

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.**

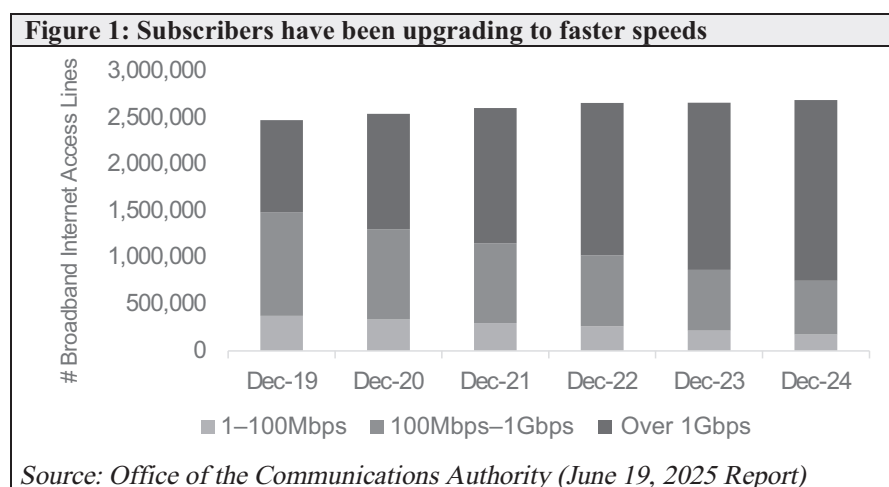
My assessment is based on a combination of my three decades of operational experience in the telecom industry and current macroeconomic trends. To sum up:

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



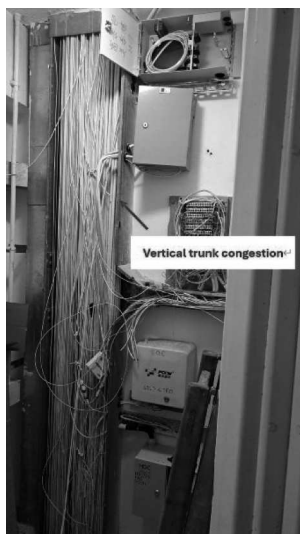
- (2) **Recurring Revenue:** Our core Fixed Telecom Network Services (“FTNS”) service revenue has over 70% profit margin consistently over the past 5 years and is underpinned by 2 to 4-year contracts in the residential market and 2 to 10-year contracts in the enterprise market.
- (3) **Robust Number 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%
<b>2024–25 (estimated)</b>	<b>19,352</b>	<b>22%</b>

\* 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%
<b>2024</b>	<b>9,960</b>	<b>2,620</b>	<b>10.2%</b>	<b>20.3%</b>

\* 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:**

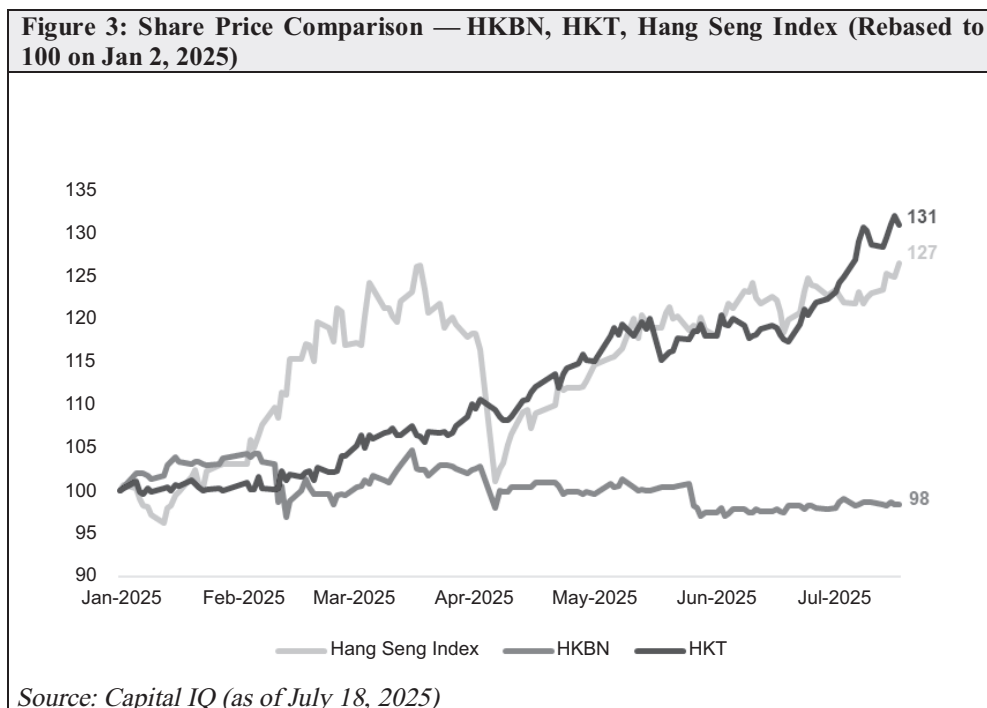
When the Share Offer was announced in December 2024, the Offer Price was determined under markedly different market conditions, with the market just beginning to recover from a challenging year, reflecting CMHK's view on valuation and merger synergies at that time.

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**”).

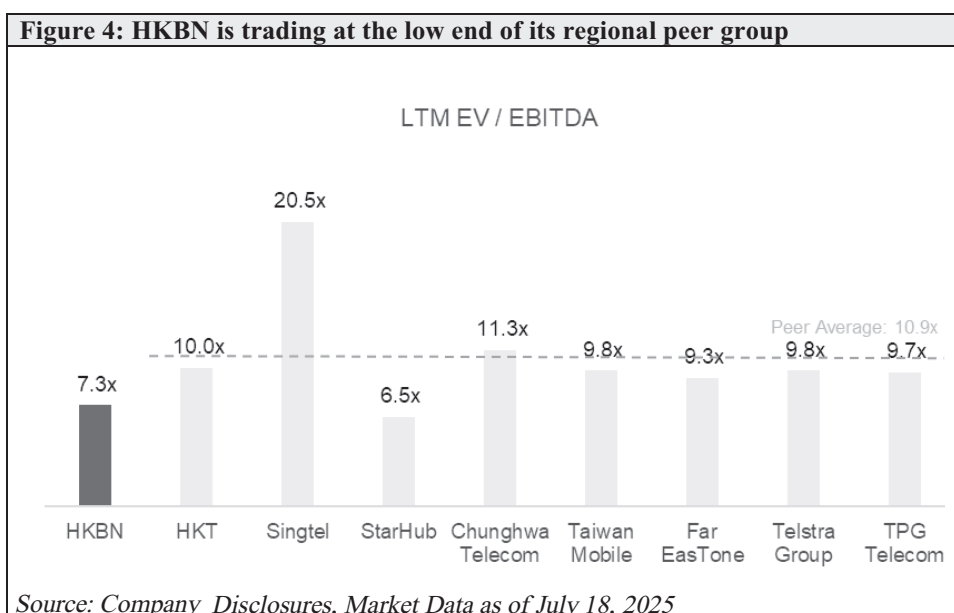
These factors would also benefit HKBN, particularly HIBOR, given its impact on HKBN's cash flow and dividends.

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.



- 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.



- 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,

A handwritten signature in black ink, appearing to read 'Yeung Chu Kwong' in a cursive style.

**YEUNG CHU KWONG**  
Executive Director