香港寬頻
HONG KONG BROADBAND NETWORK

NON-CONFIDENTIAL VERSION

Response to the Notice issued on 29 May 2025 to Seek Representations regarding the Communications Authority's Intended Acceptance of Commitments Offered by CMHK under Section 60 of the Competition Ordinance in relation to the Proposed Acquisition of HKBN Ltd. by CMHK (the "Notice")[1]

1. Overview

1.1 The Proposed Transaction is very important to HKBN. We see ourselves as a Hong Kong success story of entrepreneurship and innovation – from our humble beginnings with our ambition to disrupt, to our current cutting-edge 25Gbps GigaFast network, empowering businesses and households across Hong Kong with unmatched speed, reliability, and innovation. Looking ahead, we are excited by the company's strategic direction towards AI-powered enterprise solutions and next-gen residential experiences, to enable a smarter, faster, and more resilient tomorrow.

1.2 Customers and partnerships are at the heart of HKBN's strategy and operations. They are key to the long-term growth and success of the company, which is an important driver of shareholder value going forward for the shareholders who decide to retain their HKBN shares.[2] That is why one of HKBN's key priorities in making this representation is to ensure the interests of our customers and business partners are protected. We want to ensure our customers can continue to benefit from world-leading telecommunications services and to sustain our mutual success with our business partners, many of whom require the services we provide to compete effectively with larger, more integrated, rivals. This is critical to the continued competitiveness and resilience of Hong Kong's telecommunications industry, which HKBN has played a central role in building up.

1.3 The CA has identified one competition concern that needs to be addressed through commitments, namely reduced competition in retail broadband and local access networks for buildings "*currently covered by CMHK and/or HKBN*" as "*where CMHK and/or HKBN have installed and own in-building telecommunications systems therein, there may be one less competitor for the provision of fixed telecommunications services in such buildings post-merger*".[3]

1.4 HKBN wishes to make a number of observations on the Notice and the likely impact of the Proposed Transaction on the relevant markets in Hong Kong. As the target of the Proposed Transaction and since the proposed Commitments relate entirely to HKBN's telecommunications infrastructure, HKBN's perspective is very pertinent. As above, we are keen to ensure the interests of our customers and business partners are fully considered and, while the Notice is silent on these issues, we trust the CA will agree they warrant careful consideration as part of its merger review.

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[1] This submission adopts the same terms as used in the Notice, unless otherwise stated.

[2] This is consistent with CMHK's announcements on 2 December 2024 and 28 May 2025 that its "*objective in making the Offers is not to privatise the Company, the Offers are designed to succeed upon the Offeror securing valid acceptances that result in the Offeror and persons acting in concert with it holding more than 50% of the Company's voting rights*".

[3] Notice, paragraph 5.

2. It is essential that our customers can continue to benefit from access to wholesale and backhaul services at reasonable rates

2.1 The Notice states that CMHK and HKBN have a "*considerable*" presence in the mobile services market and fixed services market in Hong Kong. Their respective positions in each of these markets, combined with the enhanced possibility to bundle both mobile and fixed services, mean non-horizontal competition issues could be relevant and the potential for foreclosure effects should be carefully considered.

2.2 First, HKBN notes that the provision of its wholesale and backhaul services to customers was not considered in the Notice. The provision of wholesale services accounts for [CONFIDENTIAL]% of HKBN's EBITDA, and thus forms a considerable part of HKBN's business. A number of industry players, many of whom compete with CMHK, currently rely on HKBN to provide these wholesale/backhaul services at reasonable rates that enable them to offer their own mobile services at competitive prices. If these players have to find alternatives to HKBN for wholesale/backhaul services, it is likely that their costs would increase or the coverage would be significantly reduced, in both cases resulting in a reduction of competition at the retail level. Similarly, if the merged entity were to increase its wholesale rates, this would increase the costs for mobile rivals, again resulting in a reduction of competition at the retail level. This could drive up prices and reduce choice and quality for business customers and consumers, which would be a very unfortunate outcome for the telecommunications industry in Hong Kong.

2.3 The CA has considered such vertical issues in previous cases. In the *HKBN/WTT* case, wholesale concerns were identified and mitigated by requiring HKBN to commit to keep the terms of existing wholesale agreements unchanged or no less favourable for three years.

2.4 Second, the Proposed Transaction could create a converged player that will substantially alter the competitive landscape for telecommunications in Hong Kong. Whilst it could be argued that the economies of scale and scope enjoyed by converged players may lead to reduced prices and thus are beneficial to consumers in the short-term, it is also important to consider the longer-term impact on the competitive landscape for the telecommunications sector in Hong Kong. We have seen a recent example of this in the Hong Kong online food delivery platform market, whereby Deliveroo – in the midst of fierce competition and financial losses – exited the Hong Kong market, citing "*dynamics specific to the Hong Kong market*" and Hong Kong being *"adjusted EBITDA negative*" for the business.[4] It is also an issue that the Chinese competition authority, the State Administration for Market Regulation ("**SAMR**") discussed at a meeting it convened with solar, automotive and technology companies on the effect of so-called involution (内卷) on those sectors, in which a focus on short-term competition reduces innovation and

[4] See Deliveroo's press release dated 10 March 2025: https://ir.design-portfolio.co.uk/viewer/79/75092

investment.[5] President Xi Jinping also called for a "*focus on rectifying 'involution-style' competition in some sectors*".[6]

3. Customers and partners must continue to benefit from investment in telecommunications infrastructure

3.1 The Notice makes a reference to the fact that, absent the merger, CMHK indicated it would "*continue rolling out its fixed network in the future*".[7] HKBN strongly believes that continued investment, by CMHK, HKBN and other industry players, is crucial for the development and long-term competitiveness of Hong Kong's telecommunications sector. That is why HKBN has invested heavily to stay at the forefront of technological advancements and network development, investing resources to expand network coverage and upgrade infrastructure. A recent example is our strategic partnership with Nokia to accelerate the deployment of next generation ultra high-speed broadband, adopting the latest 25G PON technology to empower customers with 25Gbps ultra high-speed and low-latency broadband services, which is 250 times faster than the current 100Mbps broadband.

3.2 With this in mind, it would be unfortunate, and detrimental to competition in the relevant fixed network markets, if such investment into Hong Kong infrastructure were to be "lost" in any way as a direct result of the Proposed Transaction. As such, HKBN would welcome any obligation on CMHK to make capital investments in HKBN's network infrastructure to ensure the continued competitiveness of the relevant markets.

3.3 The importance of continued investment in the telecommunications sector has been considered in the context of a merger review in other jurisdictions. For example, the UK Competition and Markets Authority (the "**CMA**") recently reviewed the merger of Vodafone UK and Three UK and cleared the deal subject to a remedies package which included a commitment to invest £11 billion (around HK$115 billion) in the UK's 5G network over an eight-year period. As well as leading to a significant improvement in mobile network quality, the CMA found that this commitment would benefit end customers more widely through a competitive response from the merged entity's two main competitors, through encouraging them to provide a better wholesale and retail offering to compete more effectively with the merged entity.[8]

4. Protection of sensitive commercial information is critical

4.1 HKBN also notes the utmost importance of confidentiality to our customers and business partners, particularly after the Proposed Transaction. In many cases, HKBN's customers

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[5] See "China strives to end vicious price wars plaguing several industries", SCMP, available at https://www.scmp.com/economy/china-economy/article/3300213/china-strives-end-vicious-price-wars-plaguing-several-industries

[6] See, '综 合 整 治"内 卷 式"竞 争,维 护 公 平 竞 争 市 场 秩 序', 人 民 日 报, available at https://paper.people.com.cn/rmrb/pc/content/202505/16/content_30073531.html

[7] Notice, paragraph 4.

[8] See further, ME/7064/23, Vodafone Group PLC/CK Hutchison Holdings Limited Final Report, available at https://assets.publishing.service.gov.uk/media/6756f990f96f5424a4b877b7/Final_report_9_December_2024.pdf.

and business partners are direct competitors to CMHK, who have strong concerns over CMHK gaining access to their sensitive data, such as [CONFIDENTIAL].

4.2 Access to such sensitive data could allow CMHK to obtain a competitive advantage over its rivals that they deem unfair, and which would harm competition in the telecommunications sector in Hong Kong. This means the protection of such data is essential to ensure the continued confidence from our customers and partners and continued effective and fair competition in Hong Kong.

4.3 Again, it is not uncommon for issues of confidentiality in vertical mergers to be addressed in the context of the merger review – there are recent examples of this both in China and the EU. For example, in *Advanced Micro Devices/Xilinx*,[9] the merged entity was required to: (1) establish an information barrier between the merged entity and third-party competitors, ensuring the protection of sensitive competition-related data; and (2) store confidential information from third-party manufacturers in independent hardware systems that do not communicate with each other. In the European Commission's review of *London Stock Exchange Group (LSEG)/Refinitiv*,[10] they required the merged entity to establish an information barrier between LSEG's sensitive customer data and Refinitiv's data businesses, preventing exchanges that could disadvantage third-party vendors.

5. Conclusion

5.1 As above, customers and partners are at the heart of HKBN's business and we are keen to ensure that the interests of our customers and business partners are protected going forward. Given our pertinent knowledge of the likely impact of the Proposed Transaction on the Hong Kong market, we trust this submission will be highly beneficial for the CA's review and assist the CA in ensuring that the Proposed Transaction does not result in any harm to competition in the relevant markets. We are ready to engage further with the CA wherever practicable and would be happy to answer any questions the CA may have.

[9] See "市场监管总局关于附加限制性条件批准超威半导体公司收购赛灵思公司股权案反垄断审查决定的公告", 国家市场监督管理总局, available at https://www.samr.gov.cn/zt/qhfldzf/art/2022/art_559ff7bb6316477795ab123dc1bb6afd.html

[10] See "Mergers: Commission clears acquisition of Refinitiv by London Stock Exchange Group, subject to conditions", European Commission, available at https://ec.europa.eu/commission/presscorner/detail/el/ip_21_103