wireman at an issue price of HK\$11.60 per Consideration Share, representing approximately 11.66% of the total issued share capital of the Company as at the Completion Date and approximately 10.34% of the total issued share capital of the Company as at the Completion Date on a fully diluted basis;
- (b) HK\$1,774,409,602 by the allotment and issuance of 152,966,345 Consideration Shares by the Company to Twin Holding at an issue price of HK\$11.60 per Consideration Share, representing approximately 11.66% of the total issued share capital of the Company as at the Completion Date and approximately 10.34% of the total issued share capital of the Company as at the Completion Date on a fully diluted basis;

- (c) the issuance of non-voting, nil-coupon Vendor Loan Notes with a principal amount of HK\$970,468,828 to TPG Wireman, convertible into Shares at the option of TPG Wireman on and subject to the terms and conditions set out in the Convertible Vendor Loan Instrument; and
- (d) the issuance of non-voting, nil-coupon Vendor Loan Notes with a principal amount of HK\$970,468,828 to Twin Holding, convertible into Shares at the option of Twin Holding on and subject to the terms and conditions set out in the Convertible Vendor Loan Instrument.

As part of the Proposed Transaction, the Group will assume the existing indebtedness of WTT Group in the amount of US\$670 million (equivalent to approximately HK\$5,259 million), being the outstanding amount of the WTT Senior Notes, excluding the cash and cash equivalents of WTT Group as at 30 June 2018 in the amount of approximately HK\$260 million. This results in an overall enterprise value of WTT Group of approximately HK\$10,489,011,951.

Assuming full conversion of the Vendor Loan Notes at the conversion price of HK\$11.60 per Share, the Vendor Loan Notes will be convertible into approximately 167,322,212 Shares, representing approximately 12.76% of the projected total issued share capital of the Company immediately following Completion and approximately 11.31% of the total issued share capital of the Company as at the Completion Date on a fully diluted basis.

The Consideration Shares and the Conversion Shares will be allotted and issued pursuant to the Specific Mandate to be granted by the Shareholders at the EGM.

Following Completion, WTT Holding and all of its subsidiaries will become wholly-owned indirect subsidiaries of the Company and the financial information of WTT Group will be consolidated into the accounts of the enlarged Group.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Proposed Transaction exceeds 100%, the Proposed Transaction constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements.

THE EGM

The EGM will be convened to consider and, if thought fit, approve, among other things: (i) the Merger Agreement and the transactions contemplated thereunder; (ii) the Specific Mandate for the allotment and issue of the Consideration Shares and the Conversion Shares; and (iii) the appointment of the respective nominee of each of TPG Wireman and Twin Holding as a director to the Board, in each case as further detailed in this announcement.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, no Shareholder has a material interest in the Proposed Transaction, and hence no Shareholder is required to abstain from voting on the proposed ordinary resolution(s) to approve the Merger Agreement and the transactions contemplated thereunder at the EGM.

IRREVOCABLE UNDERTAKINGS

On 7 August 2018, the Company received the Irrevocable Undertakings from the Committed Shareholders, pursuant to which each of the Committed Shareholders has undertaken to, among other things, vote or procure votes to approve (i) the Proposed Transaction; and (ii) the Specific Mandate for the allotment and issuance of the Consideration Shares and the Conversion Shares at the EGM. For further details, please refer to the section headed "Irrevocable Undertakings" below.

GENERAL

A circular containing, among other things, (i) further details of the Proposed Transaction; (ii) the financial information of the Group and WTT Holding; (iii) the unaudited pro forma financial information of the Group as enlarged by WTT Holding upon Completion; and (iv) the notice of the EGM, is expected to be despatched to the Shareholders on or before 8 October 2018, as additional time is required to prepare the aforesaid information for inclusion in the circular.

WARNING

Shareholders should note that Completion is subject to a number of conditions including approval of the Shareholders at the EGM. Accordingly, there is no assurance that the Proposed Transaction will be completed in the event that any of the conditions to the Completion is not fulfilled. Shareholders and potential investors should, accordingly, exercise caution when dealing in the shares or other securities (if any) of the Company.

INTRODUCTION

The Board is pleased to announce that on 7 August 2018 (after trading hours), the Company, its direct wholly-owned subsidiary MLCL, TPG Wireman and Twin Holding entered into the Merger Agreement, pursuant to which, among other things, MLCL has conditionally agreed to purchase, and TPG Wireman and Twin Holding have conditionally agreed to sell, the entire issued share capital in WTT Holding for the Consideration. The Consideration will be settled by the allotment and issuance of the Consideration Shares and the issuance of Vendor Loan Notes to TPG Wireman and Twin Holding, both of which will be allotted and issued pursuant to the Specific Mandate to be granted by the Shareholders at the EGM.

PRINCIPAL TERMS OF THE MERGER AGREEMENT

Date:

7 August 2018

Parties:

- (1) TPG Wireman and Twin Holding;
- (2) MLCL; and
- (3) the Company

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, save for (i) the immaterial aggregate attributable indirect passive interest of CPPIB (which is also a shareholder in the Company) in TPG Wireman and Twin Holding, and (ii) the immaterial aggregate attributable indirect passive interest of GIC (which is also a shareholder in the Company) in TPG Wireman and Twin Holding, and their respective ultimate beneficial owners, TPG Wireman and Twin Holding are third parties independent of the Company and its connected persons.

Shares to be acquired:

As at the date of this announcement, WTT Holding is jointly owned by TPG Wireman and Twin Holding, with each party holding 50% of the share capital of WTT Holding.

Pursuant to the Merger Agreement, MLCL will acquire the entire issued share capital in WTT Holding from TPG Wireman and Twin Holding on Completion. Upon Completion, WTT Holding and all of its subsidiaries will become wholly-owned indirect subsidiaries of the Company, and the financial information of WTT Group will be consolidated into the accounts of the enlarged Group.

Consideration

The Consideration will be satisfied at Completion, of which (i) HK\$3,548,819,204 will be satisfied by allotment and issuance of the Consideration Shares; and (ii) HK\$1,940,937,656 will be satisfied by issuance of the Vendor Loan Notes in the following manner:

- (a) HK\$1,774,409,602 by the allotment and issuance of 152,966,345 Consideration Shares by the Company to TPG Wireman at an issue price of HK\$11.60 per Consideration Share, representing approximately 11.66% of the total issued share capital of the Company as at the Completion Date and approximately 10.34% of the total issued share capital of the Company as at the Completion Date on a fully diluted basis;
- (b) HK\$1,774,409,602 by the allotment and issuance of 152,966,345 Consideration Shares by the Company to Twin Holding at an issue price of HK\$11.60 per Consideration Share, representing approximately 11.66% of the total issued share capital of the Company as at the Completion Date and approximately 10.34% of the total issued share capital of the Company as at the Completion Date on a fully diluted basis;

- (c) the issuance of non-voting, nil-coupon Vendor Loan Notes with a principal amount of HK\$970,468,828 to TPG Wireman, convertible into Shares at the option of TPG Wireman on and subject to the terms and conditions set out in the Convertible Vendor Loan Instrument; and
- (d) the issuance of non-voting, nil-coupon Vendor Loan Notes with a principal amount of HK\$970,468,828 to Twin Holding, convertible into Shares at the option of Twin Holding on and subject to the terms and conditions set out in the Convertible Vendor Loan Instrument.

As part of the Proposed Transaction, the Group will assume the existing indebtedness of WTT Group in the amount of US\$670 million (equivalent to approximately HK\$5,259 million), being the outstanding amount of the WTT Senior Notes, excluding the cash and cash equivalents of WTT Group as at 30 June 2018 in the amount of approximately HK\$260 million. This results in an overall enterprise value of WTT Group of approximately HK\$10,489,011,951.

Each of TPG Wireman and Twin Holding has agreed that it will not withdraw any amount of cash and cash equivalents from WTT Group prior to Completion, and any increase in the cash and cash equivalents of WTT Group from the date of this announcement to the Completion Date shall be retained for the benefit of the enlarged Group.

For further details of the Consideration Shares and the Vendor Loan Notes, please refer to the sections headed “Consideration Shares” and “Terms of the Vendor Loan Notes” below.

Basis of the Consideration

The Consideration was determined after arm’s length negotiations among TPG Wireman, Twin Holding and the Company (on behalf of MLCL) taking into account, among other things, (i) the trading multiples of comparables companies of similar business in the open market; (ii) the multiples implied by comparable transactions in similar industries and with similar business nature; (iii) relative earnings contribution of the Company and WTT Group; (iv) Company’s view of the assets, business and financial results of WTT Group; (v) the Company’s historical share price performance; (vi) the business development opportunities and prospects of WTT Group; and (vii) the factors set out in the section headed “Reasons for and Benefits of the Proposed Transaction” below.

Having considered the aforesaid factors, the Directors consider that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Consideration Shares

As at the date of this announcement, the Company has 1,005,666,666 Shares in issue. The Company will allot and issue 152,966,345 Consideration Shares to each of TPG Wireman and Twin Holding, each representing (i) approximately 15.21% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 11.66% of the issued share capital of the Company immediately after Completion and (iii) approximately 10.34% of the total issued share capital of the Company as at the Completion Date on a fully diluted basis.

The Consideration Shares will be allotted and issued at the issue price of HK\$11.60 per Consideration Share, which represents a discount of 1.53% to the 60 day VWAP of the Shares of HK\$11.78 per Share. It also represents:

- (a) a discount of approximately 5.38% to the closing price of HK\$12.26 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 5.92% to the average closing prices of HK\$12.33 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day; and
- (c) a discount of approximately 3.33% to the average closing prices of HK\$12.00 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day.

The issue price was arrived at after arm's length negotiations among TPG Wireman, Twin Holding and the Company (on behalf of MLCL) with reference to the market performance of the Shares. The Directors consider that the issue price of the Consideration Shares is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

The Consideration Shares will be allotted and issued pursuant to the Specific Mandate, and will rank pari passu with, and carry the same rights in all respect as, the Shares in issue on the date of such allotment and issue, including the rights to all dividends, distributions and other payments made or to be made for which the record date falls or after the date of such allotment and issue.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Vendor Loan Notes

Non-voting, nil-coupon Vendor Loan Notes with a principal amount of HK\$970,468,828 will be issued to each of Twin Holding and TPG Wireman as part of the Consideration. For further details of the terms of the Vendor Loan Notes, please refer to the section headed "Terms of the Vendor Loan Notes" in this announcement. Each of TPG Wireman and Twin Holding have undertaken to use best endeavours to convert the Vendor Loan Notes as soon as practicable after Completion, save where such conversion would trigger a mandatory general offer under the Takeovers Code.

Conditions

Completion is conditional upon, and subject to the fulfilment or waiver (where applicable) of, the following conditions precedent:

- (a) the Stock Exchange having granted the listing of, and permission to deal in the Consideration Shares and the Conversion Shares and such approval not having been withdrawn or revoked;
- (b) the passing of the necessary ordinary resolution(s) by the Shareholders at the EGM to be convened and held to approve the Merger Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issuance of the Consideration Shares and the Conversion Shares);

- (c) MLCL, TPG Wireman and Twin Holding being satisfied that the Completion would not have the effect or be likely to have the effect of substantially lessening competition in Hong Kong or would otherwise be compatible with section 3 of schedule 7 of the Competition Ordinance;
- (d) each of the fundamental warranties (which includes TPG Wireman's and Twin Holding's title to the shares of WTT Holding) provided by TPG Wireman and Twin Holding being true and accurate immediately prior to Completion; and
- (e) MLCL, the Company, TPG Wireman and Twin Holding being satisfied that the Completion would not result in an obligation on either of TPG Wireman or Twin Holding and/or any person acting, or being deemed to be acting, in concert (as such term is defined in the Takeovers Code) with either or both of them, to make a mandatory general offer for the Shares pursuant to Rule 26 of the Takeovers Code.

In determining whether condition (c) is satisfied, the parties will take into consideration whether written acknowledgment is received from the Office of Communications Authority or any other authority with jurisdiction to apply the provisions of the Competition Ordinance that the Proposed Transaction (if completed) will not have the effect or will be unlikely to have the effect of substantially lessening competition in Hong Kong or will otherwise be compliant with schedule 7 of the Competition Ordinance. If this condition is only capable of being satisfied subject to compliance with conditions or obligations imposed on the enlarged Group, the Company shall accept such conditions and obligations to the extent such conditions and obligations are not deemed to be unreasonable by the Company, TPG Wireman and Twin Holding. The Company shall have primary responsibility for satisfying condition (c), with TPG Wireman and Twin Holding cooperating with the Company by providing upon request such assistance as is required.

If any of the above conditions precedent is not fulfilled or waived (where applicable) by 12:00 noon on the Long Stop Date, the Merger Agreement will automatically terminate, unless the parties to the Merger Agreement agree by written agreement to extend the Long Stop Date. Upon termination, and the parties will have no further rights or obligations under the Merger Agreement, other than certain accrued rights and obligations at that time including the break fee as further detailed in the section headed "Break Fee" below.

Nomination right

From Completion, for so long as each of TPG Wireman and Twin Holding continues to hold not less than 10% of the Shares:

- (a) each of TPG Wireman and Twin Holding shall be entitled to nominate one person to the Board;
- (b) in the case of TPG Wireman, it shall be entitled to nominate one person to the Company's audit committee as a committee member;
- (c) in the case of TPG Wireman, it shall be entitled to nominate one person to the Company's remuneration committee as a committee member; and
- (d) in the case of Twin Holding, it shall be entitled to nominate one person to the Company's nomination committee as a committee member.

The power of a Shareholder to nominate Director(s) is provided in the articles of association of the Company (the “Articles of Association”). Pursuant to Article 12.3 of the Articles of Association, an extraordinary general meeting of the Company shall be convened on the written requisition of shareholders representing no less than 10% of the total voting rights of the Company. As such, each of TPG Wireman and Twin Holding will be entitled under the Articles of Association put forward a proposal to appoint Director(s) for consideration at a general meeting of the Company for so long as its shareholdings in the Company represents 10% or more of the total voting rights of the Company.

Break Fee

If Completion does not take place as a result of a failure to pass the necessary ordinary resolution(s) by the Shareholders at the EGM as described in the section headed “Conditions” above, the Company has agreed to pay TPG Wireman and Twin Holding a fixed amount of HK\$350,000,000 as compensation for costs incurred as part of the aborted transaction.

The break fee arrangement (including the amount of the break fee) was determined after arm’s length negotiations among TPG Wireman, Twin Holding and the Company (on behalf of MLCL) taking into account, among other things, (i) the potential damage to the WTT Group should the Proposed Transaction fail to proceed due to the relevant resolutions in the EGM not being passed by the Shareholders; (ii) the provision of a break fee arrangement is supported by precedents involving acquirors listed on the Stock Exchange; (iii) the amount of break fee, being approximately 3.3% of the overall enterprise value of WTT Group, is within the range of break fees offered in such precedents; and (iv) the provision of break fee being a pre-requisite for TPG Wireman and Twin Holding to enter into the Merger Agreement, with the Company being of the view that the Proposed Transaction would be beneficial to the Company and the Shareholders as a whole due to the reasons stated in the section headed “Reasons for and Benefits of the Proposed Transaction” below.

Having considered the aforesaid factors, the Directors consider that the break fee is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Waiver of dividend

TPG Wireman and Twin Holding irrevocably waive any entitlement to receive any dividend for the year ending 31 August 2018 from the Company to which they may otherwise be entitled by reason of their holding of the Consideration Shares and/or the Conversion Shares.

Completion

Completion will take place on the date falling ten (10) business days after the date on which the last of the conditions precedent under the Merger Agreement capable of being satisfied is satisfied or waived (as applicable), or such other date as may be agreed between MLCL, TPG Wireman and Twin Holding in writing.

Lock-up Period

During the period of 18 months immediately following the Completion Date (the “Lock-up Period”), TPG Wireman and Twin Holding shall be subject to the following transfer restrictions on the Consideration Shares, the Vendor Loan Notes and/or the Conversion Shares:

- (a) during the first 12 months of the Lock-Up Period, each of TPG Wireman and Twin Holding shall not transfer any of the Consideration Shares, the Vendor Loan Notes and/or the Conversion Shares, without the prior written consent of the Company, to any third person; and
- (b) during the last 6 months of the Lock-Up Period, each of TPG Wireman and Twin Holding shall not transfer an aggregate number of Consideration Shares, Vendor Loan Notes and/or Conversion Shares of more than 50% of the aggregate number of the Consideration Shares and the Conversion Shares (as if the Vendor Loan Notes had been converted in full at the relevant time) it received at Completion, without the prior written consent of Company.

Following the end of the Lock-up Period, each of TPG Wireman and Twin Holding will be free to transfer any of the Consideration Shares, Vendor Loan Notes and Conversion Shares to any party other than restricted transferees as agreed among TPG Wireman, Twin Holding and the Company from time to time. Any transfer of the Vendor Loan Notes shall be conditional on the Vendor Loan Notes being converted in full into Shares by the relevant transferee on closing of the relevant transfer.

During the Lock-up Period, other than the Conversion Shares, each of TPG Wireman and Twin Holding will not and will procure that any persons acting in concert with it will not acquire, or indirectly through any affiliates controlled by such party or any party acting in accordance with its direction acquire, any legal or beneficial title in, or economic right or interest under, any Shares.

TERMS OF THE VENDOR LOAN NOTES

Pursuant to the Merger Agreement, the Company shall issue the Vendor Loan Notes to TPG Wireman and Twin Holding at Completion pursuant to the terms and conditions of the Convertible Vendor Loan Instrument. The material terms of the Vendor Loan Notes are summarized as follows:

Principal amount	:	HK\$1,940,937,656
Maturity date	:	N/A (perpetual Vendor Loan Notes)
Interest rate/Coupon	:	Zero interest or coupon rate.
Status and Rights	:	The Vendor Loan Notes are non-voting notes which rank behind and subordinated to all other present and future unsecured and unsubordinated obligations of the Company, and upon conversion, the Conversion Shares will rank <i>pari passu</i> with, and carry the same rights in all respects, as the Shares in issue on the date of such allotment and issue.
		The holders of the Vendor Loan Notes shall enjoy the right to receive an amount equal to any dividends (whether in cash or scrip) made by the Company, on an as-converted basis.
Conversion price	:	The initial conversion price is HK\$11.60 per Conversion Share, subject to limited adjustments in the event of stock splits or consolidation of the Company's share capital.

The initial conversion price represents a discount of 1.53% to the 60 day VWAP of the Shares of HK\$11.78 per Share. It also represents:

- (a) a discount of approximately 5.38% to the closing price of HK\$12.26 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 5.92% to the average closing prices of HK\$12.33 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day; and
- (c) a discount of approximately 3.33% to the average closing prices of HK\$12.00 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day.

The conversion price was arrived at after arm's length negotiations among TPG Wireman, Twin Holding, MLCL and the Company with reference to the market performance of the Shares and the issue price of the Consideration Shares. The Directors consider that the conversion price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

The Conversion Shares will be allotted and issued pursuant to the Specific Mandate.

- Conversion period : At any time after the date of issue of the Vendor Loan Notes, provided that the Vendor Loan Notes may not be converted in circumstances where conversion of such would trigger a mandatory general offer by the holders of the Vendor Loan Notes and/or persons acting in concert with them (as such term is defined in the Takeovers Code).
- Redemption : Each interest in the Vendor Loan Notes is a perpetual interest in respect of which there is no fixed redemption date subject to limited exceptions, including the right of the holders of the Vendor Loan Notes to redeem upon the occurrence of an event of default by the Company.
- Conversion rights : At the discretion of the holders of the Vendor Loan Notes, provided that the Vendor Loan Notes may not be converted in circumstances where conversion of such would trigger a mandatory general offer by the holders of the Vendor Loan Notes and/or persons acting in concert with them (as such term is defined in the Takeovers Code).

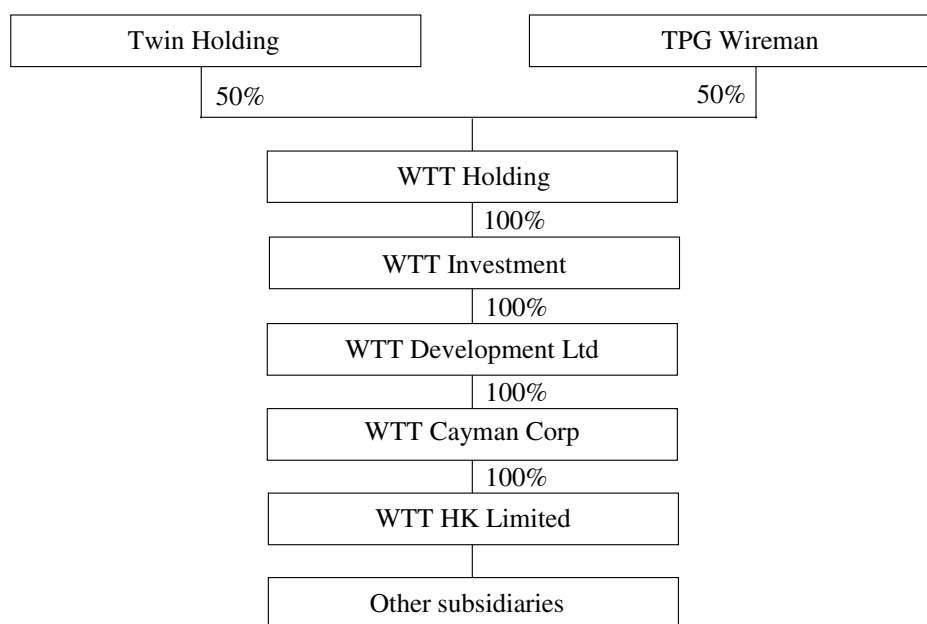
Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. It is expected that the Vendor Loan Notes will be accounted as equity by the Company.

IRREVOCABLE UNDERTAKINGS

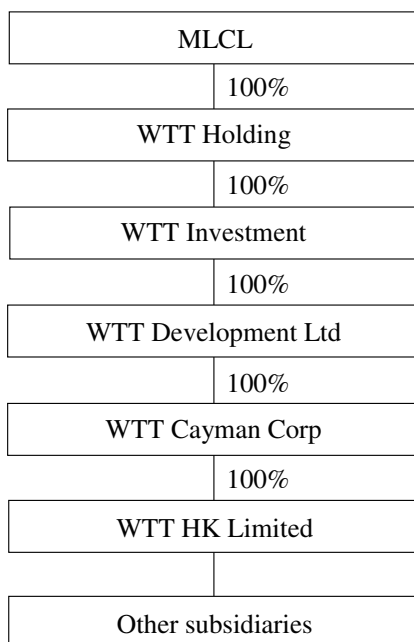
On 7 August 2018, the Company received the Irrevocable Undertakings from the Committed Shareholders, pursuant to which each of the Committed Shareholders has undertaken to, among other things, vote or procure votes to approve (i) the Proposed Transaction; and (ii) the Specific Mandate for the allotment and issuance of the Consideration Shares and the Conversion Shares at the EGM.

SHAREHOLDING STRUCTURE OF WTT GROUP BEFORE AND AFTER COMPLETION

The following diagram sets out the shareholding structure of WTT Group immediately prior to the Completion:



The following diagram sets out the shareholding structure of the enlarged Group immediately following the Completion:



INFORMATION OF WTT GROUP

WTT Holding is a company incorporated in the Cayman Islands with limited liability. It is an investment holding company which is principally engaged in the provision of telecommunication services to business communications market primarily in Hong Kong through its wholly-owned subsidiary in Hong Kong, namely WTT HK Limited. WTT HK Limited is an enterprise-focused fixed telecommunication services operator with significant fixed line infrastructure in Hong Kong, and over 20 years’ track record of serving local and international businesses.

Since its inception in 1995, WTT Group has invested more than HK\$7.0 billion (approximately US\$894.4 million) in its network to create Hong Kong’s leading fiber-optic end-to-end network. Over the last few years, WTT Group have invested heavily in its self-built fiber network in order to build sufficient capacity for delivering various types of telecommunication services to its customers. The network encompasses a wide range of network technologies to ensure compatibility with customers’ technologies and equipment. Upon completion of its “+EN” network expansion project in 2014, WTT Group had more than doubled its building coverage and upgraded its network to a major extent. With the completion of a substantive network upgrade and expansion, the WTT Group operates one of the most extensive fiber-optic networks in Hong Kong covering more than 5,400 commercial buildings as of June 2018, effectively covering a substantial majority of the enterprise market in Hong Kong. WTT Group also provides end-to-end, tailor-made complex ICT solutions with differentiated value-added services via its in-house ICT service engines. WTT Group also operate, via a licensed PRC partner, a resilient internet protocol virtual private network in the PRC. The extensive international coverage of WTT Group is achieved via a combination of focused investments in the PRC and global partnerships.

There are four business segments of WTT Group, namely:

- (a) Data, which includes (i) local data, (ii) business broadband and (iii) international data services;
- (b) Voice, which includes (i) time-division multiplexing legacy voice services, (ii) internet protocol voice services and (iii) interconnect and other services;
- (c) International direct dialling (“IDD”), which includes (i) retail IDD, (ii) wholesale IDD and (iii) global conferencing; and
- (d) Information technology, which includes (i) system integration services, (ii) data center services, (iii) professional services and (iv) cloud services to multinational enterprises and telecommunication service providers.

Financial information of WTT Group

The revenue, profit from operations before depreciation, profit from operations, net profit (both before and after taxation and extraordinary items) and capital expenditure attributable to the business of WTT Group for financial years ended 31 December 2015, 2016 and 2017 and its unaudited management accounts in respect of the six months ended 30 June 2017 and 2018, prepared in accordance with the Hong Kong Financial Reporting Standards and WTT Group’s accounting policies and before alignment adjustments for the Group’s accounting policies, if any, are set out as follows:

<i>HK\$ million</i>	For the financial year ended			For the six months ended	
	31 Dec 2015 ⁽¹⁾ (Audited)	31 Dec 2016 ⁽¹⁾ (Audited)	31 Dec 2017 ⁽²⁾ (Audited)	30 June 2017 ⁽³⁾ (Unaudited)	30 June 2018 ⁽³⁾ (Unaudited)
Revenue	1,991	2,037	2,106	1,051	1,048
Normalized EBITDA (unaudited) ⁽⁴⁾	773	834	842	436	410
Profit from operations	362	428	280	168	159
Net profit before taxation	331	405	(212)	15	6
Net profit after taxation	301	339	(263)	(15)	(21)
Capital expenditure	274	305	300	141	158

Notes:

1. Financial data for the years ended 31 December 2015 and 2016 are based on the audited accounts of WTT HK Limited (formerly known as Wharf T&T Ltd.), being an indirect wholly-owned subsidiary of WTT Holding.
2. Financial data for the year ended 31 December 2017 is based on the audited accounts of WTT Investment, being a wholly-owned subsidiary of WTT Holding.
3. Financial data for six months ended 30 June 2017 and 2018 are based on the unaudited management accounts of WTT Investment, being a wholly-owned subsidiary of WTT Holding.
4. Normalized EBITDA of WTT Group represents profit before taxation, plus finance costs, depreciation, amortization, one off government rent, specific provisions related to disputes from a customer and certain rebranding costs.

For the year ended 31 December 2017, approximately 55%, 17%, 13% and 15% of the revenue of WTT Investment was generated from its data, voice, IDD and information technology business segments, respectively.

The total assets of WTT Investment as shown in WTT Investment's audited accounts as at 31 December 2017 and in its unaudited management accounts as at 30 June 2018, prepared in accordance with the Hong Kong Financial Reporting Standards and WTT Investment's accounting policies and before alignment adjustments for the Group's accounting policies, if any, were HK\$10,449 million and HK\$10,379 million, respectively, and the net assets of WTT Investment for the same period were HK\$4,112 million and HK\$4,091 million, respectively.

On 14 November 2017, WTT Investment issued 5.50% US\$ denominated senior notes due 2022 with a principal amount of US\$670,000,000. As at 30 June 2018, the outstanding balance of the WTT Senior Notes was US\$670,000,000.

The cash and cash equivalents of WTT Investment as shown in WTT Investment's audited accounts as at 31 December 2017 and in its unaudited management accounts as at 30 June 2018, prepared in accordance with the Hong Kong Financial Reporting Standards and WTT Investment's accounting policies and before alignment adjustments for the Group's accounting policies, if any, were HK\$253 million and HK\$258 million, respectively.

The cash and cash equivalents of WTT Holding Corp. as shown in WTT Holding Corp.'s unaudited management accounts as at 30 June 2018, amounted to US\$238,607 (equivalent to approximately HK\$2 million).

INFORMATION ABOUT THE PARTIES

The Company and MLCL

The Company and its subsidiaries are principally engaged in the provision of fibre high-speed broadband service (symmetrical 100 Mbps and above) in Hong Kong, offering a diversified portfolio of premier telecom services to both residential and enterprise markets, including broadband and Wi-Fi access, communication, entertainment and Cloud solutions. MLCL is a limited liability company incorporated under the laws of the Cayman Islands and a wholly-owned subsidiary of the Company.

TPG Wireman

TPG Wireman is a limited partnership registered under the laws of the Cayman Islands, and is an affiliate of TPG. TPG is a global alternative asset firm founded in 1992 with approximately \$84 billion of assets under management and offices in Austin, Beijing, Boston, Dallas, Fort Worth, Hong Kong, Houston, London, Luxembourg, Melbourne, Moscow, Mumbai, New York, San Francisco, Seoul, and Singapore. TPG's investment platforms are across a wide range of asset classes, including private equity, growth venture, real estate, credit, public equity and infrastructure.

Twin Holding

Twin Holding is an exempted company with limited liability incorporated under the laws of the Cayman Islands and is principally engaged in investment holding. Twin Holding is beneficially owned by MBK Partners Fund III, L.P., which is an affiliate of MBK Partners. Founded in 2005, MBK Partners is one of the largest private equity funds in Asia with capital under management of over US\$15 billion. MBK Partners focuses on North Asia and has developed expertise in various industries, including consumer and retail, telecommunications and media, financial services, healthcare, logistics and industrials. MBK Partners has completed transactions of over US\$21 billion in aggregate value over the past twelve years.

REASONS FOR AND BENEFITS OF THE PROPOSED TRANSACTION

The Proposed Transaction will potentially allow the Group to more than double its scale in the enterprise solutions (“ES”) market, expand its network coverage and customer base, and result in synergies from expected efficiencies from the combined company and from cross-selling to the combined customer base that will make the combined business a more efficient and effective competitor in Hong Kong to the benefit of Hong Kong consumers. Specifically, the Directors and management of the Company expect to realize the following key benefits through the Proposed Transaction:

Value creation: attractive synergy opportunities

When combined, it is believed that WTT Group network’s larger scale (from both revenue and coverage perspectives) and customer base profile will offer synergies from an integrated operations basis as the Company integrates its existing ES business with WTT Group’s platform and fully utilize the fibre coverage owned by WTT Group. Similarly, the integrated businesses will allow WTT Group to tap on the Group’s expertise in network and technology rollout, marketing, product development, human capital building and unique service offerings. The combined businesses will have extensive network coverage, significant scale efficiencies and diverse and complementary service offerings, allowing the Group to increase its service effectiveness, reduce industry wastage, and pass efficiency enhancements to customers.

The Directors and management of the Company expect to realize synergies in the following specific areas:

- Savings in network cost due to the combined scale and thus enhanced bargaining power with regard to dealing with suppliers;
- Savings in general and administrative expenses including office rental expense with optimising and relocation of the offices of WTT Group to lower cost areas;
- Savings in IP transit and IDD cost from scaled benefits from pooled procurement and optimizing to lowest rates;
- General improved cost efficiency due to enhanced scale and improved quality of services to offer more cost competitive and higher value proposition products to customers;

- Revenue synergy from cross-selling of telecom products and mobile services offered by the Group and WTT Group to the combined customer base;
- Revenue synergy from upselling more fixed enterprise products by having an enhanced scale, improved building coverage, better network diversity, and enlarged product portfolio; and
- As and when approved by the Shareholders after Completion, the Group intends to extend its Co-Ownership incentives to the qualifying Talents in WTT Group so as to encourage skin-in-game for achieving group objectives.

It is expected that there will be post-acquisition synergy representing approximately 7% to 10% of the combined business' cash operating expenses on an annualized basis.

The capital expenditures of WTT HK Limited for the year ended 31 December 2015 and 2016 were HK\$274 million and HK\$305 million, respectively, and that of WTT Investment for the year ended 31 December 2017 was HK\$300 million, and for the six months ended 30 June 2017 and 2018 were HK\$141 million and HK\$158 million, respectively. It is also expected that as a result of being able to combine capital expenditure spending and rationalizing of the Group's capital expenditure by utilizing the fibre coverage owned by WTT Group, the Proposed Transaction will result in meaningful capital expenditure savings for the combined company of approximately HK\$60 million on an annualized basis.

Such synergies are expected to be reflected in full from the third year following Completion.

Network: Acquire immediate access to significant network and building access footprint

WTT Group has an extensive, self-built and end-to-end network covering more than 5,400 commercial buildings. This is more than double the Group's existing network coverage of approximately 2,400 commercial buildings as of February 2018. In 2010, WTT Group launched the "+EN" project, an approximately HK\$1 billion investment in a territory-wide network infrastructure expansion with fibre directly built into the offices for Hong Kong business customers, which has been substantially completed in 2014. WTT Group has spent a total capital expenditure of approximately HK\$1.6 billion cumulatively over the last five years from 2013 to 2017. In doubling the Group's commercial buildings coverage, the Proposed Transaction is likely to increase the Group's reach in the ES market significantly and provide additional route diversity for overlapping coverage buildings and network. After the Proposed Transaction, the Group will be able to operate a more comprehensive platform capable of supporting larger enterprise requirements and provide foundations for upcoming ICT services. The Proposed Transaction will also provide a toehold internationally by utilizing WTT Group's regional and international network coverage.

Customer base: Expansion into large enterprise customer base

The Group's existing enterprise customer base of 56,000 are primarily small medium enterprises. WTT Group has more than 56,000 enterprise customers of which many are large corporates, across a wide array of industries as well as carriers for the year ended 31 December 2017. WTT Group serves all financial institutions listed on the Hang Seng Index, most of the global top 100 financial institutions (as ranked by Forbes) with offices in Hong Kong, major global investment banks, approximately 90% of licensed banks incorporated in Hong Kong, and most HKSAR government departments. As such, the Proposed Transaction represents a unique and attractive opportunity for the Group to expand its customer base into large enterprises and carriers and diversify its customer base across a wider portfolio of clients and industries. The Proposed Transaction will also allow the Group to build upon WTT Group's customer relationships and track record with large enterprises to further develop the broader enterprise telecommunications sector in Hong Kong.

Services: Significant enhancement in service capabilities and diversification of business portfolio

WTT Group derives substantially all of its revenues from commercial customers, a portion of which are large enterprises and carriers on the back of ICT service capabilities that cater to the sophisticated and evolving demands of large enterprises and carriers. Such capabilities include network solutions, cloud, system integration and data centers which are highly complementary to the Group's currently SME-focused ES business. Likewise, the Group expects to extend its ES mobile service offerings and increase wallet share of WTT Group's existing customer base. By offering a comprehensive "one-stop" solution for enterprise customers, the Group will be well-positioned to capture opportunities in the fast-growing cloud, 5G and system integration businesses. As a result, with greater presence and capabilities in the ES market, the combination will allow the Group to compete more effectively with incumbent players of the broader enterprise telecommunications sector in Hong Kong.

In view of the above, the Directors are of the view that the Proposed Transaction will create significant value for the Group and, hence, the terms and conditions of the Merger Agreement and the transactions contemplated thereunder (including the Proposed Transaction) are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the allotment and issue of the Consideration Shares; and (iii) immediately after the allotment and issue of the Consideration Shares and the Conversion Shares upon full conversion of the Vendor Loan Notes at the conversion price of HK\$11.60 per Conversion Share are set out below:

Shareholders	As at the date of this announcement		Immediately after the allotment and issue of the Consideration Shares		Immediately after the allotment and issue of the Consideration Shares and full conversion of the Vendor Loan Notes	
	Shares	Approx. %	Shares	Approx. %	Shares	Approx. %
CPPIB	182,405,000	18.14%	182,405,000	13.91%	182,405,000	12.33%
GIC ⁽¹⁾	87,284,797	8.68%	87,284,797	6.65%	87,284,797	5.90%
The Capital Group Companies, Inc. ⁽²⁾	92,704,500	9.22%	92,704,500	7.07%	92,704,500	6.27%
Matthews International Capital Management, LLC ⁽³⁾	60,350,000	6.00%	60,350,000	4.60%	60,350,000	4.08%
Mr. Bradley Jay HORWITZ	250,000	0.02%	250,000	0.02%	250,000	0.02%
Mr. William Chu Kwong YEUNG	26,989,149	2.68%	26,989,149	2.06%	26,989,149	1.82%
Mr. Ni Quiaque LAI	32,930,001	3.27%	32,930,001	2.51%	32,930,001	2.23%
Sub-total	482,913,447	48.02%	482,913,447	36.82%	482,913,447	32.65%
TPG Wireman	–	–	152,966,345	11.66%	236,627,451	16.00%
Twin Holding	–	–	152,966,345	11.66%	236,627,451	16.00%
Other Public Shareholders	522,753,219	51.98%	522,753,219	39.86%	522,753,219	35.35%
Total	1,005,666,666	100.00%	1,311,599,356	100.00%	1,478,921,568	100.00%

Notes:

- 87,284,797 Shares are held by GIC in the capacity of investment manager.
- The Capital Group Companies, Inc. through its subsidiaries, namely Capital International, Inc., Capital International Limited, Capital International Sarl, and Capital Research and Management Company held 3,297,500 Shares, 297,000 Shares, 4,043,500 Shares and 85,066,500 Shares in the Company, respectively, and are accordingly deemed to be interested in the respective Shares held by the aforesaid companies.
- 60,350,000 ordinary shares are held by Matthews International Capital Management, LLC in the capacity of investment manager.
- Certain percentage figures included in this table are subject to rounding adjustment. Accordingly, figures shown as total may not be an arithmetic aggregation of the figures preceding them.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Proposed Transaction exceeds 100%, the Proposed Transaction constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements.

FUND RAISING ON ISSUE OF EQUITY SECURITIES BY THE COMPANY IN THE LAST 12 MONTHS

The Company did not carry out any fund raising activities during the 12 months immediately preceding the date of this announcement.

THE EGM

The EGM will be convened to consider and, if thought fit, approve, among other things, (i) the Merger Agreement and the transactions contemplated thereunder; (ii) the Specific Mandate for the allotment and issue of the Consideration Shares and the Conversion Shares; and (iii) the appointment of the respective nominee of each of TPG Wireman and Twin Holding as a director to the Board, in each case as further detailed in this announcement.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, no Shareholder has a material interest in the Proposed Transaction, and hence no Shareholder is required to abstain from voting on the proposed ordinary resolution(s) to approve the Merger Agreement and the transactions contemplated thereunder at the EGM.

CO-OWNERSHIP PLAN III

Reference is made to the announcement dated 2 November 2017 and the circular dated 16 November 2017 issued by the Company in relation to the Co-Ownership Plan III of the Company, which is a restricted share unit scheme adopted by the Company for its Talents. The Proposed Transaction will, if it proceeds to Completion, constitute a M&A Event (as defined in the aforesaid circular) under the Co-Ownership Plan III. As the basis for awarding the award shares of the Company under the Co-Ownership Plan III was determined by reference to aspirational performance targets of the Group prior to the undertaking of the Proposed Transaction, and in view that no grant of restricted share unit has been made under the plan since its adoption, the Board considered it appropriate to suspend the operation of the Co-Ownership Plan III until the finalisation of the Proposed Transaction. Subject to the Proposed Transaction proceeding to Completion, the Board may consider exercising its power and discretion under the plan to terminate the Co-Ownership Plan III and, at an appropriate time in the future, proposing a revised incentive plan that has performance targets determined by reference to, among others, the Group on an enlarged basis after Completion of the Proposed Transaction to substitute the Co-Ownership Plan III.

GENERAL

A circular containing, among other things, (i) further details of the Proposed Transaction; (ii) the financial information of the Group and WTT Holding; (iii) the unaudited pro forma financial information of the Group as enlarged by WTT Holding upon Completion; and (iv) the notice of the EGM is expected to be despatched to the Shareholders on or before 8 October 2018, as additional time is required to prepare the aforesaid information for inclusion in the circular.

WARNING

Shareholders should note that Completion is subject to a number of conditions including approval of the Shareholders at the EGM. Accordingly, there is no assurance that the Proposed Transaction will be completed in the event that any of the conditions to the Completion is not fulfilled. Shareholders and potential investors should, accordingly, exercise caution when dealing in the shares or other securities (if any) of the Company.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors
“Committed Shareholders”	CPPIB and GIC
“Committed Shares”	Shares held by the Committed Shareholders as at the date of the EGM
“Company”	HKBN Ltd., an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange
“Competition Ordinance”	the Competition Ordinance (Chapter 619 of the Laws of Hong Kong)
“Completion”	completion of the Proposed Transaction in accordance with the Merger Agreement
“Completion Date”	the date of completion of the Proposed Transaction stipulated under the Merger Agreement, being the tenth (10th) business days after the date on which the last of the conditions precedent under the Merger Agreement capable of being satisfied is satisfied or waived (as applicable), or such other date as may be agreed between MLCL, TPG Wireman and Twin Holding in writing
“Convertible Vendor Loan Instrument”	The instrument constituting the HK\$1,940,937,656 zero coupon subordinated unsecured perpetual convertible loan of the Company

“Consideration”	HK\$5,489,756,860, being the fixed aggregate consideration without adjustment to be paid by the Company to TPG Wireman and Twin Holding for the Proposed Transaction, which will be settled by the allotment and issuance of the Consideration Shares and the Vendor Loan Notes
“Consideration Shares”	new Shares to be allotted and issued by the Company to settle part of the Consideration, comprising (i) 152,966,345 Shares to TPG Wireman, and (ii) 152,966,345 Shares to Twin Holding
“Conversion Shares”	the Share(s) to be allotted and issued by the Company upon conversion of the Vendor Loan Notes
“CPPIB”	Canada Pension Plan Investment Board, a shareholder of the Company holding 182,405,000 Shares as at the date of this announcement
“Director(s)”	director(s) of the Company
“EGM”	an extraordinary general meeting of the Company
“GIC”	GIC Private Limited, a shareholder of the Company holding 87,284,797 Shares as at the date of this announcement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Irrevocable Undertakings”	the irrevocable undertakings given by each of the Committed Shareholders, each dated 7 August 2018 in respect of the Committed Shares in favour of the Company as mentioned in the section headed “Irrevocable Undertakings” in this announcement
“Last Trading Day”	7 August 2018, being the last trading day of the Shares immediately prior to the date of signing of the Merger Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	6 January 2019 or such later date as the parties to the Merger Agreement may agree in writing
“Merger Agreement”	the sale and purchase agreement dated 7 August 2018 and entered into among the Company, MLCL, TPG Wireman and Twin Holding in respect of the Proposed Transaction
“MLCL”	Metropolitan Light Company Limited, an exempted company incorporated in the Cayman Island with limited liability and a wholly-owned subsidiary of the Company

“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Transaction”	the proposed sale of the entire issued share capital of WTT Holding from TPG Wireman and Twin Holding to MLCL pursuant to the Merger Agreement
“Share(s)”	ordinary share(s) of HK\$0.0001 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the specific mandate to be granted by the Shareholders at the EGM to allot and issue the Consideration Shares and the Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers
“TPG Wireman”	TPG Wireman, LP, a limited partnership with registered office at Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands
“Twin Holding”	Twin Holding Ltd, an exempted company incorporated with limited liability under the laws of the Cayman Islands
“US\$”	United States dollars, the lawful currency of the United States of America
“Vendor Loan Notes”	the vendor loan notes to be issued by the Company to settle part of the Consideration, and convertible into the Conversion Shares pursuant to the terms and conditions set out in the Convertible Vendor Loan Instrument and the Merger Agreement, comprising (i) the Vendor Loan Notes with a principal amount of HK\$970,468,828 to be issued to TPG Wireman, and (ii) the Vendor Loan Notes with a principal amount of HK\$970,468,828 to be issued to Twin Holding
“VWAP”	in respect of a Share on any trading day, the order book volume-weighted average price of a Share published by or derived from Bloomberg (or any successor service) page HK Equity VAP or such other source as shall be determined to be appropriate by an independent investment bank on such trading day, provided that on any such trading day where such price is not available or cannot otherwise be determined as provided above, the VWAP of a Share in respect of such trading day shall be the VWAP, determined as provided above, on the immediately preceding trading day on which the same can be so determined

“WTT Holding”	WTT Holding Corp., a company incorporated in the Cayman Island with limited liability
“WTT Investment”	WTT Investment Ltd, a company incorporated in the Cayman Island with limited liability, and a wholly-owned subsidiary of WTT Holding as at the date of this announcement
“WTT Group”	WTT Holding and its subsidiaries
“WTT Senior Notes”	the 5.50% US\$ denominated senior notes due 2022 with a principal amount of US\$670,000,000 issued by WTT Investment on 14 November 2017
“%”	per cent

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

Hong Kong, 7 August 2018

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

Executive Directors

Mr. William Chu Kwong YEUNG
Mr. Ni Quiaque LAI

Independent Non-executive Directors

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

Non-executive Director

Ms. Deborah Keiko ORIDA

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

For the purpose of this announcement, unless otherwise indicated, conversion of US\$ into HK\$ are calculated at the approximate exchange rate of US\$1.00 to HK\$7.8492. This exchange rate is for purpose of illustration only and do not constitute a representation that any amount have been, could have been, or may be, exchanged at this or another rate.

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