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 lability)

Global Offering

Stock Code: 1310

Joint Sponsors, Joint Global Coordinators and Joint Bookrunners (in alphabetical order)

Goldman Sachs J.P.Morgan UBS

Joint Bookrunners (in alphabetical order)

CLSA
A CITIC Securities Company
HSBC

Co-Lead Managers (in alphabetical order)

BEA東亞銀行 BNP PARIBAS

新鴻基金融集團
SUN HUNG KAI FINANCIAL

Financial Adviser

ROTHSCHILD

BROADBAND THE WAY IT SHOULD BE.

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

HKBN Ltd.
香港寬頻有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**644,866,500 Sale Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**80,608,000 Sale Shares (subject to reallocation)**
Number of International Offer Shares	**564,258,500 Sale Shares (subject to reallocation and the Over-allotment Option)**
Maximum Offer Price	**HK$9.00 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**HK$0.0001 per Share**
Stock Code	**1310**

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A copy of this prospectus, having attached thereto the documents specified in "*Appendix VII — Documents Delivered to the Registrar of Companies and Available for Inspection*", has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement among the Joint Global Coordinators (on behalf of the Hong Kong Underwriters), MLGHL and the Company on the Price Determination Date, which is expected to be on or about 5 March 2015 and, in any event, not later than 11 March 2015. The Offer Price will not be more than HK$9.00 per Offer Share and is expected to be not less than HK$8.00 per Offer Share, unless otherwise announced.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except that Offer Shares may be offered, sold or delivered (a) in the United States solely to QIBs pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act or (b) outside the United States in offshore transactions in reliance on Regulation S.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in "*Risk Factors*". The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in "*Underwriting*".

27 February 2015

The Company will be relying on Section 9A of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) and will be issuing the **WHITE**, **YELLOW** and **PINK** Application Forms without them being accompanied by a printed prospectus. The contents of the printed prospectus are identical to the electronic version of the prospectus which can be accessed and downloaded from the websites of the Company at **www.hkbnltd.net** and the Stock Exchange at **www.hkexnews.hk** under the "*HKExnews > Listed Company Information > Latest Listed Company Information*" section, respectively.

Members of the public may obtain a copy of the printed prospectus, free of charge, upon request during normal business hours from 9:00 a.m. on Friday, 27 February 2015 until 12:00 noon on Wednesday, 4 March 2015 at the following locations:

1. any of the following branches of the receiving banks for the Hong Kong Public Offering:

(a) **The Bank of East Asia, Limited**

District	Branch Name	Address
Hong Kong Island	Main Branch	10 Des Voeux Road Central, Central
	Wanchai Branch	Shop A-C, G/F, Easey Commercial Building, 253-261 Hennessy Road, Wanchai
	North Point Branch	326-328 King's Road, North Point
	Taikoo Shing Branch	Shop G1010-1011, Yiu Sing Mansion, Taikoo Shing
Kowloon	Tsim Sha Tsui Branch	Shop A & B, Milton Mansion, 96 Nathan Road, Tsim Sha Tsui
	Mei Foo Sun Chuen Branch	Shop N57, G/F, Mount Sterling Mall, Mei Foo
New Territories	Metro City Plaza Branch	Shop 243, Level 2, Metro City Plaza I, 1 Wan Hang Road, Tseung Kwan O
	Tsuen Wan Branch	239-243 Sha Tsui Road, Tsuen Wan

(b) **Standard Chartered Bank (Hong Kong) Limited**

District	Branch Name	Address
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	Causeway Bay Branch	G/F to 2/F, Yee Wah Mansion, 38-40A Yee Wo Street, Causeway Bay
Kowloon	Kwun Tong Branch	G/F, 414 Kwun Tong Road, Kowloon
	Telford Gardens Branch	Shop P9-12, Telford Centre, Telford Gardens, Tai Yip Street, Kwun Tong
	Lok Fu Shopping Centre Branch	Shop G201, G/F., Lok Fu Shopping Centre
New Territories	Metroplaza Branch	Shop No. 175 - 176, Level 1, Metroplaza, 223 Hing Fong Road, Kwai Chung
	Shatin Plaza Branch	Shop No. 8, Shatin Plaza, 21-27 Shatin Centre Street, Shatin, New Territories, Hong Kong
	Maritime Square Branch	Shop 308E, Level 3, Maritime Square, Tsing Yi

2. any of the following offices of the Joint Global Coordinators:

   (a) **Goldman Sachs (Asia) L.L.C.**, at 68th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong;

   (b) **J.P. Morgan Securities (Asia Pacific) Limited**, at 28th Floor, Chater House, 8 Connaught Road Central, Hong Kong; and

   (c) **UBS AG, Hong Kong Branch**, at 52nd Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong; and

3. the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

Details of where printed prospectuses may be obtained will be displayed prominently at every branch of The Bank of East Asia, Limited and Standard Chartered Bank (Hong Kong) Limited where WHITE Application Forms are distributed.

During normal business hours from 9:00 a.m. on Friday, 27 February 2015 until 12:00 noon on Wednesday, 4 March 2015, at least three copies of the printed prospectus will be available for inspection at every location where the **WHITE** and **YELLOW** Application Forms are distributed as set out in *"How to Apply for Hong Kong Offer Shares and Talent Offer Shares"*.

PINK Application Forms made available to Eligible Talents from	9:00 a.m. on Friday, 27 February 2015
Hong Kong Public Offering and Talent Offering commence and **WHITE** and **YELLOW** Application Forms available from	9:00 a.m. on Friday, 27 February 2015
Latest time for lodging **PINK** Application Forms	12:00 noon on Tuesday, 3 March 2015
Latest time for completing electronic applications under the **HK eIPO White Form** service through the designated website at **www.hkeipo.hk**[2]	11:30 a.m. on Wednesday, 4 March 2015
Application lists open[3].	11:45 a.m. on Wednesday, 4 March 2015
Latest time for (a) lodging **WHITE** and **YELLOW** Application Forms, (b) completing payment for **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (c) giving **electronic application instructions** to HKSCC	12:00 noon on Wednesday, 4 March 2015
Application lists close[3]	12:00 noon on Wednesday, 4 March 2015
Expected Price Determination Date	Thursday, 5 March 2015
(1) Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the Talent Offering and the basis of allocations of the Hong Kong Offer Shares and the Talent Offer Shares to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before	Wednesday, 11 March 2015
(2) Results of allocations in the Hong Kong Public Offering and the Talent Offering to be available through a variety of channels as described in *"How to Apply for Hong Kong Offer Shares and Talent Offer Shares — Publication of Results"* from	Wednesday, 11 March 2015
(3) Announcement containing (1) and (2) above to be published on the websites of the Company and the Stock Exchange at **www.hkbnltd.net** and **www.hkexnews.hk** from	Wednesday, 11 March 2015
Despatch of Share certificates and e-Auto Refund payment instructions/refund cheques on or before[4]	Wednesday, 11 March 2015
Dealings in the Shares on the Stock Exchange expected to commence on	Thursday, 12 March 2015

Notes:

(1) All dates and times refer to Hong Kong dates and times.

(2) You will not be permitted to submit your application under the **HK eIPO White Form** service through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of the application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning signal or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 4 March 2015, the application lists will not open and close on that day. See "*How to Apply for Hong Kong Offer Shares and Talent Offer Shares*" for further details.

(4) The Share certificates will only become valid at 8:00 a.m. on the Listing Date, which is expected to be Thursday, 12 March 2015, provided that the Global Offering has become unconditional in all respects at or before that time. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares and Talent Offer Shares, see *"Structure of the Global Offering"* and *"How to Apply for Hong Kong Offer Shares and Talent Offer Shares"*, respectively.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such a case, the Company will make an announcement as soon as practicable thereafter.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Neither the Company nor any of the Relevant Persons has authorised anyone to provide you with any information or to make any representation that is different from what is contained in this prospectus.

CONTENTS

This summary is intended to give you an overview of the information contained in this prospectus. Since it is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide whether to invest in the Offer Shares. Some of the particular risks of investing in the Offer Shares are set out in "Risk Factors" and you should read that section carefully before you decide to invest in the Offer Shares.

Statements contained in this summary that are not historical facts may be forward-looking statements. Such statements are based on certain assumptions. While the Directors consider such assumptions to be reasonable, whether actual results will meet our expectations will depend on a number of risks and uncertainties over which we have no control. Under no circumstances should the inclusion of such information in this prospectus be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by the Company or any of the Relevant Persons or that these results will be achieved or are likely to be achieved.

OVERVIEW

We are the largest provider of residential fibre broadband services in Hong Kong by number of residential subscriptions, with a market share of 53.7% of the residential fibre broadband market as at 31 August 2014 according to MPA. We are also the second largest residential broadband Internet service provider in Hong Kong, with a 34.2% market share in residential broadband Internet subscriptions as at 31 August 2014, based on market statistics published by OFCA.

Since 2000, we have invested significantly to build one of the most extensive fibre networks in Hong Kong. As at 31 August 2014, the accumulated cost of HKBN's fixed assets in telecommunications, computer and office equipment, leasehold land and buildings and leasehold improvements amounted to approximately HK$4.1 billion. These fixed assets primarily relate to, and are an integral part of, our network. As at the Latest Practicable Date, our coverage exceeded 2.10 million residential homes passed, covering approximately 79% of Hong Kong's total residential units, and more than 1,900 commercial buildings in Hong Kong, which represents a majority of the high-end commercial buildings targeted by the Company. Our fibre network from end to end is substantially self-owned and has the capacity to deliver a range of advanced telecommunications services to our customers.

We generate turnover primarily from two major businesses: our residential and enterprise businesses. Our residential business mainly consists of fixed telecommunications network services including high-speed broadband Internet access services of symmetric 100 Mbps to 1,000 Mbps, VoIP services and other telecommunications services including IP-TV services to residential customers. Residential broadband Internet access services generate the majority of our turnover, and also drives demand for our other residential telecommunications services when offered as a bundled service. Our enterprise business mainly consists of broadband, VoIP, MetroNet private network services and other telecommunications services to enterprise customers.

Industry and Competition

Our main competitors in the Hong Kong broadband and related telecommunications services market are HKT Limited ("**HKT**"), Hutchison Global Communications Limited ("**HGC**"), Wharf T&T

Limited ("**Wharf T&T**"), i-Cable Communications Limited ("**i-Cable**") and New World Telecom Company Limited ("**New World**"). HKT, the incumbent fixed telecommunications operator in Hong Kong, is our primary competitor in the residential broadband market, which is our core business and from which we derive the majority of our turnover.

As at 13 January 2015, there were 21 facilities based licensees who were permitted to provide local fixed carrier services in Hong Kong, and there were 201 Internet service providers licensed to provide broadband services. Despite the liberalisation of Hong Kong's fixed telecommunications industry, there are still a number of factors which make it difficult to introduce further competition to the market. These include the time and significant upfront investment required to build out a fixed network, the right-of-way permissions required from the Hong Kong Government as well as the building owners, and the physical limitations due to the limited number of utility conduits within buildings, which are already congested with existing connections. See "*Industry Overview*" for more details.

Key Performance Indicators

We believe that our key performance indicators are useful metrics for monitoring the operational performance of the Company. The table below sets out the key performance indicators of our operations as at the dates indicated. The definitions and method of calculation for each of these metrics are set out in "*Glossary of Technical Terms*".

	As at 31 August			As at 30 November
	2012	2013	2014	2014
	(*in thousands, except percentages*)			(*in thousands, except percentages*)
Residential business				
Residential homes passed:	2,012	2,039	2,088	2,102
Subscriptions(1)				
- Broadband	626	660	692	710
- Voice	471	574	576	570
Market Share(2)				
- Broadband(3)	30.4%	32.7%	34.2%	35.0%
- Voice(4)	19.5%	23.1%	23.4%	22.9%
Residential customers	737	764	779	791
Broadband churn rate(5)	0.6%	0.6%	0.8%	0.5%
Enterprise business				
Commercial building coverage:	1.6	1.8	1.9	1.9
Subscriptions(1)				
- Broadband	23	26	28	30
- Voice	64	72	81	85
Market Share(2)				
- Broadband(6)	11.1%	11.7%	12.0%	12.6%
- Voice(7)	3.5%	3.9%	4.4%	4.6%
Enterprise customers	27	29	32	34
Broadband churn rate(8)	1.0%	1.0%	1.2%	0.9%

	For the year ended 31 August			For the three months ended 30 November	
	2012	2013	2014	2013	2014
		(HK$)		(HK$)	
Residential ARPU[9]	155[11]	158	175	170	183
Enterprise ARPU[10]	910[11]	948	1,026	998	1,018

Notes:

(1) An individual residential subscriber can have more than one subscription. Broadband and voice subscriptions are presented separately although these services are typically bundled. Similarly, an individual enterprise customer can have more than one enterprise subscription and often has multiple subscriptions for voice services.

(2) Based on OFCA statistics.

(3) Our market share in residential broadband services in Hong Kong is calculated by dividing the number of residential broadband subscriptions we have at a given point in time by the total number of residential broadband subscriptions recorded by OFCA at the same point in time.

(4) Our market share in residential voice services in Hong Kong is calculated by dividing the number of residential voice subscriptions we have at a given point in time by the total number of residential voice subscriptions recorded by OFCA at the same point in time.

(5) Calculated by dividing the sum of the monthly broadband churn rate for each month of the given financial year / period by the number of months in the year / period. Monthly broadband churn rate is calculated by the sum of the number of residential broadband subscription terminations in a month divided by the average number of residential broadband subscriptions during the respective month and multiplying the result by 100%.

(6) Our market share in enterprise broadband services in Hong Kong is calculated by dividing the number of enterprise broadband subscriptions we have at a given point in time by the total number of enterprise broadband subscriptions recorded by OFCA at the same point in time.

(7) Our market share in enterprise voice services in Hong Kong is calculated by dividing the number of enterprise voice subscriptions we have at a given point in time by the total number of enterprise voice subscriptions recorded by OFCA at the same point in time.

(8) Calculated by dividing the sum of the monthly broadband churn rate for each month of the given financial year / period by the number of months in the year / period. Monthly broadband churn rate is calculated by the sum of the number of enterprise broadband subscription terminations in a month divided by the average number of enterprise broadband subscriptions during the respective month and multiplying the result by 100%.

(9) Calculated by dividing the revenue generated in the relevant period from services subscribed by residential broadband subscribers, which include broadband services and any bundled voice, IP-TV and/or other entertainment services, by the number of average residential broadband subscriptions and further dividing by the number of months in the relevant period. Average residential broadband subscriptions is calculated by dividing the sum of such subscriptions at the beginning of the period and the end of the period by two. Our use and computation of Residential ARPU differs from the industry definition of ARPU due to our tracking of turnover generated from all services subscribed by residential broadband subscribers. We believe this gives us a better tool for observing the performance of our business as we track our residential ARPU on a bundled rather than standalone basis. See "*Industry Overview — Hong Kong Residential Broadband Internet Market — ARPU*".

(10) Calculated by dividing the revenue generated in the relevant period from the enterprise business (excluding revenue from IDD services) by the average number of enterprise customers and further dividing by the number of months in the relevant period. Average number of enterprise customers is calculated by dividing the sum of enterprise customers as at the beginning of the period and the end of the period by two. This metric may be distorted by the impact of certain particularly large contracts we have with enterprise customers.

(11) The revenue figures for the year ended 31 August 2012 used for calculating these measures are based on revenue of HKBN.

KEY RISKS AND UNCERTAINTIES

There are risks and uncertainties involved in investing in the Shares. These risks and uncertainties can be categorised as (a) risks relating to our business and operations, (b) risks relating to the legal and regulatory environment in which we operate, (c) risks relating to our PRC operations and (d) risks relating to an investment in the Shares. See "*Risk Factors*" for more details. The following highlights some of the key risks that affect our business:

- Pricing and other competitive pressures from our competitors;
- Changes in the structure and regulation of the Hong Kong fixed telecommunications industry, including its further liberalisation or other regulatory reforms;
- A more competitive market as the result of new entrants or the consolidation of existing competitors in the Hong Kong telecommunications market;
- Failure to successfully compete against our competitors in response to technological advances, evolving industry standards and changing consumer demands in the telecommunications industry;
- The expansion of our network coverage may be limited by physical limitations and access to buildings;
- Damage to our network infrastructure, whether through natural causes or by third parties; and
- We maintain a significant amount of indebtedness and are highly geared.

COMPETITIVE STRENGTHS

We believe that our unique corporate culture and state-of-the-art network infrastructure allow us to offer best-in-class telecommunications services at competitive prices. We believe that our competitive strengths are:

- We have a Talent-oriented Co-Ownership culture that aligns risks and rewards with Shareholders;
- We are the largest residential fibre broadband Internet service provider in Hong Kong with attractive industry fundamentals;
- Our attractive value proposition drives continued market share gain and potential ARPU growth;
- Our extensive, state-of-the-art fibre network provides operating leverage for further subscription growth;
- We have a strong presence in the enterprise market with significant growth prospects; and
- We have strong cash flow growth from a resilient and visible business with a highly scalable cost structure.

STRATEGIES

We intend to harvest our substantially invested network and leverage our comprehensive suite of service offerings to further drive incremental revenues, profits and cash flow. We have implemented the following strategies to achieve this:

- Continue to invest in our Talents to drive our successful growth;
- Leverage our competitive value proposition to drive further residential subscription growth;
- Enhance our customer yield through segmentation and up-selling initiatives;
- Further penetrate the enterprise market; and
- Enhance our profitability through operating leverage and effective cost management initiatives.

SUMMARY OF SELECTED FINANCIAL INFORMATION OF THE GROUP

The following tables set forth selected historical financial data of the Group as at and for the period ended 31 August 2012, the years ended 31 August 2013 and 2014 and the three months ended 30 November 2013 and 2014. We have derived this summary from the Group's combined audited financial statements, which have been prepared and presented in accordance with HKFRS and are set forth in the Accountants' Report on the Financial Information of the Group in Appendix IA. The Group's financial information for the period from 15 March 2012 to 31 August 2012 presents partial year results of the Group following the acquisition of our network and related assets by the Group on 30 May 2012 and reflects only three months of operations for the period ended 31 August 2012 following such acquisition. These results are not directly comparable to the full year results of the Group for the years ended 31 August 2013 and 2014.

The summary below should be read in conjunction with "*Financial Information*", the Group's combined financial information as at 31 August 2012, 2013 and 2014 and as at 30 November 2013 and 2014, and for the period from 15 March 2012 to 31 August 2012, and for the years ended 31 August 2013 and 2014, and for the three months ended 30 November 2013 and 2014, including the related notes set forth in Appendix IA, as well as the standalone financial information of HKBN, our principal operating subsidiary, as at and for the years ended 31 August 2012, 2013 and 2014 and the related notes set forth in Appendix IB.

The principal differences between the Accountants' Report on the Financial Information of the Group included as Appendix IA and the Accountants' Report on the Financial Information of HKBN included as Appendix IB are:

- the Group's combined financial information only includes the operating results and financial position of HKBN and other subsidiaries since the dates they were acquired;
- the Group recognised the net assets of HKBN at fair value at the time of the CVC Acquisition which results in related income statement effects (such as the amortisation of intangible assets related to the CVC Acquisition) in the Group's results of operations but not HKBN's results of operations;

- the results of operations of Y5Zone Limited, a Wi-Fi wholesaler in Hong Kong that the Group acquired in January 2013 are included in the Group's financial information, but not in HKBN's financial information; and

- the additional finance costs and outstanding indebtedness related to bank loans and senior notes that were borrowed by subsidiaries other than HKBN are included in the Group's financial information, but not in HKBN's financial information.

Selected Income Statement Data of the Group

	For the period from 15 March to 31 August	For the years ended 31 August		For the three months ended 30 November	
	2012	2013	2014	2013	2014
	HK$	HK$ (in thousands)	HK$	HK$ (in thousands) (unaudited)	HK$
Turnover	553,874	1,949,434	2,131,581	497,436	553,780
Other net income	4,071	7,265	12,925	6,763	5,043
Network costs and costs of sales	(151,617)	(305,167)	(287,121)	(60,645)	(67,234)
Other operating expenses	(384,096)	(1,460,091)	(1,560,777)	(377,443)	(389,543)
Finance costs	(47,207)	(301,401)	(191,570)	(46,632)	(43,578)
(Loss) / profit before taxation	(24,975)	(109,960)	105,038	19,479	58,468
Income tax	(6,252)	(29,038)	(51,488)	(10,672)	(19,301)
(Loss) / profit for the period / year	(31,227)	(138,998)	53,550	8,807	39,167

The table below summarises the turnover generated by our residential services, enterprise services and product revenue.

	For the period from 15 March to 31 August	For the years ended 31 August		For the three months ended 30 November	
	2012	2013	2014	2013	2014
	HK$	HK$ (in thousands)	HK$	HK$ (in thousands) (unaudited)	HK$
Residential revenue	368,137	1,489,829	1,630,472	392,997	425,500
Enterprise revenue	87,463	370,763	422,975	99,270	111,663
Product revenue	98,274	88,842	78,134	5,169	16,617
Turnover	553,874	1,949,434	2,131,581	497,436	553,780

We have de-emphasised IP-TV and IDD services and expect these services to decline as a percentage of our overall turnover. The increases in our revenue during the Track Record Period have been partially offset by our de-emphasis of IP-TV and IDD services.

We sold 83 million, 291 million, 260 million and 64 million IDD calling minutes for the period from 15 March 2012 to 31 August 2012 and for the years ended 31 August 2013 and 2014 and the three months ended 30 November 2014, respectively. We generated revenue from IDD services of HK$43.7 million, HK$159.6 million, HK$149.9 million and HK$35.8 million for the period from 15 March 2012 to 31 August 2012 and the years ended 31 August 2013 and 2014 and the three months ended 30 November 2014, respectively. While the IDD services business remains relatively profitable in line with our primary business based on direct costs associated with providing IDD services, we believe that competition from other operators and increased technology substitution will negatively impact the turnover generated from IDD services in the future. See "*Industry Overview — IDD Services in Hong Kong*" for further details.

Selected Balance Sheet Data of the Group

	As at 31 August			As at 30 November
	2012	2013	2014	2014
	HK$	HK$ (in thousands)	HK$	HK$ (in thousands)
Non-current assets	5,400,294	5,212,960	5,001,036	4,948,366
Current assets	412,765	642,381	718,389	737,013
Current liabilities	(446,675)	(457,444)	(552,348)	(491,612)
Net current (liabilities) / assets	(33,910)	184,937	166,041	245,401
Total assets less current liabilities	5,366,384	5,397,897	5,167,077	5,193,767
Non-current liabilities	(2,864,100)	(3,808,219)	(3,524,232)	(3,511,767)
Net assets	2,502,284	1,589,678	1,642,845	1,682,000
Share capital	8	8	8	8
Reserves	2,502,276	1,589,670	1,642,837	1,681,992
Total equity	2,502,284	1,589,678	1,642,845	1,682,000

We had net current liabilities of HK$33.9 million as at 31 August 2012, which primarily reflected the current portion of our bank loan which was refinanced in January 2013 with the proceeds from our senior notes. We had a net current assets position as at 31 August 2013 and 2014 and 30 November 2014.

Selected Cash Flow Statement Data of the Group

	For the period from 15 March to 31 August	For the years ended 31 August		For the three months ended 30 November	
	2012	2013	2014	2013	2014
	HK$	HK$ (in thousands)	HK$	HK$ (unaudited)	HK$ (in thousands)
Net cash inflow from operating activities . . .	182,553	765,005	874,657	159,278	90,461
Net cash outflow from investing activities . . .	(4,910,811)	(388,575)	(324,072)	(64,571)	(72,257)
Net cash inflow / (outflow) from financing activities . . .	4,867,379	(207,958)	(425,047)	—	—
Net increase in cash and cash equivalents	139,121	168,472	125,538	94,707	18,204
Cash and cash equivalents as at the beginning of the period / year	—	139,283	310,029	310,029	435,630
Effect of foreign exchange rate changes	162	2,274	63	(55)	3
Cash and cash equivalents as at the end of the period / year	139,283	310,029	435,630	404,681	453,837

Other Financial Data of the Group

The measures of financial performance in the table below, namely EBITDA, EBITDA margin, Adjusted Free Cash Flow and Adjusted Net Profit, are non-HKFRS measures and accordingly are not audited, not included in the financial statements and not presented in accordance with HKFRS. Although these measures of financial performance are reconcilable to line items on the financial statements, they may not be equivalent to similarly named measures used by other companies and should not be considered as measures comparable to income statement items in the financial statements. They have limitations as analytical tools and should not be considered in isolation from, or as a substitute for, an analysis of our financial results presented under HKFRS.

For a reconciliation of these items to line items on the financial statements of the Company, see "*Selected Financial and Operating Data of the Group — Other Financial Data of the Group*".

	For the period from 15 March to 31 August	For the years ended 31 August		For the three months ended 30 November	
	2012	2013	2014	2013	2014
	HK$	HK$	HK$	HK$	HK$
	(in thousands, except percentages)			(in thousands, except percentages)	
EBITDA(1)(2)	158,560	740,589	845,281	211,355	235,571
EBITDA margin(1)(3)	28.6%	38.0%	39.7%	42.5%	42.5%
Adjusted Free Cash Flow(1)(4)	33,072	226,605	310,814	149,173	90,477
Capital expenditure	79,308	324,238	345,601	60,158	70,008
Adjusted Net Profit(1)(5)	47,786	201,110	253,940	63,848	80,081

Notes:

(1) EBITDA, EBITDA margin, Adjusted Free Cash Flow and Adjusted Net Profit are not measures of performance under HKFRS. These measures do not represent, and should not be used as substitutes for, net income or cash flows from operations as determined in accordance with HKFRS. These measures are not necessarily an indication of whether cash flow will be sufficient to fund our cash requirements. In addition, our definitions of these measures may not be comparable to other similarly titled measures used by other companies.

(2) EBITDA means profit / (loss) for the period / year plus finance costs, income tax expense, listing expenses, depreciation and amortisation of intangible assets and less interest income. EBITDA is not a measure of performance under HKFRS.

(3) EBITDA margin means EBITDA divided by turnover.

(4) Adjusted Free Cash Flow means EBITDA plus interest received and less capital expenditure, interest paid and tax paid, and adjusted by changes in working capital, other non-recurring items and other non-cash items. Working capital includes long term receivable and prepayment, inventories, accounts receivable, other receivables, deposits and prepayments, deferred expenditure, accounts payable, deposits received and deferred services revenue. Other non-recurring items, in the Track Record Period, include loss on disposal of interest in subsidiaries; and, in the future, may include one-time charges relating to corporate transactions. Other non-cash items, in the Track Record Period, include amortisation of obligations under granting of rights and, in the future, may include Co-Ownership Plan II related non-cash items and non-cash items similar to the above.

(5) Adjusted Net Profit means profit / (loss) for the period / year plus amortisation of intangible assets (net of deferred tax credit), non-recurring finance costs and other non-recurring items. Non-recurring finance costs, in the Track Record Period, include loss on extinguishment of senior notes and write-off of unamortised bank loan originating fee and, in the future, may include the write-off of unamortised borrowings originating fees and similar non-recurring finance costs. Other non-recurring items, in the Track Record Period, include transaction cost in connection with business combination, loss on disposal of interest in subsidiaries and listing expenses; and, in the future, may include listing expenses and one-time charges relating to corporate transactions.

SUMMARY OF SELECTED FINANCIAL INFORMATION OF OUR PRINCIPAL OPERATING SUBSIDIARY

The following table sets forth selected historical financial data of HKBN, the Group's principal operating subsidiary, as at and for the full years ended 31 August 2012, 2013 and 2014. We have derived this summary from HKBN's audited financial statements, which are prepared and presented in accordance with HKFRS and are set forth in the Accountants' Report on the Financial Information of HKBN in Appendix IB. The financial information of HKBN does not reflect the acquisition accounting adopted in preparing the Group's combined financial information, including the effects of the fair value adjustment to HKBN's net assets acquired in relation to the CVC Asia III Funds' acquisition of the Group in May 2012. We have included this information regarding the operations of HKBN, our principal operating subsidiary, as we believe it provides investors with useful information about the majority of our operations on a comparable basis for the full years ended 31 August 2012 and 2013. It should be considered as supplemental to, and not as a substitute or replacement for, the audited combined financial information of the Group included in Appendix IA.

Investors should not make any investment decision solely on the basis of the financial information of HKBN, our principal subsidiary, since it does not reflect the results of operations, financial position and cash flows of the Group.

Selected Income Statement Data for HKBN, Our Principal Operating Subsidiary

	For the full years ended 31 August		
	2012	2013	2014
	HK$	HK$ (in thousands)	HK$
Turnover	1,939,683	1,922,477	2,112,248
Profit before taxation	562,243	431,342	515,563
Profit and total comprehensive income for the year	495,166	358,769	428,020

KEY FINANCIAL RATIOS OF THE GROUP

The following table sets out certain financial ratios of the Group as at the dates indicated:

	As at and for the year ended 31 August			As at and for the three months ended 30 November
	2012	2013	2014	2014
EBITDA margin(1)	28.6%	38.0%	39.7%	42.5%
Return on equity(2)	N/A(8)	(8.7)%	3.3%	N/A(8)
Adjusted return on equity(3)	N/A(8)	12.7%	15.5%	N/A(8)
Return on total assets(4)	N/A(8)	(2.4)%	0.9%	N/A(8)
Adjusted return on tangible assets(5)	N/A(8)	7.7%	9.5%	N/A(8)
Gross debt to EBITDA ratio(6)	N/A(8)	4.4x	3.5x	N/A(8)
Net debt to EBITDA ratio(7)	N/A(8)	3.9x	3.0x	N/A(8)
Gearing ratio(9)	94.9%	203.2%	182.2%	178.2%
Adjusted gearing ratio(10)	89.3%	183.7%	155.7%	151.2%

Notes:

(1) EBITDA margin means EBITDA divided by turnover.

(2) Return on equity is calculated by dividing profit / (loss) for the year / period by shareholders equity and multiplying the result by 100%.

(3) Adjusted return on equity is calculated by dividing Adjusted Net Profit by shareholders equity and multiplying the result by 100%.

(4) Return on total assets is calculated by dividing profit / (loss) for the year / period by total assets and multiplying the result by 100%.

(5) Adjusted return on tangible assets is calculated by dividing Adjusted Net Profit by tangible assets and multiplying the result by 100%.

(6) Gross debt to EBITDA ratio is calculated by dividing gross debt as at the respective year / period end by EBITDA for the respective year / period. Gross debt is calculated as the total interest-bearing loans from banks, senior notes and other borrowings. EBITDA means profit / (loss) for the year / period plus finance costs, income tax expense, depreciation and amortisation of intangible assets and less interest income.

(7) Net debt to EBITDA ratio is calculated by dividing net debt as at the respective year / period end by EBITDA for the respective year / period. Net debt is defined as all borrowings net of cash and cash equivalents.

(8) The ratios as at and for the period from 15 March 2012 to 31 August 2012 and as at and for the three months ended 30 November 2014 are not applicable and potentially misleading as the underlying income statement measures do not reflect a full year of results of operations.

(9) Gearing ratio is calculated by dividing gross debt by total equity and multiplying the result by 100%. As part of the management and optimisation of our capital structure, we maintain a significant amount of indebtedness.

(10) Adjusted gearing ratio is calculated by dividing net debt by total equity and multiplying the result by 100%. As part of the management and optimisation of our capital structure, we maintain a significant amount of indebtedness.

THE CVC ACQUISITION

The CVC Acquisition, which was completed on 30 May 2012, comprised:

(a) the acquisition by MLCL of the entire issued share capital of each of HKBN Group Limited, Credibility Holdings Limited, Automedia Holdings Limited and other subsidiaries (the "**Telecom Group**") from HKTV for a consideration of HK$4,951 million on a cash-free, debt-free basis, which included the discharge of certain shareholder loans owed to HKTV; and

(b) the acquisition by Metropolitan Light (HK) Company Limited, a wholly-owned subsidiary of the Company, of the entire issued share capital of Guangzhou City Telecom Customer Services Co. Ltd. for a consideration of HK$61 million.

The cash consideration for the CVC Acquisition (after adjustment for the amount of cash, debt and working capital of the Telecom Group as at 31 March 2012) amounted to HK$4,873.6 million. As part of the CVC Acquisition, we entered into certain agreements with HKTV in relation to the use of our network and services. See "*Business — Our Network Infrastructure — Arrangements Related to the Use of our Network*".

MLGHL has not, since the CVC Acquisition, been involved in the day-to-day management of the Group.

Prior to the Global Offering, MLGHL held 68.44% (based on the Maximum Offer Price) or 68.54% (based on the Minimum Offer Price) of the Shares in issue. Following the Global Offering (assuming the Over-allotment Option is not exercised), MLGHL will be a substantial shareholder with approximately 14.44% (based on the Maximum Offer Price) or 14.53% (based of the Minimum Offer Price) of the Shares in issue. MLGHL is wholly-owned by the CVC Asia III Funds.

Immediately following the completion of the Reorganisation, the Capitalisation Issue and the Global Offering, MLGHL will be a substantial shareholder of the Company.

The CVC Asia III Funds are private equity funds that invest in companies which demonstrate the potential for growth in value. The CVC Asia III Funds control a broad portfolio of businesses which operate in a wide range of different sectors.

REASONS FOR LISTING

The Company is seeking the Listing in order to increase its profile in Hong Kong, enhance the transparency of its business, and to promote the liquidity of its Shares for the benefit of all stakeholders. These reasons are consistent with our core corporate values of being (i) trustworthy; (ii) responsive; (iii) entrepreneurial; and (iv) engaging.

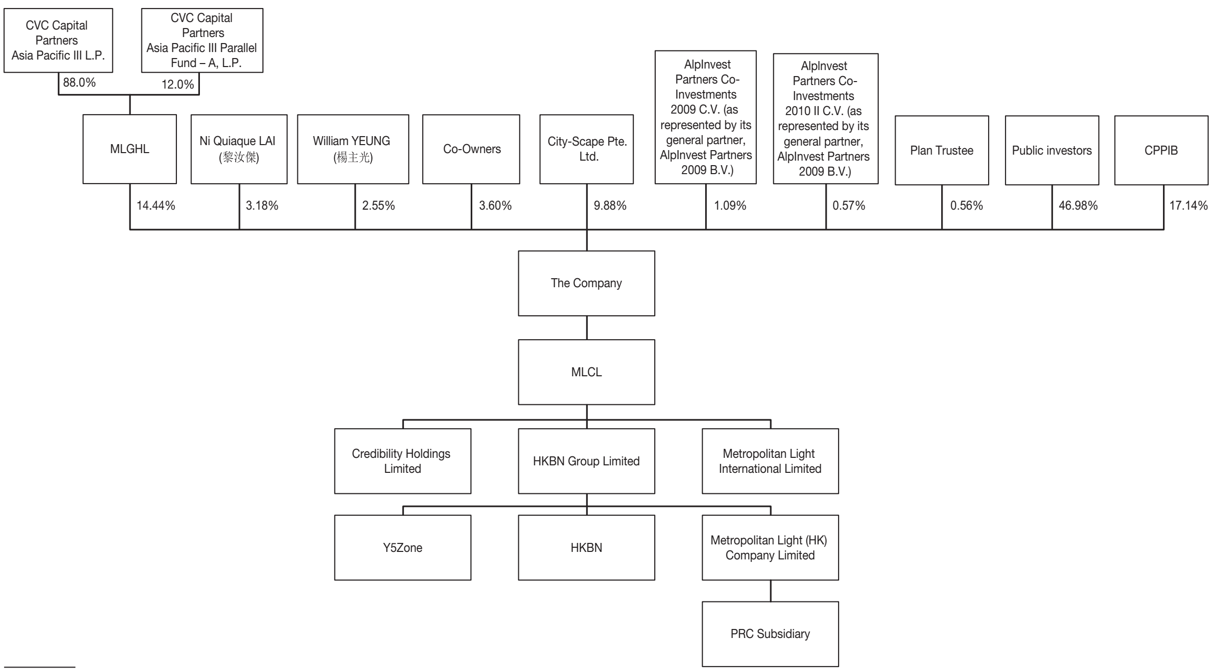
Our capital requirements primarily consist of debt repayment obligations and capital expenditure related to our network. We have refinanced our outstanding indebtedness owed under the senior notes using a portion of the proceeds from the New Credit Facilities. See *"— Recent Developments — New Credit Facilities and Redemption of Senior Notes*" for further details.

Going forward, we expect that the majority of our capital expenditure will be used to selectively expand our network coverage. Since our network is substantially invested, subject to unexpected changes in market conditions, shifts in demographics in Hong Kong or changes in technology, we expect our capital expenditure in the next few years to be similar to the levels incurred during the Track Record Period. We expect to fund our capital expenditure requirements from cash generated from our operations. See "*Financial Information — Capital Expenditure, Commitments and Contingent Liabilities — Capital Expenditure*" for further details.

SHAREHOLDING INTERESTS FOLLOWING LISTING

The interests of the Selling Shareholders will be substantially reduced following the Listing.

Following the completion of all the steps of the Reorganisation, the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised), the corporate structure of the Group will be as follows:



Notes:

(1) Unless otherwise indicated, all entities are wholly-owned subsidiaries.

(2) Percentage interests in the Company assume (i) a Listing Date of 12 March 2015; (ii) the Offer Price is the Maximum Offer Price; and (iii) the exchange rate on the Price Determination Date will be US$1.00:HK$7.75468. For percentage interests which assume the Minimum Offer Price, see the table included in "*History and Reorganisation — The Capitalisation Issue — Shareholding Interests following the Reorganisation, the Capitalisation Issue and the Global Offering*".

Following the completion of all the steps of the Reorganisation, the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised), Canada Pension Plan Investment Board, being the Cornerstone Investor, will be the largest Shareholder with approximately 17.14% (based on the Maximum Offer Price) or 19.27% (based on the Minimum Offer Price) of the Shares in issue.

UNAUDITED PRO FORMA NET TANGIBLE LIABILITIES PER SHARE

Unaudited pro forma adjusted net tangible liabilities per Share	:	HK$(1.36) (based on the Maximum Offer Price of HK$9.00 per Share) HK$(1.35) (based on the Minimum Offer Price of HK$8.00 per Share)

See "*Appendix II — Unaudited Pro Forma Financial Information*".

As part of our capital structure management, our net tangible liabilities position has increased further due to the dividends declared and paid to fund the redemption of MLHL preference shares. See "*— Recent Developments — Redemption of MLHL Preference Shares*".

USE OF PROCEEDS

As the Offer Shares will be sold by the Selling Shareholders, the Company will not receive any proceeds from the Global Offering. The net proceeds from the Global Offering which the Selling Shareholders will receive, after deducting the estimated base fee, the incentive fees and the discretionary fees (assuming the full payment of the discretionary fees) payable by the Selling Shareholders, will be approximately HK$5,344 million, assuming an Offer Price of HK$8.50 (being the mid-point of the Offer Price Range). If the Over-allotment Option is exercised in full, the Over-allotment Shareholders will receive additional net proceeds of approximately HK$802 million, assuming an Offer Price of HK$8.50 (being the mid-point of the Offer Price Range).

The Company is not raising funds as part of the Global Offering, as we are generating sufficient cash from operations and we have already invested significantly to build our network in Hong Kong which supports our residential and enterprise businesses.

See "— *Reasons for Listing*" and "*Future Plans and Use of Proceeds*" for more details.

DIVIDEND POLICY

For the period ended 31 August 2012, the years ended 31 August 2013 and 2014 and the three months ended 30 November 2014, distributions of nil, HK$776 million, nil and nil, respectively, were distributed to certain shareholders of MLCL. On 18 February 2015, MLHL approved a redemption of certain of its preference shares (together with the accrued coupon thereon) held by certain of its shareholders (other than the Co-Owners) with an aggregate value of approximately HK$245 million. The redemption will be completed on 9 March 2015 and will be fully funded by cash on hand, sourced by way of dividends from HKBN amounting to approximately HK$230 million and residual cash held by MLHL amounting to approximately HK$15 million. See "— *Recent Developments — Redemption of MLHL Preference Shares*" for more details.

Our dividend policy is to pay dividends in an amount of not less than 90% of our Adjusted Free Cash Flow with an intention to pay 100% of our Adjusted Free Cash Flow in respect of the relevant year /period, after adjusting for potential debt repayment, if required.

See "*Financial Information — Dividends, Dividend Policy and Distributable Reserves*" for more details.

RECENT DEVELOPMENTS

Current Trading Update

Since 30 November 2014, the Company has continued to expand its subscription base with a particular focus on broadband services for both residential customers and enterprise customers. Our total number of residential broadband internet subscriptions in Hong Kong has increased from approximately 710,000 subscriptions as at 30 November 2014 to approximately 715,000 subscriptions as at 31 December 2014. Our total number of enterprise customers has increased from approximately 34,000 as at 30 November 2014 to approximately 35,000 as at 31 December 2014. We continue to win significant enterprise customers. These new accounts are expected to continue to deliver revenue growth while requiring costs related to the selective expansion of our network coverage to meet identified demand.

In December 2014, we received approval in-principle from OFCA for a UC Licence which became effective in February 2015 for a term of 15 years.

As described below, our results of operations and/or financial condition have been, and will continue to be, impacted by the other recent developments in this section, including the finance costs associated with the redemption of senior notes and the funding of the redemption of MLHL preference shares as well as the listing expenses incurred and charged to our income statement.

As far as the Directors are aware, there have been no changes in the general economic and market conditions in Hong Kong or the industry in which we operate that materially and adversely affected our business operations or financial condition since 30 November 2014 and up to the date of this prospectus.

New Credit Facilities and Redemption of Senior Notes

On 11 December 2014, we entered into the New Credit Facilities relating to the HK$4,460 million term and revolving credit facilities. The New Credit Facilities were amended and restated on 22 December 2014.

The New Credit Facilities are repayable in full upon final maturity. The Group intends to refinance or renew the New Credit Facilities on maturity or earlier through sources that it deems appropriate at that time. The Group will continue to analyse which sources of capital are most advantageous to the Group at any particular time. As part of the Group's capital structure management, the Group has been able to borrow and refinance funds in the form of bank loans and the senior notes. As our business continues to grow, we expect to be able to continue to obtain refinancing on or before the maturity of our indebtedness on commercially reasonable terms. See "*Financial Information — Indebtedness — Description of material indebtedness — New Credit Facilities*" for more details.

Using the partial proceeds from the New Credit Facilities, on 22 January 2015 we redeemed in full the outstanding senior notes issued by a subsidiary of the Group. See "*Financial Information — Indebtedness — Description of material indebtedness — 5.25% Guaranteed Senior Notes due 2018*" for more details. In connection with the redemption of the outstanding senior notes, we paid a premium of HK$53 million and wrote off the unamortised cost of originating fee of HK$43 million. These finance costs will be reflected in our income statement for the six months ending 28 February 2015 and the year ending 31 August 2015. We have entered into interest rate swaps to manage the interest rate risk associated with a significant portion of the amount drawn down under the New Credit Facilities. See *"Financial Information — Qualitative and Quantitative Disclosure about Market Risk — Hedging Arrangements"* for further details.

Redemption of MLHL Preference Shares

On 18 February 2015, MLHL approved a redemption of certain of its preference shares (together with the accrued coupon thereon) held by certain of its shareholders (other than the Co-Owners) with an aggregate value of approximately HK$245 million. The redemption will be completed on 9 March 2015 and will be fully funded by cash on hand, sourced by way of dividends from HKBN amounting to approximately HK$230 million and residual cash held by MLHL amounting to approximately HK$15 million. As part of our capital structure management, the redemption will increase our net tangible liabilities position. See "*Financial Information — Dividends, Dividend Policy and Distributable Reserves*" for more details.

The Capitalisation Issue

In order to enable the Plan Trustee to release Shares to Participants upon vesting of RSUs granted under the Co-Ownership Plan II, the Company will capitalise an amount of between HK$566.67 and HK$637.50 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par between 5,666,666 Shares (based on the Maximum Offer Price) and 6,375,000 Shares (based on the Minimum Offer Price) (the "**Plan Shares**") for allotment and issue to the Plan Trustee on the Listing Date. The Plan Shares will be held by the Plan Trustee until their release to Participants upon vesting of the RSUs or termination of the Co-Ownership Plan II. See "*Appendix VI — Statutory and General Information — Co-Ownership Plan II*" for further details.

Co-Ownership Plan II

The Company expects to invite 400 plus Talents according to seniority to participate in the Co-Ownership Plan II, whereby the Talents will purchase Shares at market price and be granted the right to receive additional Shares at no consideration on a 3 for 7 matching basis around two months after the Listing Date, subject to a cap based on each Talent's seniority level. The right to receive additional Shares granted under the Co-Ownership Plan II will be subject to a three year back-end loaded vesting schedule and various conditions, to reward our Talents for being long-term owners of the Company.

We estimate that we will be required to charge an aggregate of HK$25.4 million to our income statement in the years ending 31 August 2015 to 2018 in respect of the Co-Ownership Plan II. See "*Financial Information — Significant Factors Affecting Results of Operations and Financial Condition — Talent Costs and Co-Owner Compensation*".

LISTING EXPENSES

Total expenses (excluding fees payable by the Selling Shareholders) expected to be incurred in relation to the Listing are approximately HK$55.9 million, all of which is expected to be charged to our income statement. The Group incurred expenses of HK$17.9 million relating to the Listing up to 30 November 2014.

The agreement regarding the split of underwriting commissions and fees, on the one hand, and the listing expenses, on the other, between the Selling Shareholders and the Company, respectively, reflects the commercial agreement among the parties, taking into account the reasons for the Listing as described above. See "*— Reasons for Listing*".

Company	HKBN Ltd. (香港寬頻有限公司), a company incorporated under the laws of the Cayman Islands with limited liability on 26 November 2014.
Selling Shareholders	The following Shareholders will offer and sell Sale Shares in the Global Offering: • MLGHL (wholly-owned by the CVC Asia III Funds) • City-Scape Pte. Ltd. (wholly-owned by GIC (Ventures) Pte. Ltd.) • AlpInvest Partners Co-Investments 2009 C.V. and AlpInvest Partners Co-Investments 2010 II C.V. (each as represented by its general partner, AlpInvest Partners 2009 B.V.) • William YEUNG (楊主光) • Nominee The Company will not sell any Shares in the Global Offering and will not receive any proceeds from the Global Offering.
Global Offering	Global offering of initially 644,866,500 Offer Shares (excluding the Shares to be offered pursuant to the exercise of the Over-allotment Option) comprising 80,608,000 Sale Shares under the Hong Kong Public Offering (including 6,448,500 Offer Shares under the Talent Offering) and 564,258,500 Sale Shares under the International Offering, subject to the Over-allotment Option.
Over-allotment Option	The Over-allotment Shareholders expect to grant to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable in whole or in part at one or more times from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require the Over-allotment Shareholders to sell up to an aggregate of 96,729,500 additional Shares, representing not more than approximately 15% of the number of Offer Shares initially being offered under the Global Offering, at the Offer Price, to, among other things, cover over-allocations in the International Offering, if any.
Hong Kong Public Offering	80,608,000 Offer Shares offered by way of a public offering in Hong Kong (subject to reallocation).

Talent Offering	Of the 80,608,000 Offer Shares being offered under the Hong Kong Public Offering, 6,448,500 Offer Shares will be offered to Eligible Talents under the Talent Offering.
International Offering	564,258,500 Offer Shares offered by way of an international placement to investors, including institutional and other investors in Hong Kong (subject to reallocation and the Over-allotment Option).
Cornerstone Investor	Canada Pension Plan Investment Board, being the Cornerstone Investor, has agreed to acquire such number of International Offer Shares at the Offer Price which is equivalent to HK$1,551,440,000 pursuant to the Cornerstone Investment Agreement, subject to the satisfaction of certain conditions precedent. Based on the Maximum Offer Price, the Cornerstone Investor will acquire 172,382,000 International Offer Shares, representing 30.55% of the total number of International Offer Shares initially available under the Global Offering and based on the Minimum Offer Price, the Cornerstone Investor will acquire 193,930,000 International Offer Shares, representing 34.37% of the total number of International Offer Shares initially available under the Global Offering. In all cases, the Cornerstone Investor will be the largest single Shareholder on completion of the Global Offering. Further details about the Cornerstone Investor and the terms of the Cornerstone Investment Agreement are set out in "*Cornerstone Investment*".
Clawback and Re-allocation	The Offer Shares may, in certain circumstances, be reallocated between the International Offering and the Hong Kong Public Offering.
Offer Price Range	Between HK$8.00 (the Minimum Offer Price) and HK$9.00 (the Maximum Offer Price).
Price Determination	The Offer Price will be determined following a book-building process by agreement among the Joint Global Coordinators (on behalf of the Hong Kong Underwriters), MLGHL and the Company on the Price Determination Date, which is expected to be on or about Thursday, 5 March 2015 and, in any event, not later than Wednesday, 11 March 2015. Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the Talent Offering and the basis of allocations of the Hong Kong Offer Shares and the Talent Offer Shares will be published in the South

China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Company at **www.hkbnltd.net** and the Stock Exchange at **www.hkexnews.hk** on or before Wednesday, 11 March 2015.

Purchase of Hong Kong Offer Shares and the Talent Offer Shares

Applicants for the Hong Kong Offer Shares and the Talent Offer Shares under the Hong Kong Public Offering and the Talent Offering should pay, on application, the Maximum Offer Price of HK$9.00 per Offer Share, together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK$4,545.35 for one board lot of 500 Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the Maximum Offer Price, the difference (including brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be refunded to successful applicants, without interest.

The minimum initial purchase of the Hong Kong Offer Shares and the Talent Offer Shares must be for a board lot of 500 Shares. Applications for more than 500 Hong Kong Offer Shares or Talent Offer Shares must be in one of the numbers set out in the table in the Application Forms.

Further details are set out in "*How to Apply for Hong Kong Offer Shares and Talent Offer Shares*".

Lock-up Undertakings

The Company has given certain lock-up undertakings to the Stock Exchange and the Hong Kong Underwriters not to issue any new Shares for a period of six months from the Listing Date.

MLGHL has undertaken to the Stock Exchange, the Company and the Hong Kong Underwriters not to dispose of, except pursuant to any lending of Shares pursuant to the Stock Borrowing Agreement or any sale of Shares pursuant to the Global Offering, any Shares for a period of six months from the Listing Date.

Each of MLGHL, City-Scape Pte. Ltd., AlpInvest Partners Co-Investments 2009 C.V. and AlpInvest Partners Co-Investments 2010 II C.V. (each AlpInvest entity as represented by its general partner, AlpInvest Partners 2009 B.V.) and the 79 Locked-up Co-Owners have agreed certain lock-up undertakings with the Joint Global Coordinators and the Company not to dispose of any of the Shares held by them immediately following completion of the Global Offering during a period of six months from the Listing Date, subject to certain exceptions (including a sale of Shares pursuant to the Global Offering).

Each of William YEUNG (楊主光) and Ni Quiaque LAI (黎汝傑) have also agreed certain lock-up undertakings with the Joint Global Coordinators and the Company not to dispose of (a) any of the Shares held by them immediately following completion of the Global Offering in the period of 12 months from the Listing Date (the "**First 12-Month Period**") and (b) more than 50% of the Shares held by them immediately following completion of the Global Offering during a period of 12 months following the expiry of the First 12-Month Period, in each case subject to certain exceptions (including a sale of Shares pursuant to the Global Offering).

Market Capitalisation

The market capitalisation of all the Shares in issue immediately following the completion of the Reorganisation, the Capitalisation Issue and the Global Offering will be between HK$8,051 million (based on the Minimum Offer Price) and HK$9,051 million (based on the Maximum Offer Price).

Listing and Trading

An application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on the Main Board of the Stock Exchange. Dealings in the Shares on the Main Board of the Stock Exchange are expected to commence on Thursday, 12 March 2015.

Stabilisation

In connection with the Global Offering, the Stabilising Manager (or any person acting for it), on behalf of the Underwriters, may over-allocate or effect transactions which stabilise or support the market price of the Shares at levels which might not otherwise prevail in the open market for a period of 30 days after the last date for lodging applications under the Hong Kong Public Offering. However, there is no assurance that the Stabilising Manager (or any person acting for it) will undertake any stabilisation action. For further details, see *"Structure of the Global Offering — Stabilisation"*.

Restrictions on the Offer Shares

No action has been taken to permit a public offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

Compliance with Rule 8.05(3) of the Listing Rules

We are able to satisfy the requirements of the market capitalisation/revenue test under Rule 8.05(3) of the Listing Rules.

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.

"**79 Locked-up Co-Owners**"	the Co-Owners listed in "*Appendix VI — Statutory and General Information — Other Information — 79 Locked-up Co-Owners*"
"**Application Form(s)**"	the **WHITE** Application Form(s), **YELLOW** Application Form(s), **GREEN** Application Form(s) and **PINK** Application Form(s) or, where the context so requires, any of them
"**Articles**" or "**Articles of Association**"	the amended and restated articles of association of the Company adopted by a special resolution on 21 February 2015 and effective on the Listing Date, as amended from time to time, a summary of which is set out in *"Appendix IV — Summary of the Constitution of the Company and Cayman Companies Law"*
"**Assured Talent Entitlement**"	the entitlement of Eligible Talents to apply for the Talent Offer Shares under the Talent Offering on the basis of an assured entitlement of 4,000 Talent Offer Shares for each Eligible Talent
"**Board**" or "**Board of Directors**"	the board of directors of the Company
"**business day**"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
"**Capitalisation Issue**"	the proposed issue of between 5,666,666 new Shares (based on the Maximum Offer Price) and 6,375,000 new Shares (based on the Minimum Offer Price) at par credited as fully paid to the Plan Trustee on the Listing Date by capitalising the amount of between HK$566.67 and HK$637.50 standing to the credit of the share premium account of the Company for the purpose of satisfying RSU grants under the Co-Ownership Plan II
"**Cayman Companies Law**" or "**Companies Law**"	the Companies Law, Cap. 22 (Law 3 of 1961) of the Cayman Islands, as amended or supplemented from time to time
"**CCASS**"	the Central Clearing and Settlement System established and operated by HKSCC
"**CCASS Account**"	a securities account maintained by a CCASS Participant with CCASS

"**CCASS Clearing Participant**"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"**CCASS Custodian Participant**"	a person admitted to participate in CCASS as a custodian participant
"**CCASS Investor Participant**"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"**CCASS Participant**"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"**Co-Lead Managers**"	The Bank of East Asia, Limited, BNP Paribas Securities (Asia) Ltd and Sun Hung Kai Investment Services Limited
"**Co-Owner**"	a Talent who has invested in MLHL, through the Nominee, pursuant to the Co-Ownership Plan I and who will become a shareholder of the Company on completion of the Reorganisation
"**Co-Ownership Plan I**"	the plan established as part of the CVC Acquisition in 2012 to allow the Group's senior management to invest in MLHL, with each investee thereby becoming a Co-Owner of the Group
"**Co-Ownership Plan II**"	the restricted share unit scheme conditionally approved and adopted by the Company's then sole Shareholder on 21 February 2015, a summary of the principal terms of which is set out in "*Appendix VI — Statutory and General Information — Co-Ownership Plan II*"
"**Communications Authority**" or "**CA**"	the Communications Authority is an independent statutory body established under the Communications Authority Ordinance (Cap. 616) in Hong Kong
"**Companies Ordinance**"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
"**Companies (Winding Up and Miscellaneous Provisions) Ordinance**"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
"**Company**"	HKBN Ltd. (香港寬頻有限公司), a company incorporated under the laws of the Cayman Islands with limited liability on 26 November 2014
"**Cornerstone Investment Agreement**"	the cornerstone investment agreement dated 18 February 2015 entered into between MLGHL, the Company, the Joint Global Coordinators and the Cornerstone Investor
"**Cornerstone Investor**" or "**CPPIB**"	Canada Pension Plan Investment Board

"**CVC**"	the CVC Asia III Funds, together with CVC Capital Partners SICAV-FIS S.A. and its affiliates and certain other funds managed and advised by affiliates of CVC Capital Partners SICAV-FIS S.A.
"**CVC Acquisition**"	the acquisition of the Group by the CVC Asia III Funds, which was completed on 30 May 2012
"**CVC Asia III Funds**"	CVC Capital Partners Asia Pacific III L.P. and CVC Capital Partners Asia Pacific III Parallel Fund — A, L.P.
"**Directors**"	the directors of the Company and "**Director**" shall be construed accordingly as a director of the Company
"**Eligible Co-Owner**"	a Co-Owner (including his or her associate) who falls within the definition of Eligible Talent
"**Eligible Talent**"	a full-time Talent (excluding a director of any member of the Group) of the Company or any of its subsidiaries who (a) is at least 18 years of age, (b) has a Hong Kong address and is a holder of a Hong Kong Identity Card, (c) remains as a full-time Talent of the Company or any of its subsidiaries, and is not on probation, as at 20 February 2015 and (d) has not tendered his/her resignation or been given notice of termination of employment for any reason other than redundancy or retirement on or before 20 February 2015
"**Financial Adviser**" or "**Rothschild**"	Rothschild (Hong Kong) Limited, the financial adviser to the Company
"**FY**" or "**financial year**"	financial year ended or ending 31 August
"**Global Offering**"	the Hong Kong Public Offering and the International Offering
"**Grantee**"	a person who has been granted RSUs under the Co-Ownership Plan II
"**GREEN Application Form(s)**"	the application form(s) to be completed by the **HK eIPO White Form** Service Provider
"**Group**", "**we**", "**our**" **or** "**us**"	the Company and its subsidiaries, as if the Reorganisation had been completed
"**HK$**" or "**Hong Kong dollars**"	Hong Kong dollars, the lawful currency of Hong Kong
"**HKBN**"	Hong Kong Broadband Network Limited (香港寬頻網絡有限公司), a company incorporated under the laws of Hong Kong with limited liability on 23 August 1999 and an indirect wholly-owned subsidiary of the Company

"**HKBN Group Limited**"	HKBN Group Limited (香港寬頻集團有限公司) (formerly City Telecom International Limited), a company incorporated under the laws of the British Virgin Islands with limited liability on 8 May 1997 which changed its name to its present English name and adopted the Chinese name on 7 November 2014, and an indirect wholly-owned subsidiary of the Company
"**HK eIPO White Form**"	the application for Hong Kong Offer Shares to be registered in the applicant's own name by submitting applications online through the designated website of **HK eIPO White Form** at **www.hkeipo.hk**
"**HK eIPO White Form Service Provider**"	the HK eIPO White Form service provider designated by the Company, as specified on the designated website **www.hkeipo.hk**
"**HKFRS**"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"**HKSCC**"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"**HKSCC Nominees**"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC, in its capacity as nominee for HKSCC (or any successor thereto) as operator of CCASS and any successor, replacement or assign of HKSCC Nominees Limited as nominee for the operator of CCASS
"**HKTV**"	Hong Kong Television Network Limited (香港電視網絡有限公司) (formerly City Telecom (H.K.) Limited), a company incorporated under the laws of Hong Kong with limited liability on 19 May 1992, whose shares are listed on the Main Board of the Stock Exchange (stock code: 01137) and which was the former holding company of the business which comprised the Group prior to the CVC Acquisition
"**Hong Kong**"	the Hong Kong Special Administrative Region of the PRC
"**Hong Kong Government**"	the Government of the Hong Kong Special Administrative Region of the PRC
"**Hong Kong Offer Shares**"	the 80,608,000 Sale Shares initially being offered by MLGHL pursuant to the Hong Kong Public Offering (subject to reallocation as described in *"Structure of the Global Offering"*), including the 6,448,500 Talent Offer Shares being offered pursuant to the Talent Offering

"**Hong Kong Public Offering**"	the offer of the Hong Kong Offer Shares to the public in Hong Kong (including under the Talent Offering) for purchase at the Offer Price, on and subject to the terms and conditions set out in this prospectus and the Application Forms, as further described in "*Structure of the Global Offering*"
"**Hong Kong Underwriters**"	the underwriters listed in *"Underwriting — Hong Kong Underwriters"*, being the underwriters of the Hong Kong Public Offering
"**Hong Kong Underwriting Agreement**"	the underwriting agreement dated 25 February 2015 relating to the Hong Kong Public Offering entered into among the Company, MLGHL, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners and the Hong Kong Underwriters, as further described in *"Underwriting"*
"**independent third party**"	any party who is not connected (within the meaning of the Listing Rules) with any director, chief executive or substantial shareholder of the Company or any of its respective subsidiaries or an associate of any of them
"**International Offer Shares**"	the 564,258,500 Sale Shares initially being offered by the Selling Shareholders pursuant to the International Offering (subject to reallocation as described in *"Structure of the Global Offering"*) together with, where relevant, up to an additional 96,729,500 Shares which may be sold by the Over-allotment Shareholders pursuant to any exercise of the Over-allotment Option
"**International Offering**"	the offer of the International Offer Shares (a) in the United States solely to QIBs pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act or (b) outside the United States in offshore transactions in reliance on Regulation S, for purchase at the Offer Price, in each case on and subject to the terms and conditions of the International Underwriting Agreement, as further described in *"Structure of the Global Offering"*
"**International Underwriters**"	the underwriters named in the International Underwriting Agreement, being the underwriters of the International Offering
"**International Underwriting Agreement**"	the underwriting agreement relating to the International Offering to be entered into among the Company, the Selling Shareholders, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners and the International Underwriters on or about the Price Determination Date, as further described in *"Underwriting"*

"IRD"	the Hong Kong Inland Revenue Department
"Joint Bookrunners"	CLSA Limited, Goldman Sachs (Asia) L.L.C., J.P. Morgan Securities (Asia Pacific) Limited (in relation to the Hong Kong Public Offering), J.P. Morgan Securities plc (in relation to the International Offering), The Hongkong and Shanghai Banking Corporation Limited and UBS AG, Hong Kong Branch
"Joint Global Coordinators"	Goldman Sachs (Asia) L.L.C., J.P. Morgan Securities (Asia Pacific) Limited and UBS AG, Hong Kong Branch
"Joint Sponsors"	Goldman Sachs (Asia) L.L.C., J.P. Morgan Securities (Far East) Limited and UBS Securities Hong Kong Limited
"Latest Practicable Date"	20 February 2015, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about 12 March 2015, on which the Shares are first listed and from which dealings in the Shares are permitted to take place on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Maximum Offer Price"	HK$9.00 per Offer Share, being the maximum purchase price in the Offer Price Range
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of the Company adopted by a special resolution on 21 February 2015 and effective on the Listing Date, as amended from time to time, a summary of which is set out in *"Appendix IV —Summary of the Constitution of the Company and Cayman Companies Law"*
"Memorandum and Articles of Association"	the Memorandum and the Articles
"Minimum Offer Price"	HK$8.00 per Offer Share, being the minimum purchase price in the Offer Price Range

"MLCL"	Metropolitan Light Company Limited, a company incorporated in Cayman Islands with limited liability on 15 March 2012 and a direct wholly-owned subsidiary of the Company
"MLGHL"	Metropolitan Light Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability on 15 March 2012, which held 68.44% (based on the Maximum Offer Price) or 68.54% (based on the Minimum Offer Price) of the Shares in issue prior to the Capitalisation Issue and the Global Offering and will be a substantial shareholder of the Company immediately following the completion of the Reorganisation, the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised)
"MLHL"	Metropolitan Light Holdings Limited, a company incorporated in the Cayman Islands with limited liability on 15 March 2012 which was re-domiciled from the Cayman Islands to the British Virgin Islands on 2 February 2015 and the holding company of the Company prior to the Reorganisation
"Nominee"	Top Talents (PTC) Limited, a company incorporated in the British Virgin Islands with limited liability on 15 May 2012 and the nominee of the Co-Owners in Co-Ownership Plan I
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK$9.00 and expected to be not less than HK$8.00, such price to be determined by agreement among the Joint Global Coordinators (on behalf of the Hong Kong Underwriters), MLGHL and the Company on or before the Price Determination Date
"Offer Price Range"	HK$8.00 to HK$9.00 per Offer Share
"Offer Shares"	the Hong Kong Offer Shares (including the Talent Offer Shares) and the International Offer Shares, together with, where relevant, any additional Shares which may be sold by the Over-allotment Shareholders pursuant to any exercise of the Over-allotment Option
"Over-allotment Option"	the option expected to be granted by the Over-allotment Shareholders under the International Underwriting Agreement to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters), pursuant to which the Over-allotment Shareholders may be required to sell up to an additional 96,729,500 Shares (representing not more than approximately 15% of the number of Offer Shares initially being offered under the Global Offering) at the Offer Price,

	to, among other things, cover over-allocations in the International Offering, if any, as further described in *"Structure of the Global Offering"*
"**Over-allotment Shareholders**"	MLGHL, City-Scape Pte. Ltd. and AlpInvest Partners Co-Investments 2009 C.V. and AlpInvest Partners Co-Investments 2010 II C.V. (each AlpInvest entity as represented by its general partner, AlpInvest Partners 2009 B.V.)
"**Plan Trustee**"	the trustee of the Co-Ownership Plan II to be appointed prior to the Listing Date
"**PRC**" or "**China**"	the People's Republic of China, but for the purposes of this prospectus only, except where the context requires, references in this prospectus to PRC or China exclude Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan
"**PRC Subsidiary**"	廣州城電客戶服務有限公司 (Guangzhou City Telecom Customer Services Co. Ltd.*) a company incorporated in the PRC on 29 April 2002 and an indirect wholly-owned subsidiary of the Company
"**Price Determination Date**"	the date, expected to be on or about 5 March 2015, on which the Offer Price will be determined and, in any event, not later than 11 March 2015
"**QIB**"	a qualified institutional buyer within the meaning of Rule 144A
"**Regulation S**"	Regulation S under the U.S. Securities Act
"**Relevant Persons**"	the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, the Underwriters, the Co-Lead Managers, the Financial Adviser, the Selling Shareholders, any of their or the Company's respective affiliates, directors, officers or representatives or any other person involved in the Global Offering
"**Reorganisation**"	the reorganisation of the Group in preparation for the Listing, details of which are set out in *"History and Reorganisation — The Reorganisation"*
"**RMB**"	Renminbi, the lawful currency of the PRC
"**RSU**"	a restricted share unit granted pursuant to the Co-Ownership Plan II
"**Rule 144A**"	Rule 144A under the U.S. Securities Act
"**Sale Shares**"	the 644,866,500 Shares initially being offered by the Selling Shareholders for purchase under the Global Offering

"**Selling Shareholders**"	MLGHL (wholly-owned by the CVC Asia III Funds), City-Scape Pte. Ltd. (wholly-owned by GIC (Ventures) Pte Ltd), AlpInvest Partners Co-Investments 2009 C.V. and AlpInvest Partners Co-Investments 2010 II C.V. (each AlpInvest entity as represented by its general partner, AlpInvest Partners 2009 B.V.), William YEUNG (楊主光) and the Nominee
"**SFC**"	the Securities and Futures Commission of Hong Kong
"**SFO**"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"**Share Registrar**"	Tricor Investor Services Limited
"**Shareholder(s)**"	holder(s) of Shares
"**Shares**"	ordinary shares with a nominal value of HK$0.0001 each in the share capital of the Company and a "**Share**" means any of them
"**Stabilising Manager**"	Goldman Sachs (Asia) L.L.C.
"**Stock Borrowing Agreement**"	the stock borrowing agreement expected to be entered into on or about the Price Determination Date between the Stabilising Manager (or its affiliate) and MLGHL
"**Stock Exchange**"	The Stock Exchange of Hong Kong Limited
"**Takeovers Code**"	the Hong Kong Code on Takeovers and Mergers
"**Talents**"	we believe that employees are core to the success of our business. Given this central importance, we call our employees "Talents"
"**Talent Offer Shares**"	the 6,448,500 Offer Shares (representing 1% of the total number of Shares initially being offered under the Global Offering) being offered pursuant to the Talent Offering and which are to be allocated out of the Hong Kong Offer Shares
"**Talent Offering**"	the preferential offer of the Talent Offer Shares to the Eligible Talents for purchase at the Offer Price on an assured and preferential basis, as further described in "*Structure of the Global Offering — The Talent Offering*"
"**Track Record Period**"	the period from 15 March 2012 to 31 August 2012, the two years ended 31 August 2014 and the three months ended 30 November 2014

"**Underwriters**"	the Hong Kong Underwriters and the International Underwriters
"**Underwriting Agreements**"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"**US**", "**U.S.**" or "**United States**"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"**U.S. Securities Act**"	the United States Securities Act of 1933, as amended
"**William YEUNG (楊主光)**"	Chu Kwong YEUNG (楊主光), our Chief Executive Officer, Executive Director and Co-Owner
"**Y5Zone**"	Y5Zone Limited, a company incorporated under the laws of Hong Kong with limited liability on 17 November 1999 and an indirect wholly-owned subsidiary of the Company

In this prospectus, unless the context otherwise requires, the terms "**associate**", "**connected person**", "**connected transaction**", "**controlling shareholder**", "**subsidiary**" and "**substantial shareholder**" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Unless otherwise specified, all references to any shareholdings in the Company following the completion of the Reorganisation, the Capitalisation Issue and the Global Offering assume that the Over-allotment Option is not exercised.

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* The English translation of the Chinese name is for identification purposes only. In the event of any inconsistency between the Chinese name and the English translation, the Chinese name shall prevail.

This glossary contains explanations of certain terms used in this prospectus in connection with the Group and its business. The terminologies and their meanings may not correspond to standard industry meanings or usage of those terms.

"**2b**"	brand under which we offer our software-based VoIP services
"**4G**"	fourth generation mobile wireless telecommunications technology
"**Access Plan**"	a bundled service that provides our customers with fixed broadband service as well as outdoor wireless Internet access
"**ADSL**"	asymmetric digital subscriber line technology used for data transmission over fixed-line telephone lines
"**Adjusted Free Cash Flow**"	EBITDA plus interest received and less capital expenditure, interest paid and tax paid, and adjusted by changes in working capital, other non-recurring items and other non-cash items. Working capital includes long term receivable and prepayment, inventories, accounts receivable, other receivables, deposits and prepayments, deferred expenditure, accounts payable, deposits received and deferred services revenue. Other non-recurring items, in the Track Record Period, include loss on disposal of interest in subsidiaries; and, in the future, may include one-time charges relating to corporate transactions. Other non-cash items, in the Track Record Period, include amortisation of obligations under granting of rights and, in the future, may include Co-Ownership Plan II related non-cash items and non-cash items similar to the above
"**Adjusted Net Profit**"	profit / (loss) for the period / year plus amortisation of intangible assets (net of deferred tax credit), non-recurring finance costs and other non-recurring items. Non-recurring finance costs, in the Track Record Period, include loss on extinguishment of senior notes and write-off of unamortised bank loan originating fee; and, in the future, may include write-off of unamortised borrowings originating fees and similar non-recurring finance costs. Other non-recurring items, in the Track Record Period, include transaction cost in connection with business combination, loss on disposal of interest in subsidiaries and listing expenses; and, in the future, may include listing expenses and one-time charges relating to corporate transactions
"**ARPU**"	average revenue per user per month. We believe that ARPU provides useful information, based on historical data, concerning our residential and enterprise businesses. Our use or computation of ARPU may not be comparable to the use or computation of similarly titled measures reported by other companies in the telecommunications industry, including our competitors
"**Broadband**"	a term that is commonly associated with high-speed data transfer connections. In the context of end-user access networks in Hong Kong, broadband refers to data transmission with download speeds of 1 Mbps and above

"Broadband churn rate"	how we measure residential broadband Internet subscription terminations relative to the total residential broadband Internet subscriptions. We calculate churn by dividing the sum of the monthly broadband churn rate for each month of the given financial year / period by the number of months in the year / period. Monthly broadband churn rate is calculated by the sum of the number of residential broadband subscription terminations in a month divided by the average number of residential broadband subscriptions during the respective month and multiplying the result by 100%
"CAGR"	compound annual growth rate
"Category-5e copper"	a twisted pair cable for carrying signals. This type of cable is used in structured cabling for computer networks such as Ethernet. The cable standard provides performance of up to 100 MHz and is suitable for 10BASE-T, 100BASE-TX (fast Ethernet), and 1000BASE-T (gigabit Ethernet). It is also used to carry other signals such as telephony and video
"Commercial building coverage"	commercial buildings passed by our network infrastructure, meaning that we could provide our services on demand
"Dark Fibre"	unused optical fibre that has been installed but is not currently used and is available for use in fibre optic communications
"DDI"	Direct Dial In, which allows Enterprise customers to directly connect their incoming calls to their Private Automatic Branch Exchange (PABX) system without going through an operator
"DIA"	dedicated internet access
"Direct Line"	a telephone line with additional professional grade telephony services for our Enterprise customers
"DWDM"	Dense Wavelength Division Multiplexing service that provides support for bandwidth-intensive business applications
"EBITDA"	profit / (loss) for the period / year plus finance costs, income tax expense, listing expenses, depreciation and amortisation of intangible assets and less interest income. EBITDA is not a measure of performance under HKFRS
"Enterprise ARPU"	average revenue per enterprise customer per month. Each user represents an enterprise customer under our enterprise business. We believe that enterprise ARPU provides useful information, based on historical data, concerning our enterprise business. Enterprise ARPU is calculated by dividing the revenue generated in the relevant period from the enterprise business (excluding revenue from IDD services) by the average number of enterprise customers and further dividing by the number of months in the relevant period. Average number of

	enterprise customers is calculated by dividing the sum of enterprise customers as at the beginning of the period and the end of the period by two. Our use or computation of enterprise ARPU may not be comparable to the use or computation of similarly titled measures reported by other companies in the telecommunications industry, including our competitors. This metric may be distorted by the impact of certain particularly large contracts we have with enterprise customers
"**Enterprise customer**"	an enterprise that subscribes for at least one of our services
"**Ethernet**"	a standard for packet based transmission that is widely used in internet protocol network
"**Fax Line**"	a dedicated fax line for Enterprise customers who handle a high volume of faxes
"**Fibre optic**"	optical fibres which carry information with light
"**FTNS Licence**"	licence to provide fixed telecommunications network services issued by OFCA
"**FTTB**"	fibre-to-the-building
"**FTTH**"	fibre-to-the-home
"**FTTx**"	any broadband network architecture using optical fibre to provide all or part of the fibre broadband service to the customer. X represents the configuration to the last mile, whether FTTH, FTTB or FTTN ("**Fibre-to-the-Node/ Neighbourhood**")
"**GPON**"	gigabit passive optical network
"**HFC**"	Hybrid fibre-coaxial
"**households**"	a residential unit containing a group of people living together or an individual residing alone
"**Hub sites**"	location in HKBN network for traffic and wiring aggregation / distribution
"**Hunting Line**"	incoming calls are automatically switched to an open line during busy time, allowing Enterprise customers to configure how their incoming calls are handled
"**IaaS**"	Infrastructure-as-a-Service
"**IDA-P**"	Integrated Digital Access-P, which utilises an interrupted, 24-channel digital connection to offer high quality, multi-line calls and voice communication capabilities between an Enterprise customer's equipment and the PSTN

"IDD"	international direct dialling
"IP-TV"	internet protocol television, a system through which television services are delivered using the architecture and networking methods of the IP suite over a packet-switched network infrastructure, e.g. the Internet or managed broadband IP networks
"LTE"	Long-Term Evolution, considered as a fourth generation technology for cellular mobile
"Market Share"	our market share data has been calculated by comparing our data with information released by our competitors in our markets as well as information available from the OFCA. Undue reliance should not be placed on market share data because of differences in the dates as of which such data was made available in our market and because we cannot verify the information provided by our competitors or that the basis of the reported statistics provided by our competitors is the same as ours
"Metro Ethernet"	the provision of Ethernet services on a metropolitan scale that uses fibre optics to the building and Category-5e copper over "last mile" which we limited to the last 100 metres
"MetroNet"	a private Ethernet wide area network supported by a layer 2 network that enables clients to have full control of the network IP configuration and routing
"Mbps"	megabit(s) per second
"MPLS"	multi-protocol label switching network, a mechanism in high-performance telecommunications networks which directs and carries data from one network node to the next with the help of labels and helps to preserve quality of service on IP networks
"OFCA"	the Office of the Communications Authority
"OTT"	over-the-top, which is the delivery of audio, video, and other media over the Internet without the involvement of an operator
"Pay-TV"	subscription-based television services
"PDIA"	premium dedicated internet access
"Peer-to-peer"	a system in which each computer in a network functions as a client or server for other computers within the same network, providing shared access to various resources such as files, peripherals and sensors without the need for a central server
"PNETS Licence"	Public Non-Exclusive Telecommunications Services Licence

"PSTN"	public switched telephone network
"Residential ARPU"	average revenue per residential broadband Internet subscription per month. Each user represents a broadband internet subscription under our residential business. We believe that residential ARPU provides useful information, based on historical data, concerning our rate plans and service offerings provided under each residential broadband Internet subscription. Residential ARPU is calculated by dividing the revenue generated in the relevant period from services subscribed by residential broadband subscribers, which include broadband services and any bundled voice, IP-TV and/or other entertainment services, by the number of average residential broadband subscriptions and further dividing by the number of months in the relevant period. Average residential broadband subscriptions is calculated by dividing the sum of such subscriptions at the beginning of the period and the end of the period by two. Our use or computation of residential ARPU may not be comparable to the use or computation of similarly titled measures reported by other companies in the telecommunications industry, including our competitors. Our use and computation of Residential ARPU differs from the industry definition of ARPU due to our tracking of turnover generated from all services subscribed by residential broadband subscribers. We believe this gives us a better tool for observing the performance of our business as we track our residential ARPU on a bundled rather than standalone basis. See "*Industry Overview — Hong Kong Residential Broadband Internet Market — ARPU*"
"Residential homes passed"	residential buildings passed by our network infrastructure, meaning that we could provide our services to the residents on demand
"Residential units"	housing units that are used wholly or primarily for human habitation
"SaaS"	software as a service
"SBO"	Services-based operator
"Subscriptions"	the individual subscriptions for the applicable service
"Symmetric"	in the context of broadband services, refers to broadband technologies that enable the user to download and upload data from/to the Internet at the same speed
"Tb"	terabyte
"UC Licence"	Unified Carrier licence

GLOSSARY OF TECHNICAL TERMS

"**USC**"	Universal Services Contributions, which is a per minute fee paid to HKT for all incoming and outgoing international calls in Hong Kong
"**VDSL**"	very-high-bitrate digital subscriber line, a digital subscriber line technology providing faster data transmission than ADSL over a single flat untwisted or twisted pair of copper wires
"**VoIP**"	voice-over-Internet-Protocol, one of a family of internet technologies, communication protocols, and transmission technologies for delivery of voice communications over IP networks, such as the Internet. We refer to our VoIP services as "voice"
"**Wi-Fi**"	a local area wireless technology that allows an electronic device to exchange data or connect to the internet using radio waves
"**xDSL**"	generic term for digital subscriber loop and includes, among others, ADSL and VDSL

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to the Group.

The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION AND REPRESENTATION

You should only rely on the information contained in this prospectus and the Application Forms to make your investment decision. Neither the Company nor any of the Relevant Persons has authorised anyone to provide you with any information or to make any representation that is different from what is contained in this prospectus. No representation is made that there has been no change or development reasonably likely to involve a change in the Group's affairs since the date of this prospectus or that the information contained in this prospectus is correct as at any date subsequent to its date.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. All statements other than statements of historical fact contained in this prospectus, including, without limitation, (a) the discussions of our business strategies, objectives and expectations regarding our future operations, margins, profitability, liquidity and capital resources, (b) the future development of, and trends and conditions in, the telecommunications industry and the general economy of the countries in which we operate or plan to operate, (c) our ability to control costs, (d) the nature of, and potential for, the future development of our business and (e) any statements preceded by, followed by or that include words and expressions such as "expect", "believe", "plan", "intend", "estimate", "forecast", "project", "anticipate", "seek", "may", "will", "ought to", "would", "should" and "could" or similar words or statements, as they relate to the Group or our management, are intended to identify forward-looking statements.

These statements are based on assumptions regarding our present and future business, our business strategies and the environment in which we will operate. These forward-looking statements reflect our current views as to future events and are not a guarantee of our future performance. Forward-looking statements are subject to certain known and unknown risks, uncertainties and assumptions, including the risk factors described in "*Risk Factors*", which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation, and undertake no obligation, to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or developments or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

In this prospectus, statements of or references to our intentions or that of any of the Directors are made as at the date of this prospectus. Any of these intentions may change in light of future developments.

An investment in the Shares involves a high degree of risk. Prospective investors should carefully consider the following risk factors, together with all other information contained in this prospectus, before deciding whether to invest in the Shares. The occurrence of any of the events discussed below could harm the Company or the Group. If any of these events occur, the business, financial condition, results of operations and/or the prospects of the Group could be materially and adversely affected. The market price of the Shares could fall significantly due to any of these risks, or any additional risks not currently known to the Group or which it now deems immaterial, and you may lose all or any part of your investment.

RISKS RELATING TO OUR BUSINESS AND OPERATIONS

We operate in a market which may be subject to pricing and other competitive pressures.

We operate in a market which may be subject to pricing pressure on the prices we charge for our broadband Internet and related network services and competition for new and existing customers. The effects of competition on our business are uncertain and will depend on a variety of factors, including economic conditions, regulatory developments, technology developments, the behaviour of customers and competitors and the effectiveness of measures we take in response to the competition we face. The main competitors for our broadband Internet and related network services are HKT, HGC, Wharf T&T, i-Cable and New World.

A decrease in our prices in response to competitive pressures or other reasons could have an adverse effect on our business and results of operations. We cannot assure you that we will be able to increase our prices and we may need to lower our prices in response to competition in our industry. In particular, if one or more of our competitors engage in active price reductions, or a price war, we may be forced to reduce our prices in order to maintain and grow market share, which may negatively impact our revenue and profitability.

The increase in revenue of our residential and enterprise businesses over the Track Record Period was partially due to an increase in the number of subscriptions, particularly for our residential broadband Internet services. We cannot assure you that we will be able to continue to increase our number of subscriptions due to the competition in our industry. If we incur significant costs to acquire or retain subscriptions, or if we are required to invest significant capital expenditure on network expansion or upgrades, and these costs and investments do not lead to a corresponding increase in our revenue or profitability, our business, financial condition, results of operations and prospects could be materially and adversely affected. Some of our competitors may attempt to grow their customer base and product offerings through mergers and acquisitions. If these competitors make significant acquisitions or mergers, they may gain increased capacity and may be better positioned to increase their market share. The growth of our subscription base will depend on our ability to continue to successfully compete in a competitive market.

We have substantially fewer financial and other resources compared to some of our competitors.

Many of our competitors are substantially larger than us, some have longer operating histories and some are subsidiaries of large conglomerates. These competitors may have access to significantly more resources to deploy in developing or updating competing networks or adapting to new technology and may have advantages over us in the provision of telecommunications services, including:

- greater financial, technical, marketing and other resources;
- greater existing infrastructure;
- greater brand recognition; and
- larger customer bases.

In addition, certain areas of the fixed telecommunications network services business are very capital intensive. Our competitors may be able to devote more human and financial resources to research and development, network improvement and marketing than we can. Since our inception, the growth of our market share has depended primarily on our ability to react quickly to changes in new technology and consumer trends, offer competitively priced services, and provide high quality customer support. We cannot assure you that we will continue to be successful at executing this strategy. If our competitors devote substantial human and financial resources to their businesses, it could hurt our ability to remain competitive in the quality and range of services we could provide and we could lose customers to these competitors. This may limit the growth of and/or reduce the size of our customer base, which could adversely affect our business, financial condition, results of operations and prospects.

We may not be able to compete because we are not able to offer mobile internet access together with our services.

As we do not have a mobile licence, and are not currently authorised to provide mobile services, our ability to compete may be hindered by our inability to offer such services. We offer bundled “triple play” packages by combining voice and IP-TV services to our core broadband internet access service. However, we are not able to offer mobile services bundled together with our services.

HKT is our primary competitor in the market for fixed telecommunications network services, which is our core business. The recent acquisition of CSL New World Mobility by HKT in May 2014 represents a significant consolidation in the telecommunications market. The integration of this acquisition is expected to enhance HKT’s ability to offer “quadruple play” services on a broad basis across mobile, fixed-line, broadband and IP-TV, which may adversely affect demand for our services.

Additionally, as a result of acquisitions or mergers that might occur in the Hong Kong market, other competitors may be able to provide a broader array of services at more attractive pricing.

We may be unable to respond successfully to technological advances and evolving industry standards.

The telecommunications industry is characterised by rapidly changing technology and industry standards, evolving customer demands and services with increasingly short life cycles. We may be unable to successfully respond to technological advances and evolving industry standards due to the following:

- To compete successfully, we may need to increase the diversity and sophistication of the services we offer and upgrade our telecommunications technologies. We may be required to make substantial capital expenditures and may not be successful in modifying our network infrastructure and/or upgrading to use other technologies in a timely and cost-effective manner in response to these changes.

- New technology, such as the possible substitution of fourth-generation, or 4G and LTE, wireless data networks for fibre-based services, or other trends in the telecommunications industry, could have an adverse effect on the services we currently offer and may cause significant write-downs of our fixed assets. In addition, technology substitution from global VoIP providers and mobile chat providers, some of which offer free international calls, are also becoming more prevalent. Increased adoption of these or other competing technologies may lead to a decline in our turnover and profitability.

- Developing new services can be complex. We may not be able to implement the new services effectively, promptly and economically to meet customer demand. In developing new services, we may need to make significant investments in our network infrastructure and/or otherwise in order to support these services. If we exceed our budgeted capital expenditure and cannot meet the additional capital requirements through operating cash flows and planned financings, we may have to delay our projects which could make us less competitive and lead to customer loss.

- Changing our services in response to market demand may require the adoption of new technologies that could render many of the technologies that we are currently implementing less competitive or obsolete. We may also need to gain access to related or enabling technologies in order to integrate the new technology with our existing technology. Our new services may contain design flaws or other defects when first introduced to the market.

- New telecommunications services are introduced by our competitors from time to time. If we do not anticipate these changes and rapidly adopt new and innovative services in response, we may not be able to capture the opportunities in the market and may lose customers.

- Our new services may not be commercially successful. The failure of any of our services to achieve commercial acceptance could result in lower than expected turnover.

To respond to technological change, including consumer demand for 1,000 Mbps on a mass scale, we may need to invest to upgrade our existing technologies to prevent them from becoming obsolete. These changes may require us to replace and/or upgrade our network infrastructure and as a result, incur additional capital expenditure (which may be significant) in order to maintain the latest technological standards and remain competitive against newer products and services and may impair the value of our existing assets.

If we cannot respond to new technology successfully and offer the new services required by our customers in a timely manner and at competitive prices, our business, financial condition, results of operations and prospects could be adversely affected.

Our markets may become more competitive should there be significant new entrants in the Hong Kong telecommunications market.

If any large foreign telecommunications company enters the telecommunications market in Hong Kong, either on its own or by acquiring existing operators, the markets in which we compete may change significantly. The Hong Kong Government has adopted policies and regulations over the past decade to liberalise the telecommunications industry in Hong Kong, including issuing new wireless and wire-line fixed telecommunications network services licences. We expect the Hong Kong Government to continue to take similar actions over the next several years which may result in new entrants to the market. Further, in contrast to its previous requirements when issuing network licences, new licensees are no longer required to give any commitment relating to network rollout or investment. New entrants into the market may result in increased competition for us, and this may lead to decreases in the prices of our services and/or loss of customers, which could result in a material adverse effect on our results of operations.

If we cannot manage our residential and enterprise businesses effectively, the quality of our services and our results of operations could be adversely affected.

We have invested significantly to build our network in Hong Kong and expand our residential and enterprise businesses. As part of this strategy, we have invested in our network infrastructure to support our range of broadband Internet access services, VoIP, IP-TV services and other telecommunications services. The build-out of our systems and subscription base has placed, and selective coverage expansion will continue to place, significant demands on our systems and controls and may require additional administrative, operational and financial resources.

Our ability to manage our residential and enterprise businesses will depend upon our ability to:

- improve our existing operational, administrative and technological systems and our financial and management controls;
- develop effective marketing plans;
- control operational costs and maintain effective quality controls;
- offer competitive prices to customers for our services;
- manage the selective expansion of our network to identified areas and buildings;
- implement our enterprise business expansion strategy; and
- attract and retain new residential and enterprise customers.

A failure to achieve any of the above in an efficient manner and at a pace consistent with the growth of our residential and enterprise businesses could have an adverse effect on the quality of our services, our ability to win new and retain existing customers and increase our costs of operations.

In addition, our net tangible liabilities position following the Global Offering means that we may not have sufficient assets to repay our liabilities, including the amounts drawn on the New Credit Facilities, when they fall due. We may not be able to finance the capital expenditure required to implement our stated strategies at commercially acceptable costs, or at all if the cash generated from operations is not sufficient to meet these requirements.

The continuity of our services is highly dependent on the proper functioning of our network and infrastructure, and any damage to or failure in our network or such infrastructure could materially adversely affect our business.

The provision of the Group's services depends on the quality, stability, resilience and robustness of its integrated network. In particular, damage to our network operations centre and/or several of our hub sites could have a significant impact on the ability of our network to function properly. Our network is vulnerable to damage or cessation of operations from fire, earthquakes, severe storms, heavy rainfall, other natural disasters, power loss, telecommunications failures, network software flaws, vandalism, acts of terrorism, cyber attacks and computer viruses, transmission cable cuts and other events beyond our control. We may experience equipment failures or shut downs relating to parts of our network or even catastrophic failure of our entire network. Our customers may also claim from us any loss or damage they may suffer as a result and our insurance may not be sufficient to cover such claims.

Our network infrastructure is especially vulnerable to damage by vandalism and other malicious acts as well as accidental damage by third parties. In particular, those parts of the network which are situated below ground may be subject to accidental damage by third parties undertaking construction works. While we have not experienced prolonged disruptions to our network due to damage to our network infrastructure, we have experienced intermittent disruptions to our network which has caused delays in the transmission of data. We have also experienced disruptions from earthquakes affecting undersea cables, which may affect our customers' experience in browsing overseas content. Furthermore, the operation of our business requires a large amount of power. We cannot be certain that there will be adequate power in all of the locations in which we operate. In case of a power outage, we may incur loss or damage to our equipment.

Unanticipated problems affecting the network could cause failures in our IT systems or disruption in the transmission of data over our network or similar problems. Sustained or repeated systems failure, whether from operational disruption, natural disaster or otherwise, which interrupt our ability to provide services to customers or to meet our business obligations in a timely manner would adversely affect our reputation and may result in a loss of customers and revenue.

Our ability to further expand the coverage of our network may be limited by physical limitations or our ability to obtain access rights in certain buildings.

As a part of our strategy to continue the growth of our residential and enterprise businesses, we may need to connect our network to new physical sites, which would require the installation of our network in new locations, which we refer to as "in-building wiring". The further penetration of our network may be hindered because the installation of in-building wiring is subject to the following constraints:

- because at least one of our competitors has already installed in-building wiring in virtually all buildings in Hong Kong and many buildings have limited physical space for additional in-building wiring, fixed network providers, including us, may encounter a bottleneck when installing new in-building wiring;
- some single-owner buildings may grant rights of access to our competitors while barring us from installing our own in-building wiring; and
- certain developers may have affiliations with our competitors and may attempt to delay or prevent our wiring installations.

Our ability to expand the coverage of our network would be limited as a result if we are not able to install our network in particular physical sites due to these limitations. This may have an adverse impact on our business, results of operations, financial condition and prospects.

Our business depends on subscription contracts and our inability to renew existing contracts and acquire new contracts could have a material adverse effect on our business.

We normally enter into two year subscription contracts with our customers and payments from our subscribers comprise a significant portion of our turnover. Our ability to renew existing subscription contracts at commercially viable levels is critical to our business. There can be no assurance that we will be able to retain any of our customers or renew any of our existing contracts on commercially favourable terms, if at all. Moreover, we may not be able to offset in whole or in part decreases in the number of our existing customers with increases in the number of new customers for our services, and even if we do, we may be adversely affected by higher broadband churn rates since the costs and effort of retaining a customer are lower than the cost to acquire a new customer. Failures by our customers to renew existing contracts, and any increase in our broadband churn rates, could result in loss of revenue and an increase in costs, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may not be able to increase or maintain ARPU by implementing our business strategies.

We may not be able to successfully implement our business strategies to increase or maintain ARPU. We aim to increase ARPU by up-selling existing customers to higher broadband access speeds and/or cross selling other services and implementing a customer segmentation strategy for our residential business. If we fail to successfully execute these and/or other strategies, we may not be able to increase or maintain ARPU. In addition, to increase our subscription base, it may be necessary to reduce our prices, which may result in a decrease in ARPU. If ARPU fails to increase or falls as a result of these or other factors, it may have an adverse impact on our business, results of operations, financial condition and prospects.

We depend on the continued service of our Talents, and our business and growth prospects may be disrupted by the loss of their services or the need to offer higher compensation and benefits.

Our future success is dependent upon the continued service of the Talents employed by our Group. Our industry is characterised by high demand and increased competition for employees, and we may need to offer higher compensation and other benefits in order to attract and retain Talents in the future. In particular, although we have employment agreements with members of our senior management, we cannot assure you that we will be able to retain key members of our senior management team. If one or more of our key personnel are unable or unwilling to continue in their present positions, or if they join a competitor or form a competing company, we may not be able to replace them easily, our business may be significantly disrupted and our financial condition and results of operations may be materially and adversely affected. We cannot assure you that we will be able to attract and retain the key personnel that we will need to achieve our business objectives.

Our finance costs will be affected by changes in interest rates.

Since 2013, the majority of our indebtedness was in the form of senior notes which carried fixed interest rates. Going forward, we expect to maintain a significant amount of indebtedness and the majority of our indebtedness will be term and revolving loans under the New Credit Facilities. These loans will bear floating interest rates determined by reference to HIBOR, which is subject to market movements and may increase in the future. Although we have in the past and will continue to enter into interest rate swaps to hedge against our interest rate risk, we cannot assure you that such hedging activities will be sufficient. Any significant increase in interest rates could increase our finance costs and materially and adversely affect our profitability.

We may incur more capital expenditure than we currently contemplate.

Expanding our network coverage and upgrading to new technology is capital intensive. We may incur higher levels of capital expenditure than currently anticipated in order to maintain and expand our network coverage. If we are not able to fund these capital expenditure requirements from cash from operations, we may need to seek additional debt or equity financing which could have an adverse effect on the value of the Shares and our prospects. If we are required to incur significantly higher levels of capital expenditure, it may not be successful and may not result in corresponding growth of our business and the expected positive impact on our results of operations. If our capital expenditure requirements increase due to these or other factors, it may have an adverse impact on our business, results of operations, financial condition and prospects.

We are subject to competition in providing IDD services, which may negatively impact our turnover and profitability.

Our IDD services primarily consist of direct dial, international calling cards and call forwarding services. Competition within the industry has intensified and continues to intensify as certain global VoIP providers that offer free PC-to-PC based international calls and other market players began to gain market share in Hong Kong.

Technology substitution from global VoIP providers, some of which offer free PC-to-PC based international calls, and mobile chat providers, some of which offer free mobile based international calls, is also becoming more prevalent. Increased adoption of such competing technology may lead to decreased demand for IDD services.

Due to increasing competition and changing industry dynamics, we expect our IDD service will continue to experience pressure on service tariff rates and traffic volume which would result in further reductions in our turnover and profits.

Quality free television programming or a disruption in television content for our IP-TV services may result in a reduction in the number of subscriptions for our IP-TV services.

The success of our IP-TV services depends on, among other things, the quality and variety of the programming delivered. We do not produce our own TV content and depend exclusively on our licence agreements with public and private broadcasters and other third party content providers for our IP-TV offering. We may negotiate additional access to programming to expand our IP-TV offering beyond our current packages and to enhance existing programming. The success of our IP-TV services depends, in large part, on our ability to provide a wide selection of popular programming to customers. Rights with respect to a significant amount of television content may, however, be already held by our competitors and, to the extent such competitors obtain content on an exclusive basis, our ability to obtain certain content could be limited.

Competition to licence popular programming from third parties is intense, and we may be outbid by our competitors for the right to broadcast new, popular programming or in connection with the renewal of popular programming which we currently license. Furthermore, changes in customers' tastes or their media consumption patterns could lead to our customers ceasing to subscribe to our IP-TV services or choosing alternative providers. Our inability to obtain or retain attractively priced television programmes could reduce the customer demand for our IP-TV services.

In addition, two domestic free television programme broadcasters in Hong Kong, Television Broadcasts Limited and Asia Television Limited, commonly known as TVB and ATV, respectively, offer digital terrestrial television services and cover an increasingly large percentage of the viewing public in Hong Kong. These television services may improve the quality of free television which may result in a reduction in the number of subscribers for IP-TV services. New licence holders of free television may enter the market, which may further improve the quality of free service programming and pose additional challenges for our IP-TV services.

If new free television broadcasters increase competition in Hong Kong and result in an overall improvement in the quality of free television programming, the availability of high quality free television programming may deter subscribers from paying for our IP-TV services. In October 2013, the Hong Kong Government decided to grant free-to-air licences to i-Cable and PCCW in Hong Kong although it has not yet issued the licences. We will not have any control over the content offered by these new entrants in the free television industry and their programming may decrease demand for pay-television services.

Furthermore, OTT services offer customers alternative and popular programming from third party content providers that we may not be able to deliver. Such OTT services are becoming increasingly popular among the viewing public in Hong Kong and may lead our current customers to cancel or not renew their IP-TV subscriptions with us or deter new customers from subscribing to our IP-TV services.

Any of these factors could impact demand for our IP-TV services, which could adversely affect our business, financial condition and results of operations.

We rely on third parties to deliver a significant portion of our international telecommunications traffic services and a certain portion of our fixed telecommunications network services through our network.

Our network is connected internationally and in Hong Kong to the networks of other providers under interconnection agreements. We also depend on certain third parties for the ongoing maintenance and repair of our network, as well as certain Hong Kong rail transport providers to maintain and provide us with access to their infrastructure to support the proper functioning of our equipment and fibre-based backbone.

We depend on our contractual relationships with, and the network infrastructure of, other local network operators and overseas telecommunications carriers in providing international telecommunications and fixed telecommunications network services to our customers. During the Track Record Period, we entered into contractual interconnection arrangements with approximately 10 third party providers on an ongoing basis. Fees for local access charges and local interconnection charges are based on usage rates. We also enter into contractual arrangements with approximately 30-40 third party suppliers in relation to our IDD services and IP transit services. The contracts for IDD services do not have a fixed term and the IP transit contracts typically have a term of 1 to 2 years. The IDD services contracts are priced based on usage rates while the IP transit contracts carry a fixed monthly charge. These contracts contain general terms and conditions and are based on negotiated market prices.

Some of these third parties are our competitors in our international telecommunications or fixed telecommunications network services, or both. The terms and conditions of these local and international arrangements could be subject to change or modification upon renewal of the relevant agreements. If the terms and conditions upon renewal are less favourable or the arrangements are not renewed, the costs associated with providing our services could increase significantly, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

If these third parties fail to respond or are untimely in their response to our maintenance and repair needs, our customers may experience interruptions or degradation in the quality of our fixed telecommunications network services. If our back-up systems are insufficient to maintain the quality of our services, any failure of the network or prolonged and significant service interruptions or degradation could damage our brand equity, reduce our ability to attract and retain new customers, increase customer churn, trigger claims for payments of damages or contractual remedies and have a material adverse effect on our business, financial condition, results of operations and prospects.

The loss of key suppliers or their failure to deliver equipment on a timely basis or delivery of defective or unsatisfactory equipment could negatively affect us.

We rely on third parties for the supply of network equipment and other technology. We must have an adequate supply of installation equipment on hand for delivery to our customers in a timely manner.

We purchase equipment related to our network, including optical network terminals, equipment routers and IP set-top boxes, from our suppliers on a purchase order basis and have no long-term contracts. If our suppliers are unable to supply us with these products in a timely manner or the costs of these products increase due to unforeseen causes, we may incur additional costs and delays as we source supplies from an alternative supplier which, in turn, could negatively affect our operating results, especially if we are unable to spread the costs over a larger subscription base or effectively pass on the additional costs by increasing our subscription prices.

If hardware or software products provided to us by third party suppliers are defective or related services are unsatisfactory, it may create technical problems in the delivery of our services, damage our reputation and result in the loss of customers. In addition, it may be difficult or impossible to enforce claims against such suppliers, especially if the warranties included in contracts and service level agreements with our customers (including those mandated or implied by applicable law) exceed those in contracts with our suppliers or if the services provided do not otherwise comply with the terms of those contracts or service level agreements. Our ability to recover from suppliers in such cases or in other situations may also be limited if the providers become insolvent. The occurrence of any of these risks could have a material adverse effect on our business, financial condition, results of operations and prospects.

We depend on the continued strength of our brands to maintain and grow our customer base.

We operate under various brands and our continued success and growth depends upon our ability to protect and promote these brands in existing and growth service areas. Prolonged service failure, security breaches, piracy and ineffective promotional activities are all potential threats to the strength of our brands. The market perception of these brands may deteriorate if we fail to maintain delivery and consistency of our services or to protect the integrity of customers' information disseminated through our network. Furthermore, the appeal and availability of our services, price architecture, points of sale locations, installation and after sales customer services all have an impact on customers' perceptions of us. If we do not fulfil the high expectations of our customers, we risk damaging our reputation and brands, which could lead to a decline in customer numbers and revenues, and could have an adverse effect on our business, financial condition, results of operations and prospects.

Any deficiency in billing and credit control process and customer management could materially and adversely affect our operations.

Sophisticated billing, credit control, collection and customer management systems are critical to support our ability to maintain and increase turnover, avoid turnover loss, monitor potential credit problems and bill customers accurately and in a timely manner. We will need to expand and adapt our billing and credit control systems to capture new revenue streams as our business continues to grow. The development of new businesses may impose a greater burden on our systems and may strain our administrative, operational and financial resources. Our billing, credit control, collection and customer management systems may be affected by computer viruses, cyber attacks, telecommunications failures, software flaws and systems failures. Any deficiency in billing, credit control, collection and customer management systems or delays in upgrades or integration of new systems could materially and adversely affect our business, financial condition, results of operations and prospects.

Internet security concerns and illegal distribution by third parties could adversely affect our Internet access services.

Computer viruses, piracy, cyber attacks, break-ins and other inappropriate or unauthorised uses of our network could affect our network and the services that we provide which may have the following effects on our residential and enterprise businesses:

- interruption, delays or cessation in services to our customers;
- cause damage to our reputation and brands;
- a threat to the security of confidential information stored in the computer system of our customers; and
- illegal viewing or downloading of our content.

We may need to incur significant costs to protect us against the threat of security breaches or to alleviate problems caused by such breaches, which are caused by computer viruses and other harmful attacks. We intend to continue to strengthen our network security to alleviate these problems. Our efforts, however, may cause interruptions, delays or cessations of our services and/or may be ineffective, and our customers may stop using our services or assert claims against us as a result.

Breaches of our network, including breaches through piracy or hacking may result in unauthorised access to content carried on our networks or a breach of privacy of voice and information transmissions over our networks. Failure of encryption and our other security measures may undermine consumer confidence and may result in the imposition of regulatory measures to ensure the security of services. Such events may have a material adverse effect on our business, financial condition and results of operations and may also require us to incur further expenditure to put in place more advanced security systems to protect our network.

We protect our IP-TV programming through the use of conditional access technology to limit access strictly to those who have subscribed and are authorised to view it. Although we believe conditional access technology can prevent unauthorised viewing of our programming without subscription, illegal redistribution of subscription content does occur. Illegal distributors, who are difficult to identify, often offer significantly cheaper subscription fees as compared to legal pay TV providers, in order to attract subscribers.

We cannot guarantee that any of the initiatives taken by us will prevent or reduce illegal distribution. There is also limited legal recourse available to us against these illegal distributors. If our subscribers become illegal viewers, our broadband churn rate may increase and our programme suppliers may refuse to provide us with content due to our failure to eliminate or reduce illegal distribution. In addition, we may be required to incur incremental operating costs to combat illegal distributions. Failure to reduce or eliminate illegal distributions and unlicensed content could materially adversely affect our business, financial condition, results of operations and prospects.

We may be subject to claims regarding information disseminated over or use of data from our network which could increase our costs or cause us to discontinue certain services.

We may be subject to claims for defamation, negligence, copyright or trademark infringement, personal injury, privacy rights violations or other legal claims relating to the information we publish on our websites or disseminate through our network or data that we use from our networks, including our broadband services.

Certain businesses, organisations and individuals may send unsolicited commercial e-mails or other content, which may be viewed as offensive by recipients, through our network. We may receive letters from recipients of information transmitted by our customers objecting to spam. There can be no assurance that customers will not engage in practices, which could subject us to claims for damages, damage our reputation and brand and have a material adverse effect on our business.

In addition, as part of the CVC Acquisition completed in May 2012, we granted HKTV, free of charge, the right to use a portion of the capacity of our network for a period of 20 years. If HKTV obtains the appropriate licences, it will be able to use our network to broadcast its programming and we would not have any control over the content of HKTV's programming and this too could subject us to claims for damages, damage our reputation and brand and have a material adverse effect on our business. See "*Business — Our Network Infrastructure — Arrangements Related to the Use of Our Network*" for further details.

We may also be subject to claims and enforcement actions based upon the content or data accessible from our websites through links to other websites or through content and materials that may be posted by members on our websites. Lawsuits or claims may be brought against us for any content distributed through our network, including any politically sensitive or illegal content, and such content may damage our reputation and brand.

Any of these actions could lead to claims under the censorship and personal data protection laws of Hong Kong. Hong Kong law relating to liability of Internet service providers for information carried on or disseminated through their networks is new and untested. The imposition of potential liability upon Internet service providers, such as liability for defamatory speech or copyright infringement, for materials carried on or disseminated over a network and the Personal Data (Privacy) (Amendment) Ordinance 2012, which governs the protection of personal data privacy of individuals, may require us to make significant investments in systems and other measures to reduce our exposure, leading to increased costs.

We may be required to spend substantial resources in defending against these claims or discontinue certain services, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Anticipated benefits of joint ventures or strategic corporate partnerships may not be realised.

As part of our strategy of expanding our business, we have in the past and may in the future, from time to time, form joint ventures or create strategic corporate partnerships. We expect to evaluate potential joint ventures and strategic corporate partnerships with the potential of expanding our user and revenue base. Whether we realise the anticipated benefits from these transactions depends, in part, on the integration between the businesses involved, the performance and development of the underlying services or technologies, our correct assessment of assumed liabilities and the management of the relevant operations. We may not be able to successfully finance or integrate any businesses or products and the integration may divert our management's focus from our core business and result in disruption to our normal business operations.

The state of Hong Kong's economy may affect our business.

As we provide services solely in Hong Kong, our financial position and the results of our operations will be affected by the conditions of the telecommunications market in Hong Kong (including the Internet access and pay-TV markets) and cannot be offset by developments in other international markets. Negative developments in, or the general weakness of, the Hong Kong economy, which may be influenced by changes in the Hong Kong regulatory environment, increasing levels of unemployment or changes in demand and usage habits of Hong Kong consumers, may have a direct adverse effect on the spending patterns of retail and business customers, both in terms of the services they subscribe for and usage levels. We have limited control over any of these factors. Because a substantial portion of our revenue is derived from customers who may be impacted by these conditions, it may be:

- more difficult to attract new customers;
- more likely that some customers may downgrade or disconnect their services; and/or
- more difficult to maintain or increase pricing.

In addition, a deterioration of the Hong Kong economy may lead to a higher number of non-paying customers and service disconnections. The Hong Kong economy has experienced considerable volatility in the last few years, and there can be no assurance that it will not continue to do so in the future. A weak economy and negative economic development may adversely affect our results of operations and jeopardise our growth targets and could limit our prospects.

We are subject to increases in operating costs and inflation risks which may adversely affect our earnings.

While we attempt to increase our subscription fees to offset increases in operating costs, there is no assurance that we will be able to do so. Therefore, operating costs may rise faster than associated revenues, resulting in a material negative impact on our cash flow and net earnings. If inflation were to increase, we could be negatively impacted by inflationary increases in salaries, wages, benefits and other administrative costs if we were not able to increase our subscription fees, which in turn could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may not be able to obtain additional capital.

We expect to continue to make investments to maintain and upgrade our network to meet the demand for our new and existing services. We may need to obtain additional financing if our business plans are accelerated or are affected by changes in the telecommunications industry, developments in technology, or if our turnover and cash flow are significantly reduced. Financing might not be available to us when needed, or may only be available on terms that are unfavourable to us. Any debt financing, if available, may involve restrictive covenants. If we are unable to raise the amounts required on favourable terms, we may be unable to pursue our growth strategy. In addition, future adverse conditions in the financial markets may impair our ability to finance our operations. If we cannot raise sufficient funds on commercially acceptable terms, we may need to delay or abandon some of our business plans or otherwise forego market opportunities. In addition, if we cannot raise new debt or refinance our debt, our ability to pay distributions may be affected.

We will require a significant amount of cash to service our debt.

Our ability to fund operating and capital expenditures and to service debt will depend significantly on our ability to generate cash from operations. We will need to continue generating cash flows at or above current levels to meet our future debt service requirements. However, we cannot assure you that we will be able to do so.

Our ability to generate cash is subject to general economic, financial, competitive, industry, legal and other factors and conditions, many of which are outside our control. In particular, our operations are subject to price and demand volatility in the telecommunications industry. If we cannot service our debt, we may be required to, among other things, reduce capital expenditures, sell assets, or raise equity. We may not be successful in taking these actions, which could cause us to default on our obligations. Further, our ability to take many of these steps may be subject to approval by current and future creditors. If any of the above occurs, it may have an adverse effect on our business, results of operations and financial condition.

We have in the past, and will continue to enter into hedging arrangements to manage our exposure to fluctuations in interest rates and foreign currencies, which may not be successfully implemented.

During the Track Record Period, we have entered into interest rate swaps to hedge against our interest rate risk. We have entered into similar arrangements, and may also enter into other hedging arrangements, to protect us from the effects of changes in interest rates on our indebtedness and the effects of changes in foreign exchange rates and to reduce our exposure to market volatility.

Hedging could fail to protect us or could adversely affect us because, among other things:

- The available hedging may not correspond directly with the risk for which protection is sought;
- The duration or nominal amount of the hedge may not match the duration of the related liability;
- The party owing money in the hedging transaction may default on its obligation to pay and/or the credit quality of the party owing the money on the hedge may be downgraded to such an extent that it impairs the reliability of the hedging transaction; and
- The value of the derivatives used for hedging may be adjusted from time to time in accordance with accounting rules to reflect changes in fair value. Downward adjustments would reduce our net assets and profits.

In addition, hedging involves transaction costs. These costs may increase as the period covered by the hedging increases and during periods of rising and volatile interest rates or foreign exchange rates. In periods of extreme volatility, it may not be commercially viable to enter into hedging arrangements due to the high costs involved. Any of the above factors could have a material adverse effect on our business, financial condition and results of operations.

Our indebtedness could adversely affect our financial condition and restrict our operations.

Covenants in the New Credit Facilities will materially restrict our operations, including our ability to incur debt, pay dividends, make certain investments and payments, and encumber or dispose of assets. In addition, financial covenants contained in agreements relating to our future debt, including those under a credit agreement, could lead to a default in the event our results of operations do not meet our plans. A default under one debt instrument may also trigger cross-defaults under our other debt instruments. An event of default under any debt instrument, if not cured or waived, could have a material adverse effect on us. The New Credit Facilities will have, and any new debt that we incur in the future could have, important consequences to Shareholders. For example, this indebtedness could:

- increase our vulnerability to general adverse economic and industry conditions;
- limit our ability to fund future working capital, capital expenditures, research and development and other general corporate requirements;
- require us to dedicate a substantial portion of our cash flows from operations to service payments on our debt;
- limit our flexibility to react to changes in our business and the industry in which we operate;
- place us at a competitive disadvantage to any of our competitors that have less debt;
- require us to meet additional financial covenants; and
- limit, along with other restrictive covenants, among other things, our ability to borrow additional funds.

We cannot assure you that our business will generate cash in an amount sufficient to enable us to service our debt or to fund our other liquidity needs. As part of our capital structure management, we intend to refinance the New Credit Facilities on or before maturity. We cannot assure you that we will be able to refinance any of our debt on commercially reasonable terms or at all.

Any asset impairment could adversely affect our financial condition and results of operations.

We have non-current assets such as property, plant and equipment, intangible assets, leasehold interests in land and buildings, telecommunications facilities and computer equipment and goodwill, and are required to review these assets for impairment at each balance sheet date. This review is made with reference to the recoverable amounts in respect of those assets. Impairment of any of these assets could adversely affect our financial condition and results of operations. The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. Where the recoverable amount of an asset is less than its carrying value, an impairment loss is recognised to write down the asset to its recoverable amount.

The recoverable amount of an asset depends on the prevailing market conditions at the time of the review, the nature of the asset, its fair value and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects our current market assessment of the time value of money and the risks specific to the asset. Estimated future cash flows arising from future use of the asset are determined by analysing our target market share and subscription base, market competition, future changes to our cost structure and technological change as well as related future capital expenditure required to maintain the asset's performance. Any reduction in the recoverable amount of an asset below its carrying value, whether due to a weak economic environment, challenging market conditions, asset or portfolio sale decisions by management or any other condition or occurrence, could be charged to the income statement and could thus materially and adversely affect our results of operations and shareholders' equity in the period in which the impairment occurs.

Our business relies on intellectual property, some of which is owned by third parties, and we may inadvertently infringe the patents and proprietary rights of others.

If it is determined that one or more of our services used to transmit or receive our services infringes on intellectual property owned by others, we may be required to cease developing or marketing those services, to cease using those products, to obtain licences from the owners of the intellectual property or to redesign those services and products in such a way as to avoid infringing the intellectual property rights. If a third party holds intellectual property rights, it may not allow us to use its intellectual property at any price, which could materially adversely affect our competitive position.

We may not be aware of all intellectual property rights that our services or the products used to transmit or receive our services may potentially infringe. Therefore, we cannot guarantee that our services or the products used to transmit or receive our services will not infringe on intellectual property owned by third parties. To the extent that we are required to pay royalties to third parties to whom we are not currently making payments, these increased costs of doing business could materially adversely affect our operating results. There can be no assurance that the courts will conclude that our services or the products used to transmit or receive our services do not infringe on the rights of the third parties, that we or the manufacturers would be able to obtain licences from these persons on commercially reasonable terms or, if we were unable to obtain such licences, that we or the manufacturers would be able to redesign our services or the products used to transmit or receive our services to avoid infringement. Any court-imposed penalties relating to violations of third party intellectual property rights could have a material adverse effect on our business, financial condition, results of operations and prospects.

Fluctuations in the value of the Hong Kong dollar, our functional currency, particularly against the Renminbi and the US dollar may increase our operating costs and liabilities.

We are exposed to foreign exchange risk because our turnover is predominantly denominated in Hong Kong dollars, while a material portion of our capital expenditure and interest payments and part of our operating costs are denominated in Renminbi, US dollars or other foreign currencies. Our foreign currency-denominated expenses primarily consist of the following:

- Expenses incurred for the operations of our call centre located in Guangzhou, China are denominated exclusively in Renminbi. These expenses include salaries paid to our personnel as well as various operating expenses that we incur to maintain our operations.

- Substantially all of the interconnection charges payable to overseas carriers for the delivery of our international calls are denominated in U.S. dollars or other foreign currencies.

- In the future debt may be denominated in currencies other than Hong Kong dollars.

- The equipment and hardware we purchase for the expansion of our network constitute a large portion of our capital expenditures and are also denominated in U.S. dollars.

Since October 1983, the Hong Kong dollar has been linked to the U.S. dollar at the rate of approximately HK$7.80 per US$1.00. We, however, cannot assure you the link will be maintained in the future. Any depreciation of the Hong Kong dollar against the Renminbi, U.S. dollar or other currencies would increase our operating costs, including our debt servicing costs, make our capital expenditure plans more expensive, and adversely affect our profitability.

The Renminbi has appreciated significantly against the Hong Kong dollar in recent years and is presently pegged to a basket of currencies, and there remains significant international pressure on the PRC government to further liberalise its currency policy. This could result in a further and more significant appreciation in the value of the Renminbi against the Hong Kong dollar, which would increase the cost of operating our call centre. We have in the past, and may continue to enter into hedging arrangements to manage our exposure to fluctuations in interest rates and foreign currencies, which may not be successfully implemented. See "*Financial Information — Qualitative and Quantitative Disclosure about Market Risk — Hedging Arrangements*" for more details.

There may be political risks associated with doing business in Hong Kong.

A very significant part of our equipment and operations are currently located in Hong Kong. Hong Kong is a Special Administrative Region of the People's Republic of China, with its own executive, judicial and legislative branches. Hong Kong enjoys a high degree of autonomy from China under the principle of "one country, two systems". However, we can give no assurance that Hong Kong will continue to enjoy the same level of autonomy from China. Any intervention by the government of China in the affairs of Hong Kong, in breach of the "one country, two systems" principle, may adversely affect our revenues and operations.

Recently, thousands of residents of Hong Kong engaged in civil disobedience protests. Activists protested outside key government buildings and occupied several major city intersections, causing major disruption to traffic and trade in the affected areas. Any political and social instability in Hong

Kong, if significant and prolonged, could have a material adverse effect on our business, financial condition, results of operations and prospects.

The occurrence or outbreak of contagious disease in Hong Kong or the PRC may adversely affect our businesses, results of operations and financial condition.

The occurrence or outbreak of contagious disease in Hong Kong or the PRC may adversely affect the Hong Kong economy, our customers and our ability to conduct business operations. The occurrence of such an outbreak may also cause a general slowdown of the economy and hence, the demand for our products and services. The prolonged effects of such an outbreak may have a material adverse impact on our business, results of operations and financial condition.

RISKS RELATING TO THE LEGAL AND REGULATORY ENVIRONMENT IN WHICH WE OPERATE

We require a carrier licence from OFCA to provide our services. If the licence is revoked or there are substantial changes in its terms and conditions, we may be adversely affected.

We require a carrier licence from OFCA to provide our fixed telecommunications network and international telecommunications services. Our FTNS Licence was initially granted in 2000 for a term of 15 years and expired in February 2015. Since OFCA will no longer issue an FTNS Licence, HKBN applied for and has received a UC Licence for the provision of fixed telecommunications network services. The UC Licence became effective in February 2015 with a term of 15 years.

No assurance can be given that OFCA will not take actions that could materially and adversely affect us. In particular, we have been granted an exemption by OFCA to comply with the notification requirement of any discount to the published tariffs offered for the services under HKBN's UC Licence. If the exemption is revoked, our ability to adjust the tariffs for our fixed telecommunications network services, including our offer of discounts to subscribers from time to time, will be restricted.

If HKBN's UC Licence is revoked, or the terms and conditions in any such licences are amended, for any reason, we may be prohibited from continuing to offer the services authorised by the UC Licence, which would have a significant adverse impact on our revenues and profitability. In addition, there may be future changes in Hong Kong's telecommunications regulations or policies that would require us to obtain additional licences, which could have an adverse impact on our results of operations, require us to increase prices or cause disruption to our services.

Regulatory reforms and currently contemplated regulatory initiatives affecting the telecommunications industry may adversely affect us.

The Hong Kong telecommunications industry is subject to continuing regulatory reform. Our business and results of operations may be adversely impacted by regulatory changes affecting the telecommunications industry, especially in the following areas:

- The Trade Descriptions (Unfair Trade Practices) (Amendment) Ordinance 2012 (the "**Trade Descriptions Amendment Ordinance**") was enacted in July 2012 and became effective on 19 July 2013. The Trade Descriptions Amendment Ordinance, a cross-sector regime, prohibits the use of unfair trade practices against consumers and strengthens the relevant enforcement mechanism. The Hong Kong Customs and Excise Department and OFCA, with concurrent jurisdiction to enforce the new fair trade sections relating to telecommunications and broadcasting services, will enforce the Trade Description Amendment Ordinance rules affecting our business. The Trade Descriptions Amendment Ordinance, among other changes, extends the scope of the rules of the Trade Descriptions Ordinance to include services, establishes new criminal offenses applicable to unfair trade practices and provides for the private right of action for damages for consumer redress.

- In June 2012, Hong Kong's first cross sector competition legislation, the Competition Ordinance (Chapter 619 of the Laws of Hong Kong) (the "**Competition Ordinance**"), was enacted. The Competition Ordinance is being implemented in phases which commenced on 18 January 2013 and covers various industries and sectors. The Competition Ordinance is expected to be fully implemented in the summer of 2015 and once fully effective, it will amend or repeal the competition provisions currently in force in the industry-specific legislation, including the telecommunications industry (subject to the transitional provisions set out in Schedule 9 of the Competition Ordinance). Currently, the competition provisions of the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong) (the "**Telecommunications Ordinance**") regulate the conduct of all carrier licensees (including in relation to transactions) in the Hong Kong telecommunications industry. OFCA has the power to review the conduct and transactions of carrier licensees and take appropriate actions if it determines that the conduct or the transaction would, or is likely to, prevent or substantially lessen competition in a telecommunications market.

- The Hong Kong Government has indicated that because our IP-TV services are carried over the Internet, we are exempted under the Broadcasting Ordinance (Chapter 562 of the Laws of Hong Kong) (the "**Broadcasting Ordinance**") from the requirement to obtain a domestic pay-television programme service licence. However, the Hong Kong Government's Communications and Technology Branch has informed us that the government is considering a review of the broadcasting regulatory regime and may introduce changes to the existing regulatory framework, including the existing exemption in the Broadcasting Ordinance. As a result, we cannot predict whether the government may require us to obtain a pay-TV programme service licence in the future.

If the regulatory reforms and currently contemplated regulatory initiatives affecting our industry are implemented, or are implemented more quickly than currently anticipated, we may incur additional costs relating to compliance, penalties and remedial activities which may adversely affect our business, financial condition, results of operations and prospects.

We are subject to risks relating to legal and regulatory proceedings, which we may be a party to from time to time, or which could develop in the future. We may also be subject to complaints or regulatory investigations, from time to time, in connection with our business and operations.

The regulatory bodies that oversee our business and operations may take certain actions that could subject us to an unexpected increase in our capital expenditure and other operating expenses and other risks.

On 15 October 2012, pursuant to information from the Director of Highways on our failure to meet the minimum depth requirement in certain road works in public areas, OFCA issued a written warning that we breached one of the general conditions of our FTNS Licence by failing to comply with certain minimum depth requirements specified in our excavation permit. OFCA has indicated in the written warning that, in the event that we fail to implement the necessary rectification measures, it will compel us to implement rectification work to the satisfaction of the Director of Highways. We also may be subject, and are subject, to additional complaints and investigations relating to the minimum depth requirement described above. Depending on the outcome, these legal and regulatory proceedings may have a negative impact on our business. In total, we have received 164 determinations of non-compliance all of which related to works completed before February 2012.

In May 2014, the Hong Kong Highways Department reviewed this issue with various utilities and operators in the Hong Kong telecommunications industry, including us, and decided that those who, similar to HKBN, also have non-compliance issues with the minimum depth requirement should complete rectification work by the end of 2015. Since September 2012, we have provided monthly updates of our rectification progress to the Hong Kong Highways Department. As at 31 December 2014, we had completed 100 out of 164 rectification works. We currently expect to complete all rectification work by the end of 2015. The timing of the completion of rectification works is beyond our direct control since it is dependent upon obtaining approval from the Hong Kong Highways Department as roadworks are authorised on a case-by-case basis so as not to cause undue disruption. The cost incurred to date to complete the 100 rectification works is approximately HK$9.5 million and we expect to incur approximately an additional HK$8.5 million to complete the remaining rectification works.

We cannot predict the effect that this warning from OFCA, or any future warnings, complaints or investigations made by any regulatory body or third party will have on our business, results of operations or prospects but future warnings, complaints or investigations could have an adverse impact.

Our involvement in litigation and regulatory proceedings may also adversely affect our reputation. Furthermore, as a result of litigation and regulatory proceedings, we may become subject to certain financial penalties or incur other costs that may significantly affect our needs for capital expenditure and operating cost. We are currently involved in a litigation matter which we commenced as plaintiff in September 2000 against an i-Cable entity for damage to our cables and lines. We are also a cross-defendant in this matter. An application filed by i-Cable to strike out our original statement of claim pending was heard on 4 June 2013. To date, the court has reserved judgment and the court's decision on the summons is currently pending. If the court accepts i-Cable's summons, we may be required to reimburse i-Cable for its legal fees and cost of the legal proceedings.

On 25 August 2014, PCCW filed a complaint to OFCA against us alleging that our package deal with the incorporated owners of an apartment building complex in Hong Kong results in the prevention or substantial restriction of competition in the telecommunication market, and that we are making available our services to the residents without charge or for a substantially discounted charge. OFCA has made inquiries to the relevant management office requesting more information about the transaction. We have not received any inquiries directly from OFCA relating to this matter.

On 11 September 2012, OFCA received an anti-competition complaint against us alleging the unfair cost and speed advantages over other licensees from not meeting the minimum depth requirement in road works with the intention of securing certain "first-mover" advantages by being the first operator to install its fibre optic network in buildings. OFCA has made several enquires to us and has not yet decided whether there are reasonable grounds for them to suspect that there may be an infringement. The last enquiry from OFCA was on 11 December 2014.

Litigation and regulatory proceedings and investigations are inherently unpredictable and current legal or regulatory proceedings, and any future legal or regulatory matter in which we become involved, may have a material adverse effect on our business, financial condition, results of operations and prospects.

RISKS RELATED TO OUR PRC OPERATIONS

We may be adversely affected by the complexity, uncertainties and changes in PRC laws and regulations on telecommunication business, including on the licences required for foreign invested companies to conduct offshore call centre business in the PRC.

Our wholly foreign owned PRC Subsidiary in Guangzhou was granted an "Offshore Test-point Call Centre Approval" issued by Guangdong Telecommunication Bureau ("**Guangdong Bureau**") on 26 June 2014 to conduct our call centre business in Guangzhou. Our PRC Subsidiary's "Offshore Test-point Call Centre Approval" will expire on 31 December 2016 and there is no assurance that our PRC Subsidiary will be able to successfully obtain a renewed approval to continue operating its call centre business in Guangzhou.

Pursuant to the Circular on Accelerating the Development of Service Outsourcing Industry and Simplifying the Approval Formalities for Foreign Investors to Conduct Offshore Test-point Call Centre Business (工信部關於鼓勵服務外包產業加快發展及簡化外資經營離岸呼叫中心業務試點審批程序的通知) ("**Circular No. 550**") promulgated by the Ministry of Industry and Information Technology of the PRC on 10 November 2010 and other PRC laws and regulations, our offshore test-point call centre business conducted by our PRC Subsidiary in Guangzhou is currently not expressly classified as a form of value added telecommunication business requiring an ICP licence. As such, our PRC Subsidiary does not currently hold an ICP licence.

However, we note that a revised draft Catalogue of Telecommunication Business has been published by the Ministry of Industry and Information Technology of the PRC on 23 May 2013 which has included offshore call centre business as a type of value added telecommunication business, but such draft catalogue has not been adopted, and therefore the approval that our PRC Subsidiary has obtained continues to be sufficient. If the new catalogue as drafted is adopted, our PRC Subsidiary will need to apply for an ICP licence, and our PRC Subsidiary will become subject to the PRC value added telecommunication laws and regulations. This could require considerable resources and time, and could significantly affect the operation of our business, while also subjecting us to increased liability under the relevant laws, rules and regulations. In addition, pursuant to the Provisions on the Administration of Foreign Invested Telecommunication Enterprises (外商投資電信企業管理規定) as promulgated by the State Council in 2002 and amended in 2008, the shareholding percentage of foreign investors in enterprises engaged in value added telecommunication services should not exceed 50%. However, pursuant to the Letter of the General Office of the State Council in Reply on encouraging to Accelerate the Development to Service Outsourcing Industry promulgated on 7 April 2010 (國務院辦公廳關於鼓勵服務外包產業加快發展的覆函), for enterprises which provide outsourcing services to the overseas market to engage in the offshore test-point call centre business (i.e., both of the ultimate service consumer and client of the service are located outside the PRC), a pilot programme will be carried out in model cities without setting limitations on equity percentages to be held by foreign investors. Our PRC Subsidiary is 100% foreign owned. It remains to be seen whether the foreign shareholding restriction on value added telecommunication services will continue to be lifted with respect to offshore call centre business once this business becomes regulated as value added telecommunication business. The costs associated with complying with such laws, rules and regulations, including any penalties or fines for our failure to so comply if required, could have a material adverse effect on our business, financial condition and results of operations. Any change in the classification of our offshore call centre by the PRC government may also significantly disrupt our operations and materially and adversely affect our business and prospects.

If our PRC Subsidiary fails to obtain an ICP licence (if required), fails to obtain a renewed approval from the Guangdong Bureau to allow us to continue operating our call centre business in Guangzhou, or if such approval is not granted in a timely manner or if the Guangdong Bureau determines that the "Offshore Test-point Call Centre Approval" was required during the period prior to it being granted in June 2014, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Our failure to obtain approval of our call centre and complete registration formalities may subject us to penalties and our business may be adversely affected.

Pursuant to Circular No. 550, a foreign invested enterprise which was already engaged in the offshore test-point call centre business on 10 November 2010 was required to apply to the relevant telecommunication bureaus at the provincial level to obtain an approval for such business. While Circular No. 550 does not prescribe any fines or penalties for a failure to obtain such approval, the Telecommunication Regulation of the PRC (中華人民共和國電信條例) provides that where an enterprise engages in any telecommunication service operation without having obtained a relevant permit, the relevant authority may confiscate any income obtained during the period of non-compliance (the "**relevant PRC income**"), impose a fine of between three and five times of relevant PRC income obtained and, in severe situations, the company may be ordered to suspend its business operations.

Our PRC Subsidiary did not have the "Offshore Test-point Call Centre Approval" between 10 November 2010 (when Circular No. 550 was promulgated) and 26 June 2014 (when the approval was granted). Circular No. 550 does not stipulate any particular time frame for such approval procedures to be completed but we can give no assurance that we will not be subject to penalties as a result of not having the "Offshore Test-point Call Centre Approval" between 10 November 2010 and 26 June 2014.

According to the Circular No. 550 and relevant PRC laws and regulations on telecommunication, as well as the "Offshore Test-point Call Centre Approval" issued by Guangdong Bureau, our PRC Subsidiary should complete approval formalities with the relevant local Ministry of Commerce ("**MOFCOM**") and registration formalities with the relevant local Administration for Industry and Commerce ("**AIC**") regarding the conduct of our call centre business. We have completed the approval formalities with the relevant local MOFCOM and were issued a local MOFCOM approval and an approval certificate on 17 January 2015 and 20 January 2015, respectively. We have completed the registration formalities with the relevant local AIC on 6 February 2015.

PRC regulations relating to investments in offshore companies by PRC residents may subject our PRC-resident Co-Owners or our PRC Subsidiary to liability or penalties.

The State Administration of Foreign Exchange of the PRC ("**SAFE**") promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) ("**SAFE Circular 37**") on 4 July 2014, which replaced the former circular commonly known as "SAFE Circular 75" promulgated by SAFE on 21 October 2005. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle". SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfil the required SAFE registration, the PRC subsidiary of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

Prior to the completion of the Reorganisation, certain PRC-resident Co-Owners have invested in MLHL via the Nominee, and such Co-Owners did not comply with the SAFE registration described above. The Nominee will receive Shares on behalf of such Co-Owners as part of the Reorganisation and will dispose of all such Shares pursuant to the Global Offering. Consequently upon completion of the Global Offering, this technical non-compliance would be cured. Nevertheless, there is no assurance that such PRC-resident Co-Owners or our PRC Subsidiary will not be subject to liability or penalties for the failure to comply with the SAFE registration requirements for the period before the disposal of Shares pursuant to the Global Offering.

Furthermore, since SAFE Circular 37 was recently promulgated and it is unclear how this regulation, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant PRC government authorities, we cannot predict how these regulations will affect our business operations or future strategy.

Our international telecommunications revenues may be adversely affected by increases in carrier charges in the PRC.

In the PRC, tariffs for all domestic and international long distance services offered through public switched telephone networks, leased lines and data services are jointly regulated by the Ministry of Industry and Information Technology of the PRC and the National Development and Reform Commission. Starting from May 2014, operators in the PRC are allowed to set the tariff based on market conditions subject to prior notification to these agencies. Certain tariffs payable by us to our carrier partners are based, among other things, on the tariffs as so regulated by these agencies with respect to the calls our subscribers make to persons in China. We cannot predict the timing, likelihood or magnitude of any tariff adjustments that may be imposed by the Ministry of Industry and Information

Technology of the PRC and the National Development and Reform Commission, nor can we predict the extent or potential impact upon our business of any future tariff increases. Such increases may lead to a decrease in traffic, reduce our revenues and adversely affect our business and results of operations.

As approximately half of our Talents are located in Guangzhou, the PRC, changes in PRC labour or business laws may significantly affect our operations and our ability to serve our customers.

Our call centre in Guangzhou, the PRC employs over 1,000 Talents and is a very important resource to us. We are therefore significantly affected by the laws and regulations governing foreign companies with operations in PRC. As the PRC legal system develops, changes in such laws and regulations, their interpretation or their enforcement may lead to restrictions on our ability to hire and retain our Talents in PRC, which could affect our operations and ability to provide services to our customers.

Service agreements between our PRC Subsidiary and HKBN are related party transactions which may be subject to scrutiny by PRC tax authorities, and additional PRC taxes or penalties imposed on us as a result of such scrutiny may adversely affect our business and performance.

In the normal course of our operation, HKBN procures the provision of certain customer support and technical consultancy services from our PRC Subsidiary, and our PRC Subsidiary provides almost all of its services to HKBN. According to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) and the Regulation on Implementing the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例), related party transactions between HKBN and our PRC Subsidiary shall be conducted on an arm's length basis. Such transactions between related parties may be subject to audit or scrutiny by the PRC tax authorities within ten years after the taxable year when the transactions are conducted. If the relevant PRC tax authorities determine that the related party transactions between our PRC Subsidiary and HKBN have not been conducted on an arm's length basis, they may adjust the taxable income of our PRC Subsidiary through a transfer pricing adjustment and impose additional taxes with applicable interest on our PRC Subsidiary, as well as penalties for under-reporting of taxable income. For example, in January 2008, our PRC Subsidiary was ordered by the state tax bureau of Yuexiu District, Guangzhou to pay additional enterprise income tax in the amount of RMB2.3 million regarding adjusted enterprise income tax in the amount of RMB7.0 million for the period from 1 January 2002 to 31 December 2005 within the prescribed deadline. The main reason for such adjustment was that the local bureau was of the view that the related party transaction between our PRC Subsidiary and its previous foreign shareholder was not conducted on an arms' length basis as required under relevant applicable PRC tax laws and regulations.

We believe that the transactions between our PRC Subsidiary and HKBN have been conducted on an arm's length basis. During the Track Record Period, we have reported such transactions to the relevant PRC tax authorities in each year, and such tax authorities have not raised any objections or imposed any additional taxes or penalties with respect to such transactions. However, there is no guarantee that the PRC authorities will not audit such past transactions or raise objections with respect to the pricing terms of such transactions in the future. If the PRC tax authorities conclude that the related party transactions between our PRC Subsidiary and HKBN have not been conducted on an arm's length basis, we may become subject to additional PRC taxes and penalties which, if significant, could have a material adverse effect on our financial condition and results of operations.

Failure to comply with PRC regulations regarding the registration requirements for stock ownership plans or stock option plans, including the Co-Ownership Plan II, may subject PRC plan participants or us to fines and other legal or administrative sanctions.

Under the applicable PRC regulations, PRC residents who participate in an employee stock ownership plan or stock option plan in an overseas publicly listed company are required to register with SAFE or its local branch and complete certain other procedures. On 15 February 2012, SAFE promulgated the Notice on the Administration of Foreign Exchange Matters for Domestic Individuals Participating in the Stock Incentive Plans of Overseas Listed Companies (國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知) (the "**Notice No. 7**"), which prescribes that domestic individuals in the PRC (which term is defined to include citizens of the PRC, and citizens of Hong Kong, Macau and Taiwan and foreign citizens who have lived in the PRC continuously for more than one year) who are employees of an overseas listed company's domestic affiliates and participate in stock incentive plans of the overseas listed company must retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly listed company, to conduct the SAFE registration and other procedures with respect to the stock incentive plans on behalf of these participants. As we expect certain Talents of our PRC Subsidiary to hold Shares or RSUs pursuant to the Co-Ownership Plan II, we believe these registration and procedures will need to be followed. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise or sale of stock options. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes.

In addition, the State Administration for Taxation has issued circulars concerning employee share options or restricted shares. Under these circulars, employees working in the PRC who exercise share options, or whose restricted shares or RSUs vest, will be subject to PRC individual income tax. The PRC subsidiaries of an overseas listed company have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes of those employees related to their share options, restricted shares or RSUs. If the abovementioned employees fail to pay, or our PRC Subsidiary fails to withhold, their income taxes according to relevant laws, rules and regulations, the PRC Subsidiary may face sanctions imposed by the tax authorities or other PRC government authorities.

If we, or any of our employees who are subject to the Notice No. 7 and participate in any of our equity incentive plans, fail to comply with the Notice, we or our employees may be subject to fines and other legal or administrative sanctions.

RISKS RELATED TO AN INVESTMENT IN THE SHARES

We may not be able to make distributions to Shareholders at all or the level of distributions may fall.

If our businesses do not generate sufficient profits, our cash flow and ability to make distributions at the expected level or at all will be adversely affected.

We will rely on the receipt of dividends, distributions and other amounts from our operating companies in order to make distributions to the Shareholders. There can be no assurance that our operating companies will have sufficient distributable profits or other distributable reserves in any future period to make dividends, distributions or other payments to the Company or for the Company to make distributions to the Shareholders.

Our ability to pay dividends may be affected by a number of factors including:

- Our business performance and the financial position of our operating subsidiaries;
- Applicable laws and regulations, which may restrict the payment of dividends;
- Operating losses incurred by our operating companies in any financial year;
- Changes in accounting standards and tax laws and regulations;
- The terms of agreements, including the New Credit Facilities, to which we are, or may become, party;
- Compliance with financial covenants and undertakings under our debt facilities including the New Credit Facilities; and
- Funding requirements and other capital management considerations as well as prevailing industry practice.

No assurance can be given as to our ability to pay or maintain distributions in respect of the Shares or that the level of distributions will increase over time.

Following completion of the Global Offering, MLGHL will cease to be our largest Shareholder and Canada Pension Plan Investment Board, which was not previously a Shareholder in the Company, will become our largest Shareholder and their respective interests in the Company's business may be different from those of other investors.

Following completion of the Global Offering, MLGHL will cease to be our largest Shareholder and Canada Pension Plan Investment Board, which was not previously a Shareholder in the Company, will become our largest Shareholder and the Cornerstone Investor and MLGHL (being our substantial shareholders) will own an aggregate of 31.58% (based on the Maximum Offer Price) or 33.80% (based on the Minimum Offer Price) of the Shares in issue (assuming (i) a Listing Date of 12 March 2015; (ii) the exchange rate on the Price Determination Date will be US$1.00 : HK$7.75468; and (iii) the Over-allotment Option is not exercised). Therefore, each of our substantial shareholders could affect the Company's management (including its composition), policies and business and matters requiring the approval of the Shareholders. In addition, our substantial shareholders and the Company's other Shareholders and their affiliates have business interests outside the Company's business, which may include businesses in the same or similar industries as the Company and may take actions, which may or may not involve the Company, that prefer or benefit the interests of, or investments in, other companies over that of the Company and which could adversely affect the Company. There is no assurance that the objectives of our substantial shareholders or their respective affiliates will not conflict with the Company's objectives or the interests of other Shareholders, particularly in the case of the Cornerstone Investor since it was not previously a Shareholder in the Company. Any such conflict may adversely affect the value of an investment in the Shares and the Company's business, financial condition, results of operations and prospects.

Significant Shareholders may change or influence the composition of the Company's Board and senior management team, since following completion of the Global Offering, we will have no controlling shareholder and our Co-Owners will only hold a minority interest in the Company.

We have been managed by our senior management team during the Track Record Period, but they and the other Co-Owners will only hold a minority interest in the Company following completion of the Global Offering, and we will have no controlling shareholder. We are therefore exposed to the risk that a significant Shareholder or group of significant Shareholders vote to change or otherwise influence the composition of our Board and our senior management team, which may adversely affect the value of an investment in the Shares and the Company's business, financial condition, results of operations and prospects.

Investors will experience dilution in the pro forma net tangible liabilities per Share because the Offer Price is higher than our net tangible book value per Share.

As the Offer Price of the Shares is higher than the net tangible liabilities per Share of the Shares immediately prior to the Global Offering, purchasers of the Shares in the Global Offering will experience an immediate dilution in pro forma combined net tangible book value. If we issue additional Shares in the future, purchasers of the Shares in the Global Offering may experience further dilution in their ownership percentage.

The proceeds from a winding up of the Company may be less than the amount invested by investors under the Global Offering.

The sale of Shares under the Global Offering at the Offering Price will be at a premium to the net tangible liabilities position of the Company. Should the Company be wound up, there is no assurance that an investor under the Global Offering will recover all or any part of his investment.

Future sales or the prospect of future sales of Shares, including by our substantial shareholders, could have a material adverse effect on the market price of the Shares.

Following completion of the Global Offering, the Cornerstone Investor and MLGHL (being our substantial shareholders) will own an aggregate of 31.58% (based on the Maximum Offer Price) or 33.80% (based on the Minimum Offer Price) of the Shares in issue (assuming (i) a Listing Date of 12 March 2015; (ii) the exchange rate on the Price Determination Date will be US$1.00 : HK$7.75468; and (iii) the Over-allotment Option is not exercised). The Shares held by MLGHL will be subject to a six month restriction on resale under the Lock-up Deed (as further described in "*Underwriting — Undertakings pursuant to the Lock-up Deeds*") and pursuant to an undertaking given to the Stock Exchange and the Shares held by the Cornerstone Investor will be subject to a six month restriction on resale under the Cornerstone Investment Agreement (in each case, subject to certain exceptions). After these restrictions lapse or if they are breached, the sale of a significant number of the Shares in the public market following the Global Offering by either of our substantial shareholders or other Shareholders, or the perception that such sales may occur, could have a material adverse effect on the market price of the Shares. These factors could also affect the Company's ability to raise equity capital in the future at a price favourable to the Company, or at all.

Market and economic conditions may affect the market price and demand for the Shares.

Movements in domestic and international securities markets, economic conditions, foreign exchange rates and interest rates may affect the market price of, and demand for, the Shares. An increase in market interest rates may have an adverse impact on the market price of the Shares if the annual yield on the price paid for the Shares gives investors a lower return as compared to other investments.

The Shares have never been publicly traded and the listing of the Shares on the Main Board of the Stock Exchange may not result in an active or liquid market for the Shares.

There is no public market for the Shares prior to the Global Offering and an active public market for the Shares may not develop or be sustained after the Global Offering. An application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on the Main Board of the Stock Exchange. However, listing and quotation does not guarantee that a trading market for the Shares will develop or, if a market does develop, does not guarantee the liquidity of that market for the Shares. Prospective holders of Shares should view the Shares as illiquid and must be prepared to hold their Shares for an indefinite length of time.

There is no assurance that the Shares will remain listed on the Stock Exchange.

Although it is currently intended that the Shares will remain listed on the Stock Exchange, there is no guarantee of the continued listing of the Shares. Among other factors, the Company may not continue to satisfy the listing requirements of the Stock Exchange. Shareholders would not be able to sell their Shares through trading on the Stock Exchange if the Shares were no longer listed on the Stock Exchange.

The price of the Shares may decline after the Global Offering.

The Offer Price of the Shares will be determined by agreement between the Company, MLGHL and the Joint Global Coordinators (on behalf of the Underwriters). The Offer Price may not be indicative of the wider market demand for the Shares upon completion of the Global Offering. The trading price of the Shares will depend on many factors, including, but not limited to:

- the perceived prospects of our business and investments and the market for telecommunications services;

- differences between our actual financial and operating results and those expected by investors and analysts;

- changes in research analysts' recommendations or projections;
- changes in general economic or market conditions;
- the market value of our assets;
- the perceived attractiveness of the Shares against those of other equity or debt securities;
- the balance of buyers and sellers of the Shares;
- the size and liquidity of the Hong Kong market for securities of this nature;
- any changes to the regulatory system, including the tax system, both generally and specifically in relation to the Company;
- the ability on our part to implement successfully our investment and growth strategies;
- foreign exchange rates; and
- broad market fluctuations, including increases in interest rates and weakness of the equity and debt markets.

To the extent we retain operating cash flow for investment purposes, working capital reserves or other purposes, these retained funds, while increasing the value of our underlying assets, may not correspondingly increase the market price of the Shares. Any failure on our part to meet market expectations with regard to future earnings and cash distributions may adversely affect the market price for the Shares.

Where new Shares are issued at less than the market price of the Shares, the value of an investment in Shares may be affected. In addition, Shareholders who do not, or are not able to, participate in the new issuance of Shares may experience a dilution of their interest in the Company.

In addition, the Shares are not capital-safe products and there is no guarantee that holders of Shares can regain the amount invested. If the Company is liquidated, it is possible that investors may lose a part or all of their investment in the Shares.

You should read the entire prospectus and we strongly caution you not to place any reliance on any information contained in press articles, other media and/or research reports regarding us, our business, our industry and the Global Offering.

There has been prior to the publication of this prospectus, and there may be subsequent to the date of this prospectus but prior to the completion of the Global Offering, press, media and/or research analyst coverage regarding the Group, our business, our industry and the Global Offering. You should rely solely upon the information contained in this prospectus in making your investment decision regarding the Shares and we do not accept any responsibility for the accuracy or completeness of the information contained in such press articles, other media and/or research analyst reports nor the fairness or appropriateness of any forecasts, projections, views or opinions expressed by the press, other media and/or research analysts regarding the Shares, the Global Offering, the Group, our business or our industry. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, projections, views or opinions expressed or any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this prospectus, we disclaim them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

Certain industry statistics contained in this prospectus are derived from publicly available official sources and a market research report commissioned by us, which have not been verified by us.

This prospectus contains information and statistics related to, among other things, the broadband Internet and fixed telecommunications network services industry in Hong Kong. Such information and statistics have been derived from various publicly available government and official sources and from the report prepared by MPA, which we commissioned. We believe that the sources of such information and statistics are appropriate sources for such information and statistics and have taken reasonable care in the extraction and reproduction of such information and statistics. We have no reason to believe that such information or statistics are false or misleading in any material respect or that any fact has been omitted that would render such information or statistics false or misleading in any material respect. However, none of the Company or any of the Relevant Persons has independently verified such information and statistics and no representation is given as to their correctness or accuracy. We cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case in other jurisdictions. Therefore, you should not unduly rely upon the industry information and statistics contained in this prospectus.

The members of the Board are as follows:

Name	Address	Nationality
Chairman and Independent Non-executive Director		
Bradley Jay HORWITZ	3020 Issaquah Pine Lake Road SE PMB 486 Issaquah, WA 98075-7253 United States of America	American
Executive Directors		
William YEUNG (楊主光)	Flat C, 15/F, Block 2 The Great Hill 8 Tung Lo Wan Hill Road Sha Tin New Territories Hong Kong	Chinese
Ni Quiaque LAI (黎汝傑)	House D, 5 Mount Austin Road The Peak Hong Kong	Australian
Non-executive Director		
Roy KUAN (管文浩)	The Redhill Peninsula 162 Cedar Drive Tai Tam Hong Kong	Thai
Independent Non-executive Directors		
Stanley CHOW (周鏡華)	Block A, 5th Floor, Flat 2 Villa Monte Rosa 41A Stubbs Road Hong Kong	Canadian
Quinn Yee Kwan LAW (羅義坤), SBS, JP	Flat A1, 19/F Block A Nicholson Tower 8 Wong Nai Chung Gap Road Hong Kong	British

For further details of the Directors, see *"Directors and Management".*

Joint Global Coordinators (in alphabetical order)	Goldman Sachs (Asia) L.L.C. 68th Floor, Cheung Kong Center 2 Queen's Road Central Hong Kong
	J.P. Morgan Securities (Asia Pacific) Limited 28th Floor, Chater House 8 Connaught Road Central Hong Kong
	UBS AG, Hong Kong Branch 52nd Floor, Two International Finance Centre 8 Finance Street Central Hong Kong
Joint Bookrunners (in alphabetical order)	CLSA Limited 18th Floor, One Pacific Place 88 Queensway Hong Kong
	Goldman Sachs (Asia) L.L.C. 68th Floor, Cheung Kong Center 2 Queen's Road Central Hong Kong
	J.P. Morgan Securities (Asia Pacific) Limited (*in relation to the Hong Kong Public Offering*) 28th Floor, Chater House 8 Connaught Road Central Hong Kong
	J.P. Morgan Securities plc (*in relation to the International Offering*) 25 Bank Street Canary Wharf London E14 5JP United Kingdom
	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
	UBS AG, Hong Kong Branch 52nd Floor, Two International Finance Centre 8 Finance Street Central Hong Kong

Joint Sponsors (in alphabetical order)	Goldman Sachs (Asia) L.L.C. 68th Floor, Cheung Kong Center 2 Queen's Road Central Hong Kong
	J.P. Morgan Securities (Far East) Limited 28th Floor, Chater House 8 Connaught Road Central Hong Kong
	UBS Securities Hong Kong Limited 42nd Floor, One Exchange Square 8 Connaught Place Central Hong Kong
Co-Lead Managers (in alphabetical order)	The Bank of East Asia, Limited 10 Des Voeux Road Central Hong Kong
	BNP Paribas Securities (Asia) Ltd 62nd Floor, Two International Finance Centre 8 Finance Street Central Hong Kong
	Sun Hung Kai Investment Services Limited 42nd Floor, The Lee Gardens 33 Hysan Avenue Causeway Bay Hong Kong
Financial Adviser to the Company	Rothschild (Hong Kong) Limited 16th Floor, Alexandra House 18 Chater Road Central Hong Kong
Legal Advisers to the Company	*As to Hong Kong and U.S. laws:* Freshfields Bruckhaus Deringer 11th Floor, Two Exchange Square 8 Connaught Place Central Hong Kong

As to PRC laws:
Haiwen & Partners
20th Floor, Fortune Financial Center
5 Dong San Huan Central Road
Chaoyang District
Beijing 100020
People's Republic of China

As to Cayman Islands laws:
Maples and Calder
53rd Floor, The Center
99 Queen's Road Central
Hong Kong

Legal Advisers to the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Underwriters

As to Hong Kong and U.S. laws:
Latham and Watkins
18th Floor, One Exchange Square
8 Connaught Place
Central
Hong Kong

As to PRC laws:
Fangda Partners
21/F, China World Tower, No.1, Jian Guo Men Wai Avenue
Beijing 100004
People's Republic of China

Auditor and Reporting Accountants

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

Receiving Banks

The Bank of East Asia, Limited
10 Des Voeux Road Central
Hong Kong

Standard Chartered Bank (Hong Kong) Limited
15/F Standard Chartered Tower
388 Kwun Tong Road
Kwun Tong
Kowloon
Hong Kong

Registered Office	c/o Maples Corporate Services Limited P.O. Box 309 Ugland House Grand Cayman KY1-1104 Cayman Islands
Head Office and Principal Place of Business in Hong Kong	12th Floor, Trans Asia Centre 18 Kin Hong Street, Kwai Chung New Territories Hong Kong
Company Secretary	King Chiu LEUNG (梁景超) *(Member of the Hong Kong Institute of Certified Public Accountants)* Flat B, 11/F The Ultimate, 170 Boundary Street Kowloon Hong Kong
Authorised Representatives	Ni Quiaque LAI (黎汝傑) House D, 5 Mount Austin Road The Peak Hong Kong King Chiu LEUNG (梁景超) Flat B, 11/F The Ultimate, 170 Boundary Street Kowloon Hong Kong
Audit Committee	Quinn Yee Kwan LAW (羅義坤), SBS, JP (*Chairman*) Stanley CHOW (周鏡華) Bradley Jay HORWITZ Roy KUAN (管文浩)
Remuneration Committee	Stanley CHOW (周鏡華) (*Chairman*) Roy KUAN (管文浩) Quinn Yee Kwan LAW (羅義坤), SBS, JP
Nomination Committee	William YEUNG (楊主光) (*Chairman*) Stanley CHOW (周鏡華) Bradley Jay HORWITZ Roy KUAN (管文浩) Quinn Yee Kwan LAW (羅義坤), SBS, JP
Compliance Adviser	Somerley Capital Limited 20th Floor China Building 29 Queen's Road Central Hong Kong

Principal Bankers	Citibank N.A., Hong Kong Branch 50/F Citibank Tower Citibank Plaza 3 Garden Road, Central Hong Kong
	Standard Chartered Bank (Hong Kong) Limited 3rd Floor, Standard Chartered Bank Building 4-4A Des Voeux Road Central, Hong Kong
Cayman Principal Share Registrar and Transfer Office	Maples Fund Services (Cayman) Limited P.O. Box 1093 Boundary Hall Cricket Square Grand Cayman KY1-1102 Cayman Islands
Hong Kong Share Registrar	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Company's Website	**www.hkbnltd.net** *(A copy of this prospectus is available on the Company's website. Except for the information contained in this prospectus, none of the other information contained on the Company's website forms part of this prospectus)*

OUR HISTORY

Our history can be traced back to 1992 when we first began providing international telecommunications services through a predecessor entity, HKTV, and were among the first companies to be granted a PNETS Licence. In 1999, HKTV founded HKBN to launch its broadband internet access services in Hong Kong.

Since 2000, we have invested significantly to build one of the most extensive fibre networks in Hong Kong. As at 31 August 2014, the accumulated cost of HKBN's fixed assets in telecommunications, computer and office equipment, leasehold land and buildings and leasehold improvements amounted to approximately HK$4.1 billion. These fixed assets primarily relate to, and are an integral part of, our network. As at the Latest Practicable Date, our coverage exceeded 2.10 million residential homes passed, covering approximately 79% of Hong Kong's total residential units, and more than 1,900 commercial buildings, which represents a majority of the high-end commercial buildings targeted by the Company. Our fibre network from end to end is substantially self-owned and has the capacity to deliver a range of advanced telecommunications services to our customers.

In June 2012, the CVC Asia III Funds acquired the Group and 61 Talents from the Group's management team demonstrated their commitment by each investing in MLHL, the holding company of the Group prior to the Reorganisation and became the first batch of "Co-Owners" of the Company. As at the Latest Practicable Date and assuming that the redemption of preference shares as described in "*Financial Information — Recent Developments — Redemption of MLHL Preference Shares*" has been completed, 87 Talents were Co-Owners with an aggregate investment made in the Company, through MLHL, representing approximately 9.87% of the voting rights in MLHL. With this ownership and investment, the Group's management team is highly motivated to sustain their efforts for the success of the Group.

OUR KEY MILESTONES

1992	HKTV, a predecessor entity, was incorporated.
2000	HKBN obtained a FTNS Licence and launched broadband internet service.
2002	HKBN became a wireline-based FTNS Licence holder and launched on-net VoIP services and IDD0030 service.
2003	HKBN launched IP-TV services.
2004	HKBN launched corporate data services, off-net VoIP and "bb100" (Hong Kong's first 100 Mbps residential broadband Internet service).
	HKBN built the largest Metro Ethernet network in the world.
2005	HKBN launched "bb1000" service, making Hong Kong the first market in the world where one-third of the total households can enjoy Fibre-to-the-Home 1,000 Mbps residential broadband Internet service.
2009	HKBN surpassed 1 million FTNS subscriptions and became the second largest fixed broadband provider in Hong Kong.
	HKBN launched the first online broadband service registration platform in Hong Kong.

2012	The CVC Asia III Funds completed the acquisition of the Group. 61 Talents from our Group joined the management investment plan by investing in MLHL, the holding company of the Group at that time. HKBN's fibre optic network surpassed 2 million homes passed.
2013	The Group acquired Y5Zone, a Wi-Fi wholesaler in Hong Kong.
2014	HKBN's fibre optic network coverage expanded to more than 1,900 commercial buildings.

The Acquisition of the Group by the CVC Asia III Funds

The CVC Acquisition, which was completed on 30 May 2012, comprised:

(a) the acquisition by MLCL of the entire issued share capital of each of HKBN Group Limited, Credibility Holdings Limited, Automedia Holdings Limited and other subsidiaries (the "**Telecom Group**") from HKTV for a consideration of HK$4,951 million on a cash-free, debt-free basis, which included the discharge of certain shareholder loans owed to HKTV; and

(b) the acquisition by Metropolitan Light (HK) Company Limited, a wholly-owned subsidiary of the Company, of the entire issued share capital of Guangzhou City Telecom Customer Services Co. Ltd. for a consideration of HK$61 million.

The cash consideration for the CVC Acquisition (after adjustment for the amount of cash, debt and working capital of the Telecom Group as at 31 March 2012) amounted to HK$4,873.6 million. HKTV disposed of its interests in the Group with a view to exiting its telecommunication business in Hong Kong and to focus on its multimedia business.

MLGHL has not, since the CVC Acquisition, been involved in the day-to-day management of the Group.

The Group's Acquisition of Y5Zone

On 4 January 2013, HKBN Group Limited completed the acquisition of the entire issued share capital of Y5Zone from Y5Zone Asia Limited for a maximum consideration of HK$62.7 million, including contingent consideration of HK$16.2 million, deferred consideration and cash consideration. The contingent consideration was discounted at 18% as at 31 August 2013 and 2014, which was the estimated weighted average cost of capital under a capital asset pricing model, adopting a capital structure based on comparable companies to Y5Zone. As at 31 August 2014 and 30 November 2014, HK$9.6 million and HK$5.4 million, respectively, of the contingent consideration remained outstanding which may, subject to certain performance targets, become payable by 31 December 2014 and 31 December 2015. As part of the consideration, William Tak Wa YEUNG (楊德華) received ordinary and preference shares in MLHL. All amounts payable were based on the fair value of the net assets acquired and the value of goodwill.

Y5Zone is a Wi-Fi wholesaler in Hong Kong, serving most of the major mobile and telecom operators in Hong Kong.

Disposal of Automedia Holdings

On 3 April 2014, MLCL completed and settled the disposal of Automedia Holdings Limited and its subsidiaries to a member of our senior management, for a cash consideration of approximately HK$2.6 million. The principal activities of Automedia Group were the provision of international telecommunications and dial-up internet access services, leasing and maintenance of switching equipment and provision of operational services in Canada. The decision to dispose of Automedia Holdings was taken with a view to exiting our interests in Canada. All amounts payable were determined on the basis of arm's length negotiations.

Joint Ventures with Towngas

On or about 6 March 2015, the Company expects to agree to form two joint ventures with two subsidiaries of Towngas Telecommunications Fixed Network Limited ("**Towngas**"). The parties expect to enter into novation deeds to amend two preliminary shareholders' agreements (the "**Shareholders' Agreements**") that HKBN had initially signed with Towngas Telecommunications Fixed Network Limited, a provider of telecommunication infrastructure and quality network solutions, relating to two joint venture companies ("**JVCs**"). The JVCs are yet to be incorporated and no operations have begun under the joint ventures. It is expected that the JVCs will be incorporated on or around 31 March 2015.

The JVCs will initially provide (i) broadband and Wi-Fi services and (ii) cloud computing services in Hong Kong. The total initial capital of each JVC will be HK$10 million. The Company will make an initial cash contribution of HK$6 million towards the JVC providing broadband and Wi-Fi services and HK$4 million towards the JVC providing cloud computing services. The Company will hold an ownership interest in each JVC corresponding to its capital commitment, with the remaining interests held by Towngas according to its capital commitment. Under the terms of the Shareholders' Agreements, the Company will be subject to certain restrictions on its ability to transfer shares held by it in the JVCs, including a prohibition on the transfer of shares to direct competitors of the JVCs.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Towngas and the ultimate beneficial owner of Towngas are independent third parties of the Company and its connected persons.

Investments by our Co-Owners and Co-Investors

Following the completion of the CVC Acquisition, 61 Talents from the Group's management team demonstrated their commitment to our business by investing in MLHL (the holding company of the Group prior to the Reorganisation).

Since that time, a number of other Talents have invested in MLHL as Co-Owners through the Nominee. As at the Latest Practicable Date and assuming that the redemption of preference shares as described in "*Financial Information — Recent Developments — Redemption of MLHL Preference Shares*" has been completed, 87 Talents were Co-Owners with an aggregate investment made in the Company, through MLHL, representing approximately 9.87% of the voting rights in MLHL. This investment is held by the Nominee, which holds shares in MLHL on behalf of certain Co-Owners, as well as by William YEUNG (楊主光) and Ni Quiaque LAI (黎汝傑) directly. The aggregate consideration for the investment by Co-Owners was approximately US$23 million, being the fair value of the ordinary and preference shares acquired by or on behalf of the Co-Owners.

In addition to the investment by the Co-Owners, MLGHL sold certain ordinary and preference shares held in MLHL to City-Scape Pte. Ltd. on 27 August 2012 for an aggregate consideration of approximately US$40 million. A further sale by MLGHL of ordinary and preference shares in MLHL to certain funds represented by AlpInvest Partners 2009 B.V. was completed on 27 August 2012 for an aggregate consideration of approximately US$29 million. As at the Latest Practicable Date and assuming that the redemption of preference shares as described in "*Financial Information — Recent Developments — Redemption of MLHL Preference Shares*" has been completed, City-Scape Pte. Ltd. holds approximately 11.30% of the shares in MLHL and the funds represented by AlpInvest Partners 2009 B.V. hold (in aggregate) approximately 8.14% of the shares in MLHL.

Capital structure of MLHL

Each of the existing shareholders in MLHL (being MLGHL, William YEUNG (楊主光), Ni Quiaque LAI (黎汝傑), the Nominee (which holds MLHL shares as nominee for certain Co-Owners), City-Scape Pte. Ltd., AlpInvest Partners Co-Investments 2009 C.V. and AlpInvest Partners Co-Investments 2010 II C.V. (each AlpInvest entity represented by its general partner, AlpInvest Partners 2009 B.V.), together the "**MLHL Shareholders**") hold a combination of ordinary shares and preference shares.

Ordinary shares in MLHL

The rights attaching to the ordinary shares in MLHL, as prescribed by the articles of association of MLHL, are as follows:

(a) **Nominal value**: US$0.01.

(b) **Dividends**: each ordinary share has the right to participate in dividends pari passu with all other ordinary shares, provided that the right of preference shares to the preferential dividend (described below) shall always take priority.

(c) **Ranking on a winding up or other return of capital**: each ordinary share has the right to participate in returns of capital pari passu with all other ordinary shares, after the rights of preference shares (described below) are fully discharged.

(d) **Voting rights**: each ordinary share carries one vote.

Preference shares in MLHL

The rights attaching to the preference shares in MLHL, as prescribed by the articles of association of MLHL, are as follows:

(a) **Nominal value:** US$0.01.

(b) **Dividends:** each preference share has a right to receive a fixed cumulative yearly compounding preferential dividend at the rate of 10% per annum, such percentage being a percentage of the amount contributed or deemed to have been contributed to MLHL in respect of the issue of such preference share. The preference shares carry no right to further participation.

(c) **Ranking on a winding up or other return of capital:** subject to applicable law, the assets of MLHL will be applied:

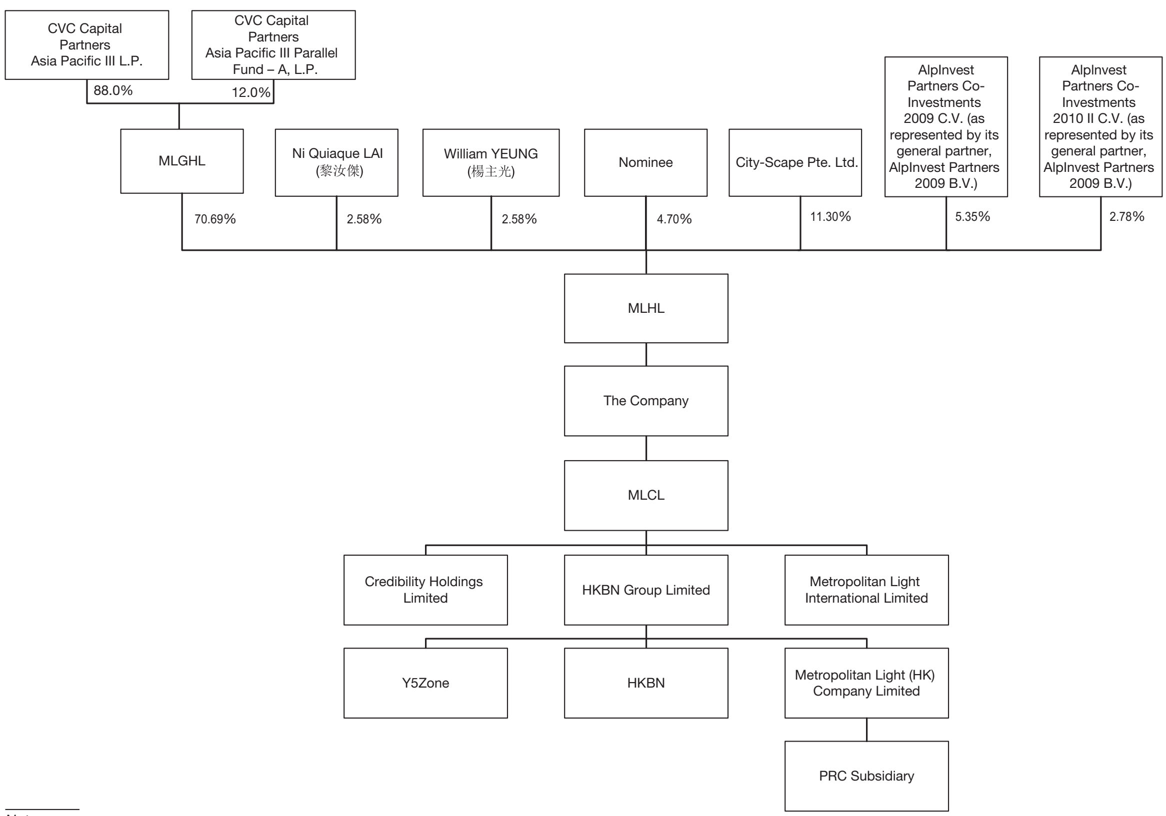
(i) firstly, to return the amount contributed or deemed to have been contributed to MLHL in respect of the issue of each preference share; and

(ii) secondly, to return the accrued but unpaid preferential dividend.

(d) **Voting rights:** each preference share carries one vote.

Corporate Structure as at the date of this prospectus

As at the date of this prospectus (assuming that the redemption of preference shares as described in "*Financial Information — Recent Developments — Redemption of MLHL Preference Shares*" has been completed), the corporate structure of the Group is as follows:



Notes:

(1) Unless otherwise indicated, all entities are wholly-owned subsidiaries.

(2) Percentage interests for holdings in MLHL are based on the number of ordinary and preference shares in MLHL and assume the exchange rate of US$1.00 to HK$7.75468.

THE REORGANISATION

In connection with the Global Offering, the Reorganisation is being implemented in accordance with a reorganisation deed dated 17 February 2015 entered into by MLHL, the MLHL Shareholders, MLCL and the Company (the "**Reorganisation Deed**"). The key steps of the Reorganisation are as follows.

(a) on 26 November 2014, the Company was incorporated as a wholly-owned subsidiary of MLHL;

(b) on 2 February 2015, MLHL was re-domiciled from the Cayman Islands to the British Virgin Islands;

(c) on 17 February 2015, the entire issued share capital in MLCL was transferred by MLHL to the Company in consideration for an issue of 999,999,999 Shares credited as fully paid to MLHL; and

(d) on the day immediately prior to the Listing Date, MLHL will transfer, by way of distribution, all of the Shares held by it to the MLHL Shareholders and certain Co-Owners (together, the "**Existing Shareholders**") in such proportions as will be calculated as follows:

(i) first, by dividing the aggregate of the accrued coupon due to and the issue price of the preference shares in MLHL held by each MLHL Shareholder (or, in the case of the Co-Owners, held by the Nominee beneficially on behalf of those Co-Owners) by the Offer Price; and

(ii) second, by taking the balance of the Shares that are unallocated following the step in paragraph (i) above and allocating them in proportion to the number of ordinary shares in MLHL held by each MLHL Shareholder (or, in the case of the Co-Owners, held by the Nominee beneficially on behalf of those Co-Owners).

Shares being sold in the Global Offering on behalf of the Co-Owners will be held by the Nominee on behalf of those Co-Owners in order to facilitate such sale. All other Shares not being sold in the Global Offering by the Co-Owners will be transferred directly to the Co-Owners as part of the Reorganisation.

Shareholding Interests following the Reorganisation

The interests of the Existing Shareholders immediately following the completion of all the steps of the Reorganisation, but prior to the Capitalisation Issue and the Global Offering, will, on the basis of the described assumptions, be as follows[1]:

	Assuming the Maximum Offer Price		Assuming the Minimum Offer Price	
Name	Number of Shares held	% of Shares held	Number of Shares held	% of Shares held
MLGHL[2]	684,405,944	68.44%	685,359,672	68.54%
City-Scape Pte. Ltd.[3]	109,277,329	10.93%	109,436,996	10.94%
AlpInvest Partners Co-Investments 2009 C.V. and AlpInvest Partners Co-Investments 2010 II C.V. (each as represented by its general partner, AlpInvest Partners 2009 B.V.)	78,660,156	7.87%	78,775,013	7.88%
William YEUNG (楊主光)	32,022,815	3.20%	31,764,473	3.18%
Ni Quiaque LAI (黎汝傑)	32,022,815	3.20%	31,764,473	3.18%
Nominee (as nominee for certain Co-Owners in respect of Shares to be sold in the Global Offering)	27,442,000	2.74%	27,442,000	2.74%
Co-Owners (in respect of Shares not being sold in the Global Offering)	36,168,941	3.62%	35,457,373	3.55%

Notes:

(1) All interests assume (i) a Listing Date of 12 March 2015 and (ii) the exchange rate on the Price Determination Date will be US$1.00:HK$7.75468.

(2) MLGHL is an entity wholly-owned by the CVC Asia III Funds.

(3) City-Scape Pte. Ltd. is an entity wholly-owned by GIC (Ventures) Pte. Ltd.. GIC Special Investments Pte. Ltd. manages the investments of City-Scape Pte. Ltd., and is wholly-owned by GIC Pte. Ltd..

THE CAPITALISATION ISSUE

In order to enable the Plan Trustee to release Shares to Participants upon vesting of RSUs granted under the Co-Ownership Plan II, the Company will capitalise the amount between HK$566.67 and HK$637.50 standing to the credit of the share premium amount of the Company by applying such sum in paying up in full at par between 5,666,666 Plan Shares (based on Maximum Offer Price) and 6,375,000 Plan Shares (based on Minimum Offer Price) for allotment and issue to the Plan Trustee on the Listing Date. The Plan Shares will be held by the Plan Trustee on trust for the purpose of satisfying RSU grants to current and future Talents until their release to Participants upon vesting of the RSUs or termination of the Co-Ownership Plan II. See *"Appendix VI — Statutory and General Information — Co-Ownership Plan II"* for further details.

Shareholding Interests following the Reorganisation, the Capitalisation Issue and the Global Offering

The interests of the Existing Shareholders, together with new public investors, immediately following the completion of all the steps of the Reorganisation, the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised) will, on the basis of the described assumptions, be as follows[1]:

	Assuming the Maximum Offer Price		Assuming the Minimum Offer Price	
Name	Number of Shares held	% of Shares held	Number of Shares held	% of Shares held
MLGHL[2]	145,222,444	14.44%	146,176,172	14.53%
City-Scape Pte. Ltd.[3]	99,387,329	9.88%	99,546,996	9.89%
AlpInvest Partners Co-Investments 2009 C.V. and AlpInvest Partners Co-Investments 2010 II C.V. (each as represented by its general partner, AlpInvest Partners 2009 B.V.)	16,689,156	1.66%	16,804,013	1.67%
William YEUNG (楊主光)	25,642,815	2.55%	25,384,473	2.52%
Ni Quiaque LAI (黎汝傑)	32,022,815	3.18%	31,764,473	3.16%
Co-Owners	36,168,941	3.60%	35,457,373	3.52%
Plan Trustee	5,666,666	0.56%	6,375,000	0.63%
Public investors	472,484,500	46.98%	450,936,500	44.81%
Canada Pension Plan Investment Board (being the Cornerstone Investor)	172,382,000	17.14%	193,930,000	19.27%

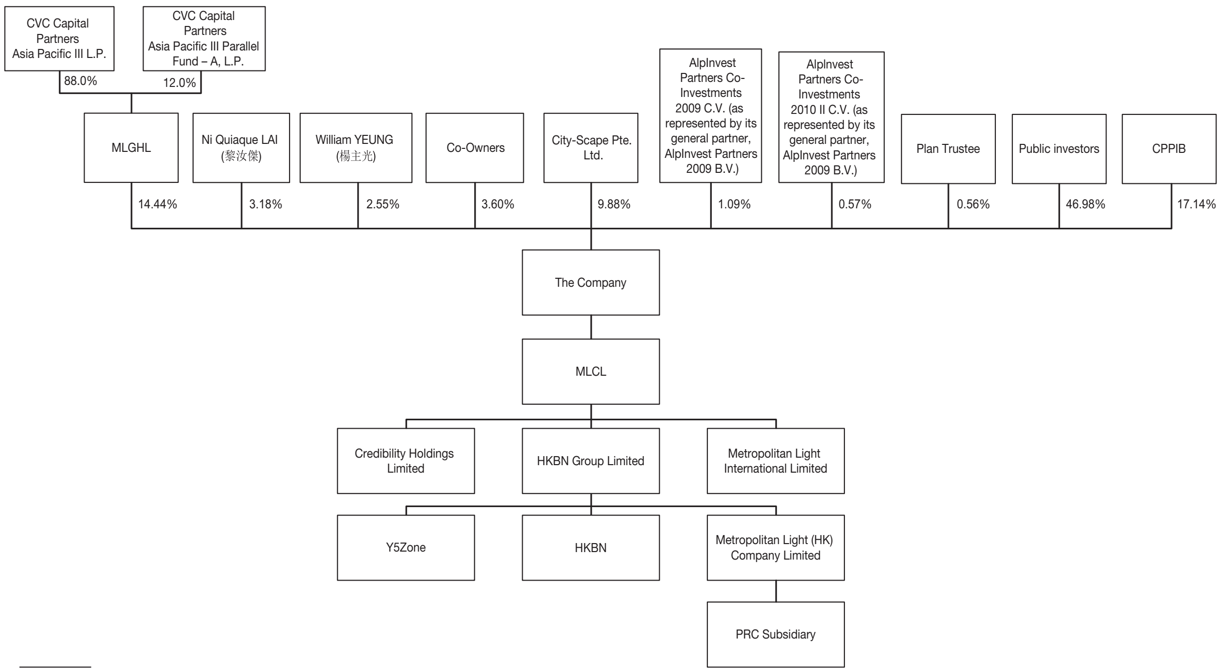
Notes:

(1) Percentage interests assume (i) a Listing Date of 12 March 2015 and (ii) the exchange rate on the Price Determination Date will be US$1.00:HK$7.75468.

(2) MLGHL is an entity wholly-owned by the CVC Asia III Funds.

(3) City-Scape Pte. Ltd. is an entity wholly-owned by GIC (Ventures) Pte. Ltd.. GIC Special Investments Pte. Ltd. manages the investments of City-Scape Pte. Ltd., and is wholly-owned by GIC Pte. Ltd..

Following the completion of all the steps of the Reorganisation, the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised), the corporate structure of the Group will be as follows:



Notes:

(1) Unless otherwise indicated, all entities are wholly-owned subsidiaries.

(2) Percentage interests in the Company assume (i) a Listing Date of 12 March 2015; (ii) the Offer Price is the Maximum Offer Price; and (iii) the exchange rate on the Price Determination Date will be US$1.00:HK$7.75468. For percentage interests which assume the Minimum Offer Price, see the table immediately above this structure chart.

Following the completion of all the steps of the Reorganisation, the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised), Canada Pension Plan Investment Board, being the Cornerstone Investor, will be the largest Shareholder with approximately 17.14% (based on the Maximum Offer Price) or 19.27% (based on the Minimum Offer Price) of the Shares in issue.

*Certain facts, statistics and data presented in this section and elsewhere in this prospectus have been derived, in part, from various government or official sources. We have also commissioned an independent industry consultant, Media Partners Asia, Ltd. (“**MPA**”) to prepare a report on the fixed-line telecommunications industry in Hong Kong. MPA is an independent provider of information services focusing on media, communications and entertainment industries, and it publishes reports analysing Asia’s media, communications and entertainment industries with a specific focus on the commercial and regulatory aspects. We have been charged a total of HK$970,000 for the services provided by MPA.*

MPA’s parameters and assumptions used for preparing its market report are as follows:

- *All economic forecasts, real GDP, nominal GDP, inflation, unemployment, are sourced from IMF, while historical demographic information are sourced from the Hong Kong Census and Statistics Department and other government sources*

- *Historical subscription data are based on company reports filed by listed companies or available company data and MPA estimates for unlisted companies*

- *MPA has assumed OFCA’s figures as industry total for number of subscriptions in Hong Kong. Subscriber figures reflect the number of subscriptions.*

While we have taken all reasonable care to ensure that the relevant official facts and statistics are accurately reproduced from these sources, such facts and statistics have not been independently verified by the Company or the Relevant Persons. Although we have no reason to believe that such information is false or misleading, or that any fact has been omitted that would render such information false or misleading, we also make no representation as to the accuracy or completeness of such information, which may not be consistent with other information available. We confirm, after taking reasonable care, that there is no adverse change in market information since the date of the MPA report which may qualify, contradict or have an impact on the information in this section.

Hong Kong Fixed Telecommunications Overview

Hong Kong’s sophisticated and fully liberalised telecommunications market has been an important factor in the city’s development into a leading business and financial centre. Hong Kong has some of the highest rates of fixed-line, broadband and mobile penetration in the world, and according to MPA, offers some of the most attractive broadband internet services in terms of speed and price. According to statistics from OFCA, there were 2.02 million residential broadband Internet household subscriptions as at 31 August 2014, which MPA estimates represented a residential broadband Internet household penetration rate of 82.8%.

Hong Kong’s telecommunications regulatory regime is considered to be pro-competition and pro-consumer, as the telecommunications market is liberalised and there are no foreign ownership restrictions. The liberal regulatory framework aims to provide a level playing field for telecommunications service providers and ensure that consumers have access to the best services available in terms of capacity, quality, speed, and price. OFCA is the executive arm of the

Communications Authority ("**CA**"), which is the statutory body responsible for regulating the telecommunications industry.

Prior to the liberalisation of the Hong Kong telecommunications industry in 1995, HKT operated as the exclusive provider of local fixed-line telecommunications network services in Hong Kong. Since the introduction of competition in the local fixed-line market in Hong Kong in 1995, new entrants have been actively rolling out their networks to provide alternative choices and new services to customers. Subsequently, the international voice services market (IDD business) was liberalised in 1999 and the international facilities based service market (connectivity with overseas carriers) was liberalised in 2000.

As at 13 January 2015, 21 facilities based licensees (operating under FTNS and UC Licences) are permitted to provide local fixed carrier services in Hong Kong and 201 Internet service providers are licensed to provide broadband services. HKBN is a major fixed-line telecommunications operator in Hong Kong. The other major fixed-line telecommunications operators include HKT, the incumbent fixed telecommunications operator in Hong Kong; HGC, Wharf T&T, New World and i-Cable.

While the regulatory requirements applicable to the Hong Kong fixed telecommunications industry have been liberalised, potential new entrants to the industry would face several barriers to rolling out a network. Rolling out a fixed network is traditionally a long process which requires significant investments over time. In Hong Kong, building a network is further complicated by practical constraints of buildings, especially residential ones, which support a limited amount of telecommunications wiring in their structural conduits.

Hong Kong Macro Economy

Hong Kong has a population of approximately 7.22 million, comprising 2.65 million residential units and 2.42 million households (individuals or groups of persons who live in a residential unit) as at 31 December 2013. As a regional business and financial centre, Hong Kong is generally considered to have a positive medium-term economic outlook and is expected to see continued growth due to its increasing economic interactions with China, which is undergoing continued economic development.

Hong Kong's population is forecast to grow at a CAGR of 0.8% from 7.28 million in 2014 to 7.57 million by 2019. The total number of households is expected to grow at a slightly faster rate, increasing from 2.45 million to 2.58 million over the same period, representing a CAGR of 1.1%. The expected growth in the number of households is driven by the Hong Kong Government's plans to roll out an additional 470,000 housing units from 2015 to 2025, and robust nominal GDP growth stimulated by the government's spending on the city's infrastructure.

Exhibit 1: Hong Kong Macro-economic Data, 2010 - 2019E

As at 31 December		2010	2011	2012	2013	2014E	2015E	2016E	2017E	2018E	2019E	2014E-2019E CAGR
Real GDP Growth	(%)	6.8%	4.8%	1.6%	2.9%	3.0%	3.3%	3.5%	3.7%	3.7%	3.8%	3.5%(1)
Nominal GDP Per Capita	(US$ '000)	32.3	34.9	36.4	37.7	40.0	42.3	44.8	47.6	50.5	53.7	6.1%
Population	(mm)	7.05	7.11	7.18	7.22	7.28	7.34	7.40	7.46	7.51	7.57	0.8%
Household	(mm)	2.33	2.36	2.39	2.42	2.45	2.48	2.51	2.53	2.56	2.58	1.1%

Note: Nominal GDP Per Capita in US$ converted from HK$ at exchange rate of HK$7.8 to US$1.0.

(1) Average growth between 2014E to 2019E.

Source: IMF, Census and Statistics Department, MPA analysis

Hong Kong Broadband Industry

Hong Kong's fixed broadband market is one of the most developed markets in the world in terms of penetration rate and access speeds. According to OFCA and analysis by MPA, Hong Kong has a broadband household penetration of 82.8% and FTTx residential broadband internet penetration of 52.7% as at 31 August 2014. The total number of broadband subscriptions is expected to increase from 2.26 million in 2014 to 2.43 million by 2019, representing a CAGR of 1.4% and residential broadband Internet subscriptions are expected to increase from 2.03 million to 2.14 million by 2019, representing a CAGR of 1.0% for the same period, according to MPA.

The growth in the Hong Kong broadband market is primarily driven by:

- The use of bandwidth-heavy online services and content consumption, such as OTT video, music, games and social media, which have made Internet connectivity essential to consumers
- The rapid proliferation of various Internet-connected devices, such as computers, smartphones, tablets and internet TVs
- Increasing corporate connectivity requirements such as cloud services and software as a service ("**SaaS**")

Exhibit 2: Hong Kong Fixed Broadband Industry, 2010 – 2019E

As at 31 December		2010	2011	2012	2013	2014E	2015E	2016E	2017E	2018E	2019E	2014E-2019E CAGR
Broadband Subscriptions	('000)	2,127	2,245	2,265	2,232	2,264	2,293	2,327	2,360	2,393	2,431	1.4%
– Residential	('000)	1,931	2,041	2,052	2,009	2,028	2,046	2,069	2,090	2,110	2,136	1.0%
– Business	('000)	196	203	212	223	236	247	258	270	283	295	4.6%
Residential Broadband Household Penetration(1)	(%)	82.8%	86.5%	86.1%	83.1%	82.8%	82.6%	82.6%	82.6%	82.5%	82.7%	NA

Note:

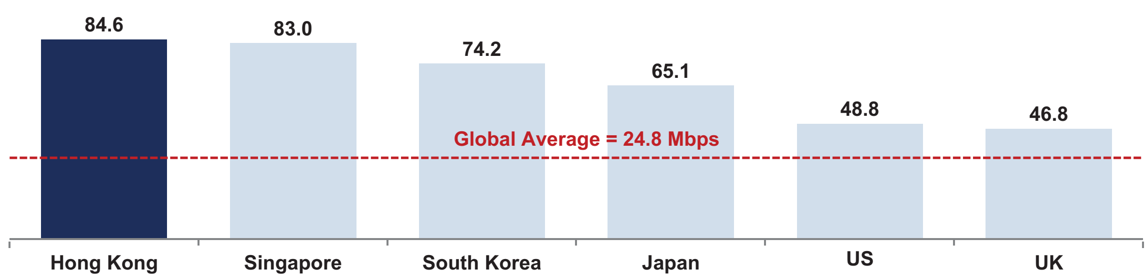
(1) Calculated by dividing residential broadband Internet subscriptions by households.

Source: OFCA, MPA analysis

Hong Kong Residential Broadband Internet Market

Hong Kong has one of the highest population densities in the world with 6,650 individuals per square kilometre as at October 2014 according to MPA analysis based on official statistics, and the large majority of the population living in multi-dwelling apartment units. This high population density coupled with an extensive fibre rollout enable broadband Internet operators to provide among the fastest broadband Internet services in the world at competitive prices. As measured in the third quarter of 2014, Hong Kong's average peak connection speed of 84.6 Mbps is more than three times faster than the global average of 24.8 Mbps, HKBN's average peak connection speed is higher than the Hong Kong average peak connection speed.

Exhibit 3: Comparison of Average Peak Connection Speeds Across Developed Countries (Mbps)



Source: Akamai's State of the Internet report, Q3 2014

Technology Types

The main providers of fixed broadband Internet services in Hong Kong, such as HKT, HKBN, HGC and i-Cable provide their services through a range of access platforms, with the primary ones being xDSL, FTTx and HFC.

Exhibit 4: A Comparison of Main Fixed Broadband Network Technologies in Hong Kong

Technology	Description
xDSL	• Digital subscriber line ("**DSL**") technology is a type of data communications technology that enables high-speed data transmission over copper telephone lines at higher speeds that a conventional dial-up modem can provide. • "x" represents the type of DSL technology used, such as ADSL or VDSL. • ADSL typically support up to 24.5 Mbps downstream and 1 Mbps upstream speeds, while VDSL can typically support up to 100 Mbps downstream and 100 Mbps upstream speeds. xDSL signal strength and service speed are subject to distance from the telephone exchange due to the limitations of copper. • Broadband Internet services via xDSL are predominantly offered by HKT and HGC. A substantial portion of HKT's subscribers use xDSL network.

<table>
<tr><th>Technology</th><th>Description</th></tr>
<tr><td>FTTx</td><td>• FTTx technology comprises any broadband network architecture using optical fibre as the primary medium to access the end customer. The term “x” represents the configuration to the last mile, as such Fibre-to-the-home (“FTTH”), Fibre-to-the-building (“FTTB”) or Fibre-to-the-node / neighbourhood (“FTTN”).
• The two main FTTx configurations used in Hong Kong are:
— Metro Ethernet: FTTB configuration that uses Category-5e copper for the last 100 metres within the building and supports symmetric upstream/downstream transmission speeds from 100 Mbps to 1,000 Mbps depending on the number of pairs in the Category-5e copper used. Within densely populated areas, Metro Ethernet costs less to roll out than GPON, but the signal degrades after 100 metres.
— Gigabit-capable Passive Optical Network (“GPON”) FTTH connection that supports 1,000 Mbps symmetric upstream/downstream connection with fibre optic cables extending all the way to customer premises. It is more expensive per port compared to Metro Ethernet because of the higher costs associated with cabling, installation and customer premise equipment.
• In Hong Kong, the major operators typically use GPON as the FTTx technology. HKBN uses GPON as a hybrid overlay on its Metro Ethernet and in low-density areas that are not supported by the 100 metre limit. GPON can provide 1,000 Mbps access speeds across distances considerably longer than 100 metres. While Metro Ethernet is used extensively in commercial deployments around the world, HKBN is the only provider in Hong Kong that predominantly deploys Metro Ethernet for the residential business in densely populated areas.</td></tr>
<tr><td>HFC</td><td>• Hybrid Fibre Coaxial (“HFC”) cable combines optical fibre and coaxial cable and is used by cable TV operators around the world to offer both digital pay-TV and broadband services.
• However, a major limitation of HFC broadband is that it requires all subscriptions in an area to share the same broadband pipe, dividing the speed between them and making it difficult to reach top advertised speeds when there are multiple concurrent users.
• HFC cable can typically support access speeds of up to 100 Mbps with higher speeds possible in certain configurations.
• Hong Kong’s primary HFC service provider, i-Cable, uses the DOCSIS 3.0 communications standard to service over HFC cable.</td></tr>
</table>

Source: MPA analysis

In addition to fixed broadband Internet services provided via fixed broadband network technologies, mobile broadband Internet services are also available via mobile network technologies such as 3G and 4G. While mobile broadband Internet services provide convenience of mobility, mobile broadband Internet services are unlikely to be a full substitute for fixed broadband Internet services in Hong Kong. Due to shared bandwidth per site, mobile networks typically do not support the same level of data traffic and speeds that fixed networks can deliver per concurrent user. In a high population density environment such as Hong Kong, the low per user deployment cost for fibre deployments makes fixed-line broadband capacity more cost effective than mobile broadband capacity per concurrent user. In low population density markets, mobile broadband services can be a more effective alternative to fixed broadband, especially in markets where a quality fixed fibre broadband network has not yet been fully rolled out. In addition, mobile service providers in Hong Kong typically set fair usage limits/caps on mobile data plans whereby mobile bandwidth is decreased once the caps are reached.

Potential New Broadband Technologies

The fixed broadband industry is subject to ongoing changes in technology, but MPA expects fibre to continue dominating the fixed broadband market for the foreseeable future. The newly-ratified G.fast technology standard enhances broadband speeds over existing copper networks, but G.fast is still in trial phase and, as G.fast's top uplink/downlink speeds are still unable to match those of fibre, MPA expects G.fast to be relevant only in areas of Hong Kong that are not covered by fibre.

Migration to Fibre

In recent years, the broadband industry has been undergoing rapid transformation as subscribers of legacy copper services switch to fibre broadband services.

MPA estimates total residential fibre broadband subscriptions to have grown from approximately 606,000 subscriptions in 2010 (31.4% of the residential broadband Internet market) to approximately 1.34 million subscriptions (66.3% of the residential broadband Internet market) in 2014. Providers that can offer both broadband services using xDSL and FTTx technologies are proactively encouraging existing subscriptions to upgrade from xDSL to fibre by pricing xDSL at similar price points to fibre whenever both services are available within the same service area. MPA forecasts fibre services to replace xDSL and HFC in the long term except in a few remote areas and outlying islands where fibre rollout may not be economically feasible.

The aggregate fibre subscription base from the top two fibre carriers, HKBN and HKT, was approximately 1.20 million subscriptions as at 31 August 2014. MPA expects the industry shift towards fibre broadband services to continue.

Exhibit 5: Residential Broadband Subscriptions by Technology, 2010 – 2019E

As at 31 December		2010	2011	2012	2013	2014E	2015E	2016E	2017E	2018E	2019E	2014E-2019E CAGR
Residential Broadband Subscriptions	**('000)**	**1,931**	**2,041**	**2,052**	**2,009**	**2,028**	**2,046**	**2,069**	**2,090**	**2,110**	**2,136**	**1.0%**
xDSL and HFC	('000)	1,324	1,238	1,022	840	684	602	521	446	375	315	(14.3%)
FTTx	('000)	606	804	1,031	1,169	1,344	1,444	1,548	1,645	1,735	1,821	6.3%

Source: MPA analysis

Competition

The Hong Kong residential broadband Internet market has four major players (HKT, HKBN, i-Cable and HGC). MPA estimates that the top two players had a combined broadband market share of over 80% based on subscription as at 31 August 2014, with the percentage based on revenue being higher than that as the top two players' ARPU are estimated to be above industry average. Within the residential fibre broadband market, these top two players had a combined market share of over 90% as at 31 August 2014, according to MPA. These market share positions have increased in recent years.

Exhibit 6: Residential Broadband Internet Market Share by Subscriptions, 2010 - 2014

As at 31 December		2010	2011	2012	2013	31 August 2014
HKBN	(%)	27.1	28.6	31.4	32.9	34.2
Others(1)	(%)	72.9	71.4	68.6	67.1	65.8

Note:

(1) Others include HKT, i-Cable and Hutchison.

Source: OFCA total subscriptions, MPA analysis

The Company has succeeded in gaining market share through its attractive pricing for fibre-speed broadband services. Based on a pricing survey conducted by MPA on 15 December 2014 to 16 December 2014, the incumbent's pricing for fibre-speed services is consistently higher than the Company's. See "*Industry Overview — Pricing Comparison*" for further details. MPA expects the Company's pricing will attract xDSL and HFC broadband subscribers to upgrade to fibre.

Given the Company's competitive pricing strategy, MPA expects the Company to continue to be the main beneficiary of the ongoing migration to fibre.

The Company's residential subscriptions growth from 2010-2014 has trended at a 7.9% CAGR from a low base of approximately 523,000 subscriptions, with annual net adds averaging at 46,000 subscriptions.

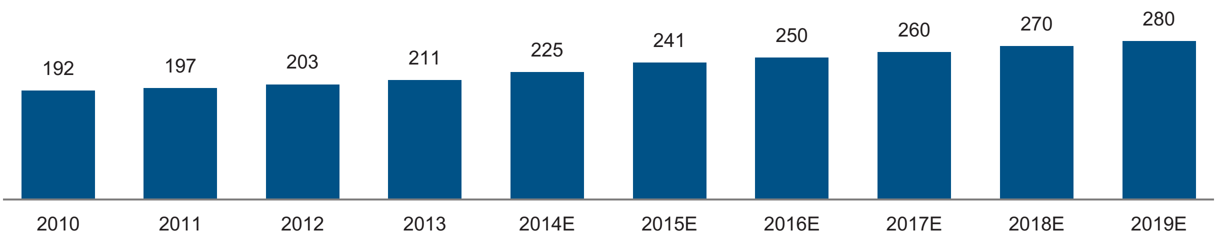
Based on HKBN's growth in residential subscriptions compared to the incumbent's relatively flat and stable subscriber base in the recent years, MPA expects the Company to continue to gain market share. A similar phenomenon has been observed in other mature broadband markets historically where the incumbent and existing operators have lost significant market share to one or more challengers. Examples in Asia include Singapore (SingTel versus StarHub and then SingTel and StarHub versus new national broadband network (NBN) companies such as MyRepublic). Examples in Europe include Italy (Telecom Italia versus Wind, Vodafone Italy and FastWeb) and Germany (Telekom Deutschland versus Unitymedia, Vodafone / Kabel Deutschland and Telefonica Deutschland).

MPA adopts a bottom-up approach in all of its key industry estimates, based on interviews with key groups across the industry value chain and proprietary databases managed and created by MPA, collating historical information as well as analysis of macro indicators and key industry metrics. This bottom-up approach allows MPA to reconcile strategy and growth by a company or an individual industry participant with broader industry and macro trends.

ARPU

ARPU is typically defined as average revenue per user and is commonly used in the telecommunications industry as an indicator of business performance. The use or computation of ARPU by companies including HKBN may not be comparable to the use or computation of similarly titled measures reported by companies in the telecommunications industry, including HKBN's competitors. The ARPU definitions used in this section are not the same as the Company's definitions of residential ARPU and enterprise ARPU. Since 2010, MPA's estimate of ARPU in the residential broadband Internet market has shown a rising trend and MPA expects this trend to continue. The ARPU is primarily driven by (i) subscriber upgrades to higher priced but higher value-for-money (dollar per Mbps speeds) fibre broadband plans that include value-added services and (ii) rate increases by service providers. In recent years, some operators have raised prices for their broadband Internet services on xDSL to encourage users to upgrade to higher speeds.

Exhibit 7: Hong Kong Residential Broadband Internet ARPU Trends, 2010 - 2019E (HK$/month)



Source: MPA analysis

Even with the inclusion of revenues from bundled voice and IP-TV services in the Company's calculation of ARPU, industry average ARPU remains higher due to the higher pricing set by incumbent on both fibre and xDSL services. In addition, xDSL service pricing is equivalent to, and, in some areas, more expensive than, fibre.

In the Hong Kong residential broadband Internet market, there are no universal service obligations or pricing regulations, and as such, operators are actively pushing through segmentation strategies based on characteristics of residential units and level of local competition. This has driven, and is expected to further drive, growth in industry average ARPU.

Notwithstanding the rise in ARPU, broadband services in Hong Kong are still well below global norms in terms of fixed broadband ARPU versus GDP per capita. According to MPA, annualised fixed broadband ARPU as a percentage of GDP per capita for Hong Kong was at 0.8% and was one of the lowest compared to other developed markets such as South Korea, Singapore, Japan, the United Kingdom and the United States in 2013.

Exhibit 8: Fixed Broadband ARPU versus GDP per Capita by Geographical Markets

	2013 Monthly ARPU (US$)	2013 GDP Per Capita (US$)	Annualised ARPU as a % of GDP Per Capita
Hong Kong	27.1	38,604	0.8%
South Korea	15.8	23,837	0.8%
Singapore	38.4	52,918	0.9%
US	49.1	53,001	1.1%
Japan	42.4	39,321	1.3%
UK	43.7	39,371	1.3%

Source: IMF data; MPA analysis.

Pricing Comparison

As Hong Kong does not have regulated broadband pricing, there is wide variance in prices across service providers and plans. The tables below set out sample prices for broadband Internet plans, telephone voice plans and bundled broadband Internet and voice plans, based on a survey conducted by MPA across mass market public housing estates, middle-class and upscale residences.

MPA has chosen residences based on random sampling. The public housing estates represent residences for low-income households where rent is partially subsidised by the Hong Kong Government. MPA classifies middle-class residences as households with estimated rental costs of HK$10,000 to HK$30,000 per month and upscale residences as households with estimated rental costs of more than HK$30,000 per month.

Prices in the following exhibits 9, 10 and 11 may include giveaway products such as Wi-Fi routers and coupons. Prices have been adjusted for discounts or rebates on a monthly basis over the contract term. All prices are exclusive of installation fees and are based on a 24-month contract unless otherwise indicated.

Important disclaimer. The surveys were conducted by MPA on 15 and 16 December 2014. The information in exhibits 9, 10 and 11 represent only a snapshot of prices and offerings based on such calls and should not be considered complete or relied on as a composite view of the market in Hong Kong. Prices and offerings may differ significantly based on the individual residences chosen and the particular residential units within the residences. Providers vary their prices based on their own internal policies including their views on the characteristics of residential units.

All information included in exhibits 9, 10 and 11 was provided by third parties to MPA. While we have taken all reasonable care to ensure that the relevant facts are accurate, these facts have not been independently verified by the Company or the Relevant Persons. Although we have no reason to believe that such information is false or misleading, or that any fact has been omitted that would render such information false or misleading, we also make no representation as to the accuracy or completeness of such information, which may not be consistent with other information available.

Exhibit 9: Sample Prices of Residential Broadband Only Packages in Hong Kong

		Price (HK$ per month)		
	Speed (Mbps)	Public Housing	Middle-Class Residence	Upscale Residence
HKT	< 100 (xDSL)	*	298	*
	100 (Fibre)	168	*	*
	200 (Fibre)	168 - 208	208	*
	300 (Fibre)	208	208	298 - 398
	500 (Fibre)	206 - 246	246	398 - 498
	1,000 (Fibre)	298 - 338	338	498 - 598
HKBN	100 (Fibre)	158	173 - 188	188 - 298
	500 (Fibre)	178	193 - 208	208 - 318
	1,000 (Fibre)	198	213 - 228	228 - 338
HGC	< 100 (xDSL)	150	*	*
	100 (Fibre)	150 - 154	150	*
	300 (Fibre)	*	148[(a)]	148[(a)]
	500 (Fibre)	*	158[(a)]	158[(a)]
	1,000 (Fibre)	*	188	188
i-Cable	10 (HFC)	*	93	*
	50 (HFC)	134 - 169	113 - 169	134 - 169
	130 (HFC)	158 - 199	158 - 199	158 - 199
	200 (HFC)	166 - 199	166 - 199	166 - 199

Notes:

(*) Not available in the residences sampled.

(a) Based on a 36-month contract for broadband only package.

Exhibit 10: Sample Prices of Voice Only Packages in Hong Kong

	Price (HK$ per month)		
	Public Housing	Middle-Class Residence	Upscale Residence
HKT	110 - 128[(a)]	110 -128[(a)]	238 - 278
HKBN	98	98	98
HGC	58	58	58
i-Cable	82 - 109	82 - 109	82 - 109

Note:

(a) Based on an 18-month contract for voice only package.

Exhibit 11: Sample Prices of Residential Internet Broadband and Voice Bundle Packages in Hong Kong

		Price (HK$ per month)		
	Speed (Mbps)	**Public Housing**	**Middle-Class Residence**	**Upscale Residence**
HKT	< 100 (xDSL)	*	408(a)	*
	100 (Fibre)	296	*	*
	200 (Fibre)	241 - 318(a)	318(a)	*
	300 (Fibre)	318(a)	281 - 336(a)	536 - 666
	500 (Fibre)	279 - 356(b)	319 - 374(a)	636 - 766
	1,000 (Fibre)	371 - 448(b)	411 - 466(a)	736 - 866
HKBN	100 (Fibre)	168(#)	183(#) - 208(#)	218(#) - 338(#)
	500 (Fibre)	188(#)	203(#) - 228(#)	238(#) - 358(#)
	1,000 (Fibre)	208(#)	223(#) - 248(#)	258(#) - 378(#)
HGC	< 100 (xDSL)	185(#)	*	*
	100 (Fibre)	185(#) -189(#)	185(#)	*
	300 (Fibre)	*	183(b)(#)	183(b)(#)
	500 (Fibre)	*	193(b)(#)	193(b)(#)
	1,000 (Fibre)	*	223(b)(#)	223(b)(#)
i-Cable	10 (HFC)	*	175	*
	50 (HFC)	216 - 251	195 - 251	216 - 251
	130 (HFC)	240 - 281	240 - 281	240 - 281
	200 (HFC)	181(#) - 281	181(#) - 281	181(#) - 281

Notes:

(#) Represents a discounted price as a bundled offering as compared to subscribing for broadband and voice on a standalone basis.

(*) Not available in the residences sampled.

(a) Based on an 18-month contract for voice only package.

(b) Based on a 36-month contract for broadband only package.

Source: Surveys conducted by MPA

Complaints Handling Pledges Issues by Operators

Based on information provided by the Hong Kong broadband providers on their websites, all four fixed broadband Internet service providers have target pledges to resolve 90% of complaints within a certain period of time. The actual service pledge standard is set by the carriers, with some carriers offering more stringent targets than others.

Exhibit 12: Performance Pledges by Operators in Hong Kong — Customer Complaints Handling

The following table sets out the performance of operators in Hong Kong in response to published pledges although the individual pledges involve different target response periods ranging from 3 to 7 working days.

	Target Pledge of Handling Complaints	Description of Pledge	Q1 2014	Q2 2014	Q3 2014
HKBN	90.00%	Offer a suggested resolution to complainant within 3 working days	94.00%	93.00%	95.00%
HKT	90.00%	Provide first resolution to customers' complaints within 4 working days	89.25%	90.00%	87.66%
HGC	90.00%	Complaint resolved within 5 working days	100.00%	97.00%	96.00%
i-Cable	90.00%	Handling of customer complaints within 7 working days	100.00%	99.00%	99.00%

Source: Company websites

Notes:

(1) Published performance pledges by fixed network operators (FNOs) for their fixed broadband services. Consumers may access the websites of these FNOs to obtain the information.

(2) Performance pledges do not represent service "guarantees" of the FNOs. They are intended to give consumers an indication of the normal service quality level of the FNOs concerned.

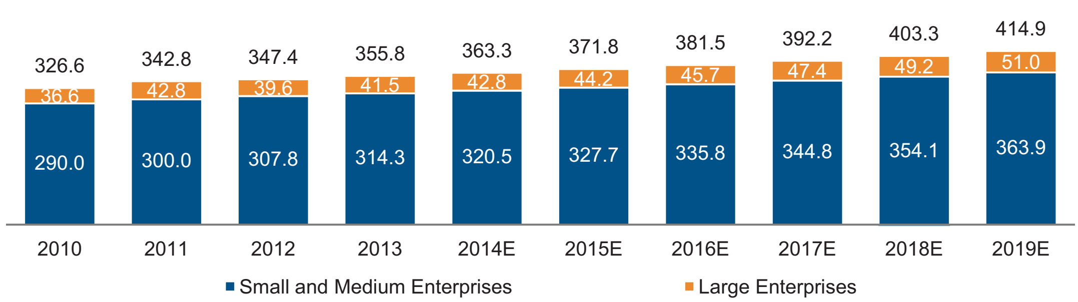
(3) Actual performance statistics of the FNOs against the pledges will be published by the FNOs at their respective websites within one month after the end of each quarter.

(4) The performance pledges and the actual performance statistics are information published by the FNOs. Each FNO is held fully responsible for the veracity of the information it publishes.

Hong Kong's Enterprise Broadband Market

According to data from the Hong Kong Census and Statistics Department and MPA analysis, there were approximately 356,000 enterprises in Hong Kong as at 31 December 2013, comprising approximately 314,000 small and medium businesses and approximately 42,000 large corporations.

Exhibit 13: Total Number of Enterprises in Hong Kong (in Thousands), 2010 - 2019E



Source: Hong Kong Census and Statistics Department, Trade and Industry Department Hong Kong, MPA analysis

Note:

(1) A small and medium enterprise is defined as a *manufacturing business which engages fewer than 100 persons in Hong Kong; or a non-manufacturing* business which engages fewer than 50 persons in Hong Kong.

With businesses increasingly becoming technology savvy and moving towards cloud solutions and online transactions, broadband is expected to become a standard utility for businesses in Hong Kong. MPA estimates that by the end of 2014, broadband penetration will be approximately 65.0% of the total number of enterprises in Hong Kong.

Comparison of Enterprise Broadband Providers

Exhibit 14: Enterprise Broadband Market Share by Subscriptions

As at 31 December (unless noted)		2010	2011	2012	2013	Aug. 2014
Subscriptions						
HKBN	('000)	17.0	21.0	24.2	26.3	27.9
Others	('000)	179.2	182.1	187.8	196.6	204.1
Total	('000)	196.2	203.1	212.1	222.9	232.0
Market Share						
HKBN	(%)	8.7%	10.3%	11.4%	11.8%	12.0%
Others	(%)	91.3%	89.7%	88.6%	88.2%	88.0%

Source: OFCA total subscriptions, MPA analysis

Within the enterprise broadband market, HKBN had approximately 12.0% market share by number of subscriptions as at 31 August 2014, an increase from 8.7% as at 31 August 2010.

The other major broadband providers in the enterprise market are:

- **HKT.** The largest fixed-line and wireless telecommunications operator in Hong Kong. In the enterprise market, HKT services all types of enterprise customers with a wide range of enterprise solutions.

- **HGC.** As part of the Hutchison Whampoa Limited group, HGC offers fixed-line services under the HGC brand and mobile services under the 3 brand. It also services all types of enterprise customers with a wide range of solutions.

- **Wharf T&T**. Within the Wharf Development Group, Wharf T&T has an enterprise focus while its sister company i-Cable has a residential focus.

- **New World**. New World Telecommunications Limited is a subsidiary of New World Development Company Limited. It offers enterprise broadband and data services in Hong Kong.

Within the enterprise broadband market, MPA estimates that large players such as HKT, HGC and Wharf T&T have historically focused more on medium-to-large companies, which typically generate more revenue.

Competition in the Enterprise Broadband Market in Hong Kong

HKT, HKBN, HGC, Wharf T&T and New World are the major players in the enterprise market, across small, medium and large corporations. These major players offer high-speed Internet and voice services as basic services and the number of users supported by services provided to an enterprise reflects the size of such enterprise. Of the five major players, the larger players have the capability to offer additional services such as managed network and IT services, which large enterprises may need from time to time. However, small and medium enterprises, which represent a significant portion of businesses in Hong Kong, typically only require basic services. For basic services in the enterprise market, players that are able to offer compelling price, as compared to those offering higher quality, have a distinct advantage.

IDD Services in Hong Kong

In the residential IDD market, HKT, HKBN and HGC provide IDD services, while i-Cable does not. In the enterprise market, all five enterprise fixed telecom service providers, namely HKT, HKBN, HGC, Wharf T&T and New World, offer IDD services, with HKT being the largest player. Telecom operators typically bundle IDD with their Internet services using VoIP technology, which provides cost savings to enterprises versus conventional PSTN IDD.

While IDD has become a stable value-added service among operators, it offers limited scope for competitive differentiation and is threatened by eventual substitution from new technologies. For example, global VoIP-based services provide more cost-effective alternatives because these services may be used over any broadband subscription at no additional cost. These trends indicate that although IDD remains a key product offering for telephony providers in the residential or enterprise space, significant future growth in the IDD services business is unlikely.

OVERVIEW

We are the largest provider of residential fibre broadband services in Hong Kong by number of residential subscriptions, with a market share of 53.7% of the residential fibre broadband market as at 31 August 2014 according to MPA. We are also the second largest residential broadband Internet service provider in Hong Kong, with a 34.2% market share in residential broadband Internet subscriptions as at 31 August 2014, based on market statistics published by OFCA.

Since 2000, we have invested significantly to build one of the most extensive fibre networks in Hong Kong. As at 31 August 2014, the accumulated cost of HKBN's fixed assets in telecommunications, computer and office equipment, leasehold land and buildings and leasehold improvements amounted to approximately HK$4.1 billion. These fixed assets primarily relate to, and are an integral part of, our network. As at the Latest Practicable Date, our coverage exceeded 2.10 million residential homes passed, covering approximately 79% of Hong Kong's total residential units, and more than 1,900 commercial buildings in Hong Kong, which represents a majority of the high-end commercial buildings targeted by the Company. Our fibre network from end to end is substantially self-owned and has the capacity to deliver a range of advanced telecommunications services to our customers.

OUR CORE PURPOSE AND CORPORATE CULTURE

Our core purpose is to "Make our Hong Kong a better place to live". To achieve this core purpose we must continuously pioneer profitable disruptive innovations, be it the way we treat our stakeholders or the way we innovatively deploy technology that eventually will be copied by our competitors over time. Profitability is critical as it is only by being profitable that we will continue to drive market trends.

In developing our 2,400 plus Talents into a competitive advantage, we are committed to living by our corporate core value of "TREE", an abbreviation for:

- **Trustworthy** — be honest and genuine, keeping promises without compromise,
- **Responsive** — be visionary and receptive, responding aptly and promptly,
- **Entrepreneurial** — be innovative and unyielding, striving for excellence, and
- **Engaging** — be devoted and considerate, attracting others to follow suit.

Our in-house poster reflects this corporate core value:

COMPETITIVE STRENGTHS

We believe that our unique corporate culture and state-of-the-art network infrastructure allow us to offer high-quality, high speed telecommunications services at competitive prices. We believe that our competitive strengths are:

Talent-oriented Co-Ownership culture that aligns risks and rewards with Shareholders

Our Talents are essential to the success of our business and we believe that we have a unique Talent-oriented Co-Ownership culture. Our business resembles an entrepreneurial partnership which aligns our Talents' long-term goals with the success of the Company, with our Talents sharing both the risks and rewards. As at the Latest Practicable Date and assuming the redemption of preference shares as described in "*Financial Information — Recent Developments — Redemption of MLHL Preference Shares*" has been completed, 87 Talents were Co-Owners with an aggregate investment made in the Company, through MLHL, representing approximately 9.87% of the voting rights in MLHL. On average, these Co-Owners have invested amounts that are approximately two times their total annual compensation and we believe they are highly motivated to drive the long-term success of the Company.

As a result of our entrepreneurial culture and decentralised organisational structure with customer-facing Talents empowered to make executive decisions, we have managed to develop and implement successful initiatives with a very short lead time. For example, we began offering 1,000 Mbps broadband service in 2005, significantly ahead of our competition. We have also successfully implemented a content localisation strategy, which utilises mirror sites for our customers' most-visited sites to direct international traffic locally, to improve user experience and reduce bandwidth costs, and adopted innovative marketing strategies such as the "free-to-go" plan for residential broadband Internet subscriptions.

We have various continuing education and development programmes in place to help ensure the success of our Talents. Some of our training initiatives include the "Next Station: University" Talent Development programme, which encourages and sponsors selected Talents from all departments to pursue higher education degrees ranging from bachelor's degrees to professional diplomas. Our "Talent Infinity" programme sponsors management level Talents with managerial potential and a proven track record to obtain business degrees. Furthermore, our "CXO of the Future" programme is designed to develop young graduates with leadership skills into potential future leaders.

In addition to developing our Talents' professional skills, we also recognise the importance of building a cooperative work atmosphere. To this end, we regularly organise teambuilding activities such as our annual overseas experiential management trip. Such activities are designed to improve cross-team networking, foster a cooperative working environment and align our management's objectives with the success of the Company.

Our Talents are led by a dedicated management team which has extensive local market knowledge and a proven track record in the execution of our business strategies. Our Talents have contributed significantly to our past success and will continue to lead our future growth.

Largest residential fibre broadband Internet service provider in Hong Kong with attractive industry fundamentals

We are the largest provider of residential fibre broadband services in Hong Kong by number of residential subscriptions, with a market share of 53.7% within the residential fibre broadband market as at 31 August 2014 according to MPA. We are also the second largest residential broadband Internet service provider in Hong Kong, with a 34.2% market share by number of residential broadband Internet subscriptions as at 31 August 2014, based on market statistics published by OFCA.

The residential fibre broadband market in Hong Kong has grown substantially from approximately 606,000 subscriptions as at 31 December 2010 to approximately 1.34 million subscriptions as at 31 December 2014, representing a CAGR of 22.0%, according to MPA. As at 31 December 2014, there were approximately 684,000 subscriptions (33.7% of Hong Kong broadband subscriptions) that use xDSL and HFC networks, according to MPA. The conversion of xDSL and HFC to fibre represents a significant growth opportunity for us. As the residential broadband Internet market continues to see a migration to fibre, MPA expects the residential fibre broadband market to grow to approximately 1.82 million subscriptions by 2019, representing a CAGR of 6.3% from 2014 to 2019.

The competitive environment in the residential broadband Internet market has been stable with the top two players, HKT and the Company, steadily growing the combined residential broadband Internet subscriptions market share over the past few years and reaching over 80% as at 31 August 2014, according to MPA. Further, residential broadband Internet services in Hong Kong remain affordable despite an increase in the residential broadband Internet blended ARPU in Hong Kong from HK$192 in 2010 to HK$225 in 2014 according to MPA. For example, fixed broadband services in Hong Kong are available for 0.8% of GDP per capita in 2013, while in the United States and UK, fixed broadband ARPU is 1.1% and 1.3% of GDP per capita over the same period, respectively.

Attractive value proposition drives continued market share gain and potential ARPU growth

We believe that we offer an attractive value proposition compared to our competitors, offering high broadband access speeds at competitive prices with consistent high service quality and reliability.

- We provide broadband Internet services at symmetric speeds of 100 Mbps to 1,000 Mbps. According to the State of the Internet report on the third quarter of 2014 issued by Akamai, an independent third party, our average broadband peak connect speed was higher than the average peak connect speed in Hong Kong and Hong Kong is the highest in the world.

- We offer our broadband services at competitive prices. We believe that our service offering is generally more competitively priced than the incumbent's for comparable speed offerings at the same location, particularly among the mid-to-high income residential estates. We also offer a single and integrated bill, unlike some of our competitors, for any combination of our "triple play" services of broadband, voice and IP-TV.

- We offer high quality and reliable service. We deliver and maintain high quality services through a team of motivated and professional technicians and dedicated customer service teams. We believe that our quality service has helped to maintain low broadband churn rates at less than 1.0% during each year of the Track Record Period. Based on performance pledges issued by fixed network operators cited by OFCA, we met and exceeded our pledge to resolve 90% of customer complaints within three working days with a 95% resolution rate in the third quarter of 2014. We also enjoy strong and growing brand awareness and have won many awards for the high quality of our products and services in the past few years.

As a result of our competitive value proposition, our number of residential broadband Internet subscriptions and our market share have been growing steadily over the past few years. Our residential broadband Internet subscriptions have increased from approximately 626,000 as at 31 August 2012 to approximately 692,000 as at 31 August 2014 while our residential broadband Internet market share by number of residential broadband Internet subscriptions has increased from 30.4% as at 31 August 2012 to 34.2% as at 31 August 2014, based on market statistics published by OFCA. This has been achieved along with an increase in residential ARPU from HK$155 for the year ended 31 August 2012 to HK$175 for the year ended 31 August 2014. We believe that we will be able to continue gaining market share against our competitors while further increasing our ARPU given favourable industry dynamics and proactive up-selling higher Internet access speeds from 100 Mbps up to 1,000 Mbps and cross-selling additional services to our broadband base.

Our extensive, state-of-the-art fibre network provides operating leverage for further subscription growth

Our advanced network provides us with a highly scalable platform to deliver our services in Hong Kong. As at the Latest Practicable Date, our network covered 2.10 million residential homes passed, representing approximately 79% of Hong Kong's total residential units, and covered more than 1,900 commercial buildings in Hong Kong, which represents a majority of the high-end commercial buildings targeted by the Company.

Introduced by us in 2001, our Metro Ethernet network involves "fibre-to-the-building" to within 100 metres of the end user and then using advanced Category-5e copper wiring for this last 100 metres as well as a GPON overlay. We believe that our Metro Ethernet network enables us to provide faster access speeds at a significant cost advantage compared to traditional xDSL network infrastructure while also allowing for easier future upgrades to access speeds of up to 1,000 Mbps on a cost-efficient basis.

Since November 2007, we have deployed GPON technology, which allows us to provide 1,000 Mbps broadband service on a mass scale. Using optical fibre directly to the end user allows us to provide faster access speeds on a mass scale basis and service lower density areas beyond the 100 metres Metro Ethernet limitation.

With economies of scale already achieved for GPON, we believe the cost of GPON deployment is very similar amongst different carriers in Hong Kong. However, the cost of a Metro Ethernet is lower than GPON in densely populated areas and HKBN is the only carrier in Hong Kong to have a predominately Metro Ethernet base for our residential network.

We believe that our fibre network provides significant advantages over potential and existing competitors, including time, financial resources and physical limitations.

- **Time**: Our state-of-the-art fibre network has been rolled-out over the course of the last 14 years. Rolling out a fixed network requires a significant amount of time given the right-of-way permissions required from the government as well as coordination with building owners.

- **Financial resources**: Since 2000, we have invested significantly to build one of the most extensive fibre networks in Hong Kong. As at 31 August 2014, the accumulated cost of HKBN's fixed assets in telecommunications, computer and office equipment, leasehold land and buildings and leasehold improvements amounted to approximately HK$4.1 billion. These fixed assets primarily relate to, and are an integral part of, our network. Our fibre network from end to end is substantially self-owned and has the capacity to deliver a range of advanced telecommunications services to our customers.

- **Physical limitations**: buildings support a limited number of telecommunications conduits, and most buildings already have these conduits congested by connections from existing players, which makes it difficult for any new entrants to roll out their last mile.

Our advanced fibre network has abundant capacity as we own substantially all of the ducts and backbone. We believe that our network provides us with significant operating leverage to attract additional subscriptions and offer more services, with limited incremental costs.

Strong presence in the enterprise market with significant growth prospects

We have a strong presence in the enterprise market covering more than 1,900 commercial buildings, which represents a majority of the high-end commercial buildings targeted by the Company and having approximately 28,000 enterprise broadband subscriptions as at 31 August 2014, which represents a market share of approximately 12.0% based on market statistics published by OFCA. We believe that we are at an inflection point to increase our enterprise business market share, having equipped ourselves with the following:

- Comprehensive suite of service offerings

- Superior value proposition offering high broadband access speeds at competitive prices

- Strong and growing brand recognition

- Dedicated sales team

We strategically focus on small businesses which we define as companies with 10 or less staff. We believe that these small businesses in Hong Kong are currently underserved with telecommunications operators mostly focused on larger corporates and multi-national corporations. To better penetrate the small enterprise market, we offer superior value compared to our competitors through competitive pricing and tailor-made services, such as customised voice services, managed Wi-Fi services and IT advisory services. Our approach to servicing the small enterprise segment is to become their partner by helping them become more competitive with our provision of an appropriate telecommunications infrastructure.

We have grown our dedicated enterprise sales team to 322 Talents as at 31 August 2014, which includes 198 dedicated call centre sales representatives in Guangzhou. Our mix of Hong Kong and Guangzhou locations lowers our cost of service and allows us to provide a higher grade of personalised service to the small enterprise segment.

We also selectively target large companies with high bandwidth requirements and have succeeded in winning large corporate and carrier contracts in the telecommunications, hospitality, education and financial services sectors, which add credibility and enhance our brand recognition and in turn lead to more business referrals.

Strong cash flow growth from a resilient and visible business with a highly scalable cost structure

Our revenue growth and scalable cost structure allow us to achieve strong cash flow growth. We generated strong turnover, EBITDA and Adjusted Free Cash Flow growth of 9.3%, 14.1% and 37.2%, respectively, from the year ended 31 August 2013 to the year ended 31 August 2014. In addition, our EBITDA margin increased from 38.0% for the year ended 31 August 2013 to 39.7% for the year ended 31 August 2014, and was highest amongst our main fixed-line peers in Hong Kong. We believe that these growth rates are one of the highest among global fixed-line providers.

Our business is highly resilient through various economic cycles. With increasing demand for connectivity and rapid growth in data traffic, fixed broadband service is becoming a utility-like service that is essential to households and enterprises. Even during the global financial crisis in 2007 and 2008, we were able to continue to grow our broadband subscriptions and revenue. With over 95% of our residential subscriptions on two-year or longer contracts and a loyal subscriber base with low broadband churn rates at less than 1.0% during each year of the Track Record Period, we have good visibility into our business and revenue prospects.

Our business emphasis on scalability, flexibility and efficiency has allowed us to strengthen our financial performance and further enhance our profitability over time. When a subscription contract is renewed, pricing is likely to increase from the price offered at the time of the subscriber acquisition. Such an increase in price leads to increased revenue, but without significant additional cost, which, in turn, enhances our profitability and cash flow. Moreover, our substantially invested fibre network has high operating leverage as it enables us to increase our subscriptions, upgrade existing subscriptions to higher access speeds, and provide additional services to existing subscribers with limited incremental cost.

Certain costs, including salary and commission, associated with retaining an existing residential broadband customer are significantly lower than the costs associated with acquiring a new customer. Based on our internal cost management records, our Customer Retention Cost amounted to approximately 6% of the aggregate contract sum of Renewed Two-Year Contracts in the years ended 31 August 2013 and 2014. In comparison, our New Customer Acquisition Cost amounted to approximately 35% of the aggregate contract sum of New Two-Year Contracts in the same period based on our internal cost management records. We attribute this difference between Customer Retention Cost and New Customer Acquisition Cost largely to the higher cost base associated with our sales team in Hong Kong, which focuses on the acquisition of new customers, as compared our telemarketing sales team in Guangzhou, which focuses on the renewal of existing contracts. See "*— Customer, Sales and Marketing — Sales and marketing strategy — Residential sales and marketing*" for the definitions of, and details regarding, Customer Retention Cost, Renewed Two-Year Contracts, New Customer Acquisition Cost and New Two-Year Contracts.

We have been focusing on our online sales channel which now accounts for approximately 20% of new subscriptions and which allows us to enjoy lower acquisition and retention costs. We have also been focusing on content localisation which provides savings on operating and overseas bandwidth costs while improving the user experience.

STRATEGIES

We intend to harvest our substantially invested network and leverage our comprehensive suite of service offerings to further drive incremental revenue, profits and cash flow. We have implemented and will continue to pursue the following strategies to achieve this.

Continue to invest in our Talents to drive our successful growth

Our Talents are fundamental to our past as well as future success. We are committed to investing in our Talents and employ a long-term strategy for hiring, training, incentivising and retaining them.

Building on the success of the Co-Ownership Plan I and to broaden Talent investment in the Company, we have adopted the Co-Ownership Plan II under which 400 plus of our Talents according to seniority will be invited to invest in Shares at market price and be granted the right to receive additional Shares at no consideration on a matching basis. The right to receive additional Shares granted under the Co-Ownership Plan II will be subject to a three year back-end loaded vesting schedule and various conditions, to reward our Talents for being long-term owners of the Company. We expect to make the first invitations and grants under the Co-Ownership Plan II around two months after the Listing Date, on the basis of 3 additional Shares for every 7 Shares purchased, subject to a cap based on each Talent's seniority level. See "*Appendix VI — Statutory and General Information — Co-Ownership Plan II*" for further details.

Our Talents will be entitled to participate in the Global Offering on a preferential basis through the Talent Offering. Under the Talent Offering, we have reserved 1% of the Offer Shares being offered in the Global Offering to our Talents (subject to eligibility conditions) to encourage more of them to become Co-Owners. See *"Structure of the Global Offering — The Talent Offering"* for further details.

The Talent Offering and the new Co-Ownership Plan II will allow us to extend and widen our co-ownership structure and closely align the long-term interests of the Company with those of our Talents and also reinforce the sense of ownership and entrepreneurship amongst our Talents. As a results-driven company, we also have high performance standards that our Talents are expected to meet. We adopt an annual review process to identify and reward top performers with higher pay and performance bonuses, while terminating the bottom 5% of under-performing Talents.

We believe that investing in our Talents will enhance our ability to motivate and retain our top-performing Talents, as well as better prepare them to meet the challenges and rapidly changing environment of the fixed telecommunications network services industry in Hong Kong, all of which are critical to driving our successful performance and continuous growth.

Leverage our competitive value proposition to drive further residential subscription growth

We intend to grow our subscription base primarily by converting existing users in the market that are currently using xDSL and HFC technology to our fibre network and selectively expanding our residential homes passed to reach more customers. We recognise that in order to remain competitive in the rapidly evolving telecommunications industry, we need to provide innovative packages at competitive prices to our customers. We recently implemented a segmental pricing strategy based on size and location of residences that is targeted particularly at private buildings where we are underpenetrated. We believe that by continuing to build on our attractive value proposition, we will be able to remain competitive and acquire new subscribers to join our network.

In addition to attracting new subscribers, we will also focus on retaining our current subscriber base by continuing to offer high quality broadband services at competitive prices and providing reliable and timely customer support. We actively reach out to our existing customers up to six months prior to the expiry of their contracts to renew their contracts with us. As a result of our efforts, we have achieved low broadband churn rates of less than 1.0% for each year during the Track Record Period. We believe that by maintaining our competitive value proposition, we will be able to continue to retain the majority of our existing customers and attract new customers to grow our subscription base.

Enhance our customer yield through segmentation and up-selling initiatives

We aim to maximise the revenue generating potential of our existing customer base through segmentation by targeting customers according to size and location of residences and up-selling and cross-selling initiatives. Since we are not subject to universal service obligations or pricing regulations for broadband services in Hong Kong, we are able to effectively implement a segmentation strategy that targets the most densely populated areas of Hong Kong which are the most profitable segments for us. With our tiered pricing plans announced in December 2014, we have begun to implement a segmentation strategy to offer customised, bundled solutions to each customer segment to improve overall ARPU.

We will continue to actively up-sell higher speed broadband services of 500 Mbps and 1,000 Mbps to our existing customers who have currently subscribed for access speeds of 100 Mbps. Our combined subscription base above 100 Mbps (typically 500 Mbps and 1,000 Mbps) as a percentage of our total broadband subscriptions increased from 8% as at 31 August 2012, to 11% and 16% as at 31 August 2013 and 31 August 2014, respectively. We will also continue to cross-sell multiple services to our subscriber base.

We will primarily utilise our call centre in Guangzhou and online sales platform to implement our up-selling strategy as they are lower-cost sales channels compared to our Hong Kong-based physical channels. Furthermore, we will continuously monitor our competitors' prices for similar plans to ensure that our prices remain competitive. We believe that by better understanding our customers' needs and meeting their demands with attractive service bundles at competitive pricing terms, we will be well-positioned to maintain our attractive value proposition while continuing to enhance our customer yield and ARPU.

Further penetrate the enterprise market

We aim to further strengthen our position in the Hong Kong enterprise telecommunications services market, especially by focusing on small businesses. Leveraging on our "challenger" status and strong reputation established in the residential business, we aim to target and attract small business owners by offering an attractive value proposition with appealing products and services at attractive prices. We will also strategically extend the coverage of our network to serve more commercial buildings if the number of likely subscriptions offers attractive returns.

In addition to gaining market share, we will continue to cross-sell our services to small business customers to increase revenue per customer. We believe that our additional services, such as managed Wi-Fi and IT advisory, can improve the operations of our clients and potentially allow them to save cost. In addition, we will continue to develop innovative and disruptive services that target enterprise customers to achieve a deeper penetration of the Hong Kong enterprise market.

We aim to attract new large enterprise customers by employing a differentiated sales strategy that is being implemented by our dedicated enterprise sales team.

- To facilitate the switching to HKBN services from other existing operators, we may offer limited free usage period to our customers. The limited free usage period typically refers to the overlapping period up to the relevant termination date of their existing contracts with other operators.

- Sales team members are allocated with responsibilities to cover various industries so that they develop expertise within particular sectors. With strong expertise across specific industries, our enterprise sales team will be better equipped to understand specific customers' needs.

- We also organise seminars and workshops for current and prospective enterprise customers to promote our new products and services, which help to build stronger working relationships with our customers as well as raise public awareness of our corporate profile and our various enterprise service offerings.

Enhance our profitability through operating leverage and effective cost management initiatives

We aim to achieve higher profitability levels by utilising our operating leverage and implementing cost management initiatives. Our business has inherent operating leverage given our substantially invested network which has allowed us to achieve critical mass. We can add subscriptions and provide additional services with minimal incremental cost.

We will adopt new strategies and initiatives as part of our efforts to achieve further efficiencies and cost-savings. We recently initiated our "offline to online" strategy by implementing an online sales platform that is aimed at enhancing the customer experience and improving user interface while saving costs. Our online sales platform also helps manage our customer acquisition and retention costs as overall costs are lower.

In addition, our content localisation strategy, which utilises mirror sites for our customer's most-visited sites to direct international traffic locally, not only improves our network performance and the user experience with faster processing speeds, but also significantly reduces our international bandwidth expense. Our residential and enterprise network services increasingly benefit from localising website content in Hong Kong.

Furthermore, we have a dedicated group of Talents focusing on analysing our internal processes to identify and implement initiatives that help us manage operating costs. For example, we aim to manage our labour costs by simplifying existing manual workflows and processes, as well as enhancing our self-help customer services to further improve our profitability going forward.

KEY PERFORMANCE INDICATORS

We believe that our key performance indicators are useful metrics for monitoring the operational performance of the Company.

The table below sets out the key performance indicators of our operations as at the dates indicated.

	As at 31 August			As at 30 November
	2012	2013	2014	2014
	(in thousands, except percentages)			(in thousands, except percentages)
Residential business				
Residential homes passed:	2,012	2,039	2,088	2,102
Subscriptions(1)				
- Broadband	626	660	692	710
- Voice	471	574	576	570
Market Share(2)				
- Broadband(3)	30.4%	32.7%	34.2%	35.0%
- Voice(4)	19.5%	23.1%	23.4%	22.9%
Residential customers	737	764	779	791
Broadband churn rate(5)	0.6%	0.6%	0.8%	0.5%
Enterprise business				
Commercial building coverage:	1.6	1.8	1.9	1.9
Subscriptions(1)				
- Broadband	23	26	28	30
- Voice	64	72	81	85
Market Share(2)				
- Broadband(6)	11.1%	11.7%	12.0%	12.6%
- Voice(7)	3.5%	3.9%	4.4%	4.6%
Enterprise customers	27	29	32	34
Broadband churn rate(8)	1.0%	1.0%	1.2%	0.9%

	For the year ended 31 August			For the three months ended 30 November	
	2012	2013	2014	2013	2014
	(HK$)			(HK$)	
Residential ARPU(9)	155(11)	158	175	170	183
Enterprise ARPU(10)	910(11)	948	1,026	998	1,018

Notes:

(1) An individual residential subscriber can have more than one subscription. Broadband and voice subscriptions are presented separately although these services are typically bundled. Similarly, an individual enterprise customer can have more than one enterprise subscription and often has multiple subscriptions for voice services.

(2) Based on OFCA statistics.

(3) Our market share in residential broadband services in Hong Kong is calculated by dividing the number of residential broadband subscriptions we have at a given point in time by the total number of residential broadband subscriptions recorded by OFCA at the same point in time.

(4) Our market share in residential voice services in Hong Kong is calculated by dividing the number of residential voice subscriptions we have at a given point in time by the total number of residential voice subscriptions recorded by OFCA at the same point in time.

(5) Calculated by dividing the sum of the monthly broadband churn rate for each month of the given financial year / period by the number of months in the year / period. Monthly broadband churn rate is calculated by the sum of the number of residential broadband subscription terminations in a month divided by the average number of residential broadband subscriptions during the respective month and multiplying the result by 100%.

(6) Our market share in enterprise broadband services in Hong Kong is calculated by dividing the number of enterprise broadband subscriptions we have at a given point in time by the total number of enterprise broadband subscriptions recorded by OFCA at the same point in time.

(7) Our market share in enterprise voice services in Hong Kong is calculated by dividing the number of enterprise voice subscriptions we have at a given point in time by the total number of enterprise voice subscriptions recorded by OFCA at the same point in time.

(8) Calculated by dividing the sum of the monthly broadband churn rate for each month of the given financial year / period by the number of months in the year / period. Monthly broadband churn rate is calculated by the sum of the number of enterprise broadband subscription terminations in a month divided by the average number of enterprise broadband subscriptions during the respective month and multiplying the result by 100%.

(9) Calculated by dividing the revenue generated in the relevant period from services subscribed by residential broadband subscribers, which include broadband services and any bundled voice, IP-TV and/or other entertainment services, by the number of average residential broadband Internet subscriptions and further dividing by the number of months in the relevant period. Average residential broadband Internet subscriptions is calculated by dividing the sum of subscriptions at the beginning of the period and the end of the period by two. Our use and computation of Residential ARPU differs from the industry definition of ARPU due to our tracking of turnover generated from all services subscribed by residential broadband subscribers. We believe this gives us a better tool for observing the performance of our business as we track our residential ARPU on a bundled rather than standalone basis. See "*Industry Overview — Hong Kong Residential Broadband Internet Market — ARPU*".

(10) Calculated by dividing the revenue generated in the relevant period from the enterprise business (excluding revenue from IDD services) by the average number of enterprise customers and further dividing by the number of months in the relevant period. Average number of enterprise customers is calculated by dividing the sum of enterprise customers as at the beginning of the period and the end of the period by two. This metric may be distorted by the impact of certain particularly large contracts with enterprise customers.

(11) The revenue figures for the year ended 31 August 2012 used for calculating these measures are based on revenue of HKBN.

These key performance indicators involve management estimates, are not part of our financial statements or financial reporting systems and have not been audited or otherwise reviewed by an external auditor, consultant or expert. Our use or computation of these terms may not be comparable to the use or computation of similarly titled measures reported by other companies in the telecommunications industry, including our competitors. The definitions and method of calculation for each of these metrics is set out in "*Glossary of Technical Terms*".

OUR SERVICES

We generate turnover primarily from two major businesses: our residential and enterprise businesses. Our residential business mainly consists of fixed telecommunications network services including high-speed broadband Internet access services of symmetric 100 Mbps to 1,000 Mbps, VoIP services and other telecommunications services including IP-TV services to residential customers. Residential broadband Internet access services generate the majority of our turnover, and also drives demand for our other residential telecommunications network services when offered as a bundled service. Our enterprise business mainly consists of broadband, VoIP, MetroNet private network services and other telecommunications network services to enterprise customers. We also sell certain products related to our residential business and provide IDD services.

The table below summarises the turnover generated by our residential services, enterprise services and product revenue.

	For the period from 15 March to 31 August	For the years ended 31 August		For the three months ended 30 November	
	2012	2013	2014	2013	2014
	HK$	HK$	HK$	HK$	HK$
		(in thousands)		(in thousands)	
Residential revenue	368,137	1,489,829	1,630,472	392,997	425,500
Enterprise revenue	87,463	370,763	422,975	99,270	111,663
Product revenue	98,274	88,842	78,134	5,169	16,617
Total turnover	**553,874**	**1,949,434**	**2,131,581**	**497,436**	**553,780**

Our residential broadband Internet access services, our largest revenue generating service category, has shown strong and steady growth with approximately 710,000 residential broadband Internet subscriptions as at 30 November 2014 as compared to approximately 692,000, 660,000 and 626,000 subscriptions as at 31 August 2014, 2013 and 2012, respectively.

Residential business

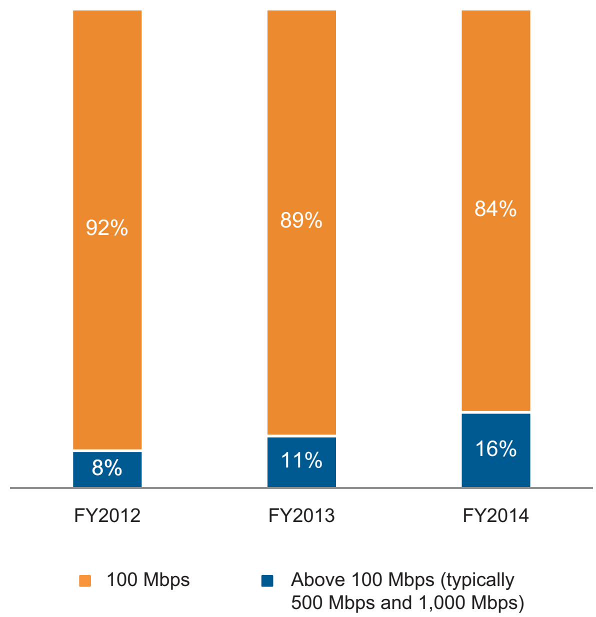
We offer our residential customers fixed telecommunications network services including high-speed symmetric 100 Mbps to 1,000 Mbps broadband Internet access services, VoIP services, IP-TV services and other telecommunications network services through our network. The high capacity of our fibre-based backbone has enabled us to offer a suite of services on a single IP network platform. Our strategy is to leverage our broadband Internet subscription base to cross-sell our other fixed telecommunications services such as VoIP and IP-TV.

We also provide international telecommunications services which involves the provision of direct dial services, international calling cards and call forwarding services in Hong Kong. We also sell certain telecommunications products related to our residential network business.

(1) Broadband

Scope of services. We currently offer our residential customers broadband internet services using Metro Ethernet and GPON technology at access speeds of 100 Mbps, 500 Mbps and 1,000 Mbps.

The following table sets out a breakdown of our residential broadband Internet subscriptions as at the end of the periods indicated.



We market our voice and IP-TV services to our residential broadband Internet customers as complementary service offerings.

We include our outdoor Wi-Fi service with our residential broadband service. This provides our customers with our fixed broadband service as well as outdoor wireless Internet access through more than 11,000 hotspots.

Contracts. Historically, subscriptions for our broadband internet service have been priced according to access speeds. Recently, we began implementing our segmented pricing strategy by offering subscription plans to our customers which are segmented according to size and location of the residences.

We normally enter into two-year subscription contracts with our residential customers. These two-year contracts account for over 95% of our subscriptions for residential broadband Internet services. We also offer "free-to-go" (month-to-month) plans and one-year subscription contracts at higher per month prices.

Pricing. We currently charge between HK$158 to HK$338 per month for residential broadband subscriptions for new customers.

Competition. Our main competitor in the Hong Kong residential broadband market is HKT. HKT, which has the largest market share based on residential broadband Internet subscriptions in Hong Kong, has been offering its first Internet interactive multimedia service under the brand name of "NETVIGATOR" in 1996. It offers speeds from 1.5 Mbps to 1,000 Mbps by using xDSL and GPON technology with a substantial portion of subscribers using its xDSL network according to MPA. i-Cable and HGC also provide residential broadband service in Hong Kong.

Market share. We had approximately 692,000 residential broadband Internet subscriptions as at 31 August 2014, which represented a market share of approximately 34.2% in residential broadband Internet services based on market statistics published by OFCA and a market share of approximately 53.7% in residential fibre broadband Internet services in Hong Kong according to MPA. We had approximately 710,000 residential broadband Internet subscriptions as at 30 November 2014.

(2) VoIP Services

Scope of services. We offer our local voice over internet protocol, or VoIP, services in Hong Kong by installing IP-based voice switching equipment in locations covered by our network. Voice signals are transmitted through our Ethernet network by the VoIP switches installed in the subscriber's building. The quality of our VoIP service is comparable to traditional fixed-line local telephony services, and customers are able to use their existing telephone equipment. In addition, with portability of fixed-line numbers, fixed-line telephony subscribers switching to our VoIP services are able to retain their existing local telephone numbers.

Pricing. We currently charge between HK$78 and HK$98 per month as a standalone service for a "Communication Plan" which includes "Home Telephony Service", "2b App" and free IDD calling minutes. Customers may also enjoy discounted prices by bundling the Communication Plan with another Access Plan and other value added services.

Competition. Historically, the fixed-line voice telecommunications market in Hong Kong was dominated by the incumbent operator with a large market share. However, with competitors offering an increased range of services at competitive pricing, the market share in Hong Kong has become more diversified in recent years. The remainder of the market is primarily shared among ourselves, i-Cable and HGC. The principal basis of competition for local telephony is price and brand name recognition. HKT has the highest brand name recognition, but we are competing by offering competitively priced voice services, especially when bundled with our broadband service.

Market share. We had approximately 576,000 residential voice subscriptions as at 31 August 2014, which represented a market share of approximately 23.4% in residential voice services in Hong Kong according to market statistics published by OFCA. We had approximately 570,000 residential voice subscriptions as at 30 November 2014.

(3) Other services

In addition to our core broadband internet and voice services, we also provide IP-TV services and international telecommunications, or IDD, services. Consistent with our strategy to focus on broadband internet services through our network, we have de-emphasised these services in recent years.

IP-TV. Our IP-TV services began in August 2003 and include standard definition and high definition video via our network to an IP set-top box connected to the subscriber's television set. In May 2007, we renamed our IP-TV services as "bbTV". "bbTV" currently consists of more than 80 channels, including kids education and development channels as well as channels from various international content providers. We also offer video-on-demand services to our customers for certain movies. In addition to the pay-per-view on demand services, we also offer unlimited movies-on-demand services through six MEGA Theatre-on-Demand movie channels. Customers may view these movies via a set-top-box or on their mobile devices.

Beyond our "walled garden" IP-TV service, we have embraced an "open garden" approach to welcoming content providers through our set-top-boxes to help create demand for our fast broadband services.

We offer entertainment packages of different combinations of various entertainment services such as “bbTV” (our television service), movies, music and online learning applications to suit customer demand. While we typically include IP-TV services together with broadband internet services, we offer this service as a standalone service through the entertainment plan for a fee between HK$48 to HK$258 per month.

IDD. We began providing international telecommunications services in 1992 and were among the first companies to be granted a PNETS Licence. Our international telecommunications services are offered to both on-network and off-network customers. Indirect access allows any pre-registered telecom user in Hong Kong to access our services via our two primary access codes “1666” and “0030”. By dialling our access code, our registered customers can access any destination in the world through our network.

Our IDD service is provided by more than 20 IDD wholesalers. We enter into service contracts with terms of between one and three months. The IDD calls are routed according to price and quality of each IDD wholesaler.

We offer our IDD 1666 and IDD 0030 services on a per minute rate or on a fixed monthly rate under our “Communication Plans”.

Enterprise business

In addition to the residential broadband Internet packages described above, we offer comprehensive data connectivity, telephone and information technology solutions to our enterprise customers. The four main components of our enterprise services include broadband and data connectivity, voice communication, managed Wi-Fi solutions and cloud solutions. We typically offer these services as a combined package although certain customers subscribe for the services separately. We had approximately 28,000 enterprise broadband Internet subscriptions as at 31 August 2014, which represented a 12.0% market share in enterprise broadband Internet services in Hong Kong based on market statistics published by OFCA. With an overlapping combination of broadband and voice customers, we had approximately 32,000 unique enterprise customers as at 31 August 2014.

We believe that small and medium businesses in Hong Kong are underserved in the broadband services market, with a significant number of small and medium businesses using less than 100 Mbps for internet access. We strategically focus on small businesses with 10 or less staff. We have positioned ourselves as a partner to facilitate the growth of small and medium businesses by providing comprehensive broadband solutions for these enterprises.

In a market that previously had limited choices, we also aim to offer a quality choice with competitive pricing for comprehensive broadband solutions for large enterprises. We believe that our relationship with the target large enterprise segment also enhances our image and the HKBN brand.

We cross-sell our suite of residential and enterprise network services to small business owners who use our services at home or the office. We also aim to partner with key technology leaders to provide solutions to our enterprise customers as well as form partnerships with retail providers to broaden access to our broadband services.

(1) Broadband and Data Connectivity

Scope of services. We offer our enterprise customers diversified, cost efficient commercial fibre broadband solutions of symmetric 100 Mbps to 1,000 Mbps, with the choices of dynamic IP address, single fixed IP address, or multiple fixed IP addresses to meet clients' demands for their Internet access and various e-commerce applications.

Our DIA service provides reliable, high speed Internet connectivity from Hong Kong to multiple international carriers on a direct basis. This service provides enterprise customers with manageable and scalable bandwidth choices of local and international connectivity.

In addition to our DIA, our PDIA enables clients to manage direct international bandwidth requirements of specified international regions. It allows our enterprise customers' applications to reach China, the Asia Pacific, Europe and the US by the shortest path available.

MetroNet service is a private Ethernet wide area network supported by a layer 2 network that enables clients to have full control of the network IP configuration and routing. Having invested significantly in our self-built network which was constructed by the latest MPLS technology, we offer clients with high bandwidth Ethernet connectivity for point-to-point, point-to-multipoint and any-to-any MetroNet solutions. We offer speeds ranging from 10 Mbps to 1,000 Mbps, and our clients can choose the connection speed that best suits them at each point of location within the network. Our DWDM and Dark Fibre services provide support for bandwidth-intensive business applications. Customers can flexibly select and deploy their choice of network technologies through our fibre infrastructure, and build high capacity metro networks at very low latency in microseconds. This offers clients the ability to retain total control over their computing environment while simultaneously leveraging our fibre expertise.

(2) Voice Communication

We also offer a full suite of local and international voice products and professional grade telephony services, such as Direct Line, Fax Line, Hunting Line, DDI and IDA-P, that connect via our fibre network. In addition to providing traditional voice features, the Enterprise SIP trunk service is designed to enhance and support a full range of business communications. Unlike a traditional trunk, a SIP trunk is a direct SIP-to-SIP connection to PSTN without converting to an analogue signal.

Our Infinite Voice service integrates cloud technology with our state-of-art fibre network. It is an enterprise-grade hosted voice solution with a full set of cloud-based unified communications features. No upfront capital investment is required for us to provide our Infinite Voice service to our enterprise customers. Infinite Voice extends a fixed network to mobile network and enhances constructive connections between people. Our Infinite Voice service, through its cloud platform, enables clients to benefit from the latest features without establishing and maintaining their own in-office infrastructure.

(3) Managed Wi-Fi Solutions and IT Advisory Services

Our managed Wi-Fi solutions, branded as Infinite Wi-Fi, cover aspects such as audit, design, consultancy, implementation and support of specialised clients' applications, including retailers, shopping malls and hotels with integrated access to our citywide Wi-Fi hotspots.

In addition, our Infinite Wi-Fi Solutions is more than just a simple access point. Our Infinite Wi-Fi is a total, cloud-based Wi-Fi network management solution, with no upfront hardware investments and significantly lowers customer ongoing maintenance costs. We believe we can meet the Wi-Fi needs of our enterprise customers though Infinite Wi-Fi which provides responsive scalability, expandability and manageability, as it extends connections to not just within the company at the different locations but also reaches throughout the city with unlimited, single-login access to our extensive Wi-Fi network.

We also aim to be a "one-stop shop" for IT services by offering our enterprise customers value added services such as business email and on-site IT advisory services. The aim of this service is to reduce the need for a dedicated IT headcount for a small business of 10 and less staff, thereby saving headcount costs and management's time.

(4) Cloud Solutions and Other Services

Through our Infinite Cloud Solutions, we offer enterprise and small and medium businesses on-demand virtual cloud solutions with variable computing power and scalability, pay-as-you-go pricing and round-the-clock service support to businesses across different industries. Our Infinite Cloud Solutions enable customers to simplify their implementation processes and improve operation and cost efficiency. It is an on-demand Infrastructure-as-a-Service ("**IaaS**") designed to minimise the total costs of ownership and upfront capital expenses, while streamlining the application deployment process.

Through our Facilities Management service, we provide our enterprise customers with data centre services.

Pricing

We offer enterprise customers tailored solutions that are priced based on the broadband access speeds and mix of services provided.

Competition

Our main competitors in the Hong Kong enterprise broadband Internet market are HKT, HGC, Wharf T&T and New World. Historically, we believe these competitors have focused on larger enterprises. We focus on small and medium enterprises, with a particular focus on small businesses with 10 and less staff, which we consider to be underserved.

Product sales

We sell computers, tablets, mobile phones and other devices to our subscribers, through promotional offers, and to retail customers. As part of our strategy to focus on providing higher margin broadband Internet services, we have decreased the emphasis of product sales during the Track Record Period, including terminating a reselling arrangement with a major technology company in 2012.

OUR NETWORK INFRASTRUCTURE

Our fixed telecommunications network services are delivered over our state-of-the-art network, which allows us to deliver multiple services, including the "triple play" service of broadband, voice and IP-TV, for residential customers, as well as various services for our enterprise customers. The coverage of our network is focused in Hong Kong's most densely populated areas, characterised by high-rise apartment buildings with multiple apartments on each floor. As at the Latest Practicable Date, the network covered approximately 2.10 million residential homes passed, representing approximately 79% of Hong Kong's total residential units with an average of 186 homes passed per building, and more than 1,900 commercial buildings in Hong Kong, which represents a majority of the high-end commercial buildings targeted by the Company.

We use advanced network architecture comprising Metro Ethernet and GPON technology to deliver high broadband access speeds to our customers. The term FTTx is used to state how far a fibre network runs, with FTTB or "Fibre-to-the-building" being the nearest industry equivalent to our Metro Ethernet network.

The following table set out the approximate equipment cost for in-service line and installation cost for each subscription connected using Metro Ethernet technology and GPON technology.

	Metro Ethernet (Per User)	GPON (Per User)
	HK$	HK$
Unit Cost per Port	190[1]	510
Installation Cost	260	820
Total Cost	**HK$450**	**HK$1,330**

Note:

(1) Based on a HK$4,500 router containing 24 Ports

Metro Ethernet network

A Metro Ethernet network is a metropolitan area network that is based on Ethernet standards. Metro Ethernet technology is highly cost-effective when access is to be provided to a large number of users in a single building or cluster of buildings and is typically used in commercial buildings. The population density of Hong Kong allows us to deploy Metro Ethernet on a mass scale to the residential market.

Our Metro Ethernet infrastructure, which we introduced in 2001, is a system of "fibre-to-the-building" to within 100 metres of the end user and then using advanced Category-5e copper wiring to connect our Metro Ethernet switches within a residential or commercial building. By limiting our Category-5e copper wiring distance to less than 100 metres we are able to run fibre closer to the home and deliver bandwidth of up to 1,000 Mbps to our subscribers. We believe that this Metro Ethernet infrastructure provides us with a competitive advantage against competitors using older legacy systems that often rely on legacy twisted copper pair cable with far longer distances to connect to the home or office.

As at 31 August 2014, approximately 75% of our broadband subscriptions were connected to our network using our Metro Ethernet technology, with the remaining 25% connected using GPON technology.

Gigabit Passive Optical Network, or GPON

Since November 2007, we have deployed GPON technology in our network, which allows us to provide 1,000 Mbps broadband service on a mass scale. Using optical fibre directly to the end user allows us to provide faster speeds on a mass scale basis and service lower density areas beyond the 100 metre Metro Ethernet limitation.

GPON is an all optical fibre network infrastructure that uses a point-to-multipoint scheme that enables a single optical fibre to serve multiple homes. The architecture uses passive (unpowered) optical splitters to connect to individual homes, reducing equipment costs compared to point-to-point networks. GPON offers efficient packaging of user traffic, with frame segmentation allowing higher quality of service for voice and video.

As the reach of GPON is considerably more than 100 metres while still delivering speeds of up to 1,000 Mbps, it can be a more cost effective solution to expand our network than Metro Ethernet for use in lower density areas. However, our Metro Ethernet infrastructure is more cost effective than GPON in higher density areas with lower unit costs per port and lower installation costs.

Arrangements Related to the Use of our Network

HKTV

As part of the CVC Acquisition of the Group from HKTV, we entered into certain agreements (the "**IRU Agreement**") on 31 March 2012 to grant indefeasible rights of use (the "**IRUs**") in favour of HKTV to use certain capacity of our network for a term of 20 years on a free of charge basis (together with certain services, primarily telephone line services, residential and corporate broadband services, bbTV service subscription lines and dark fibre service, to be provided by us to HKTV for a term of 10 years at agreed charges).

In addition, HKTV may require us to extend our network at its cost on the basis that it will own all equipment used to provide such extension of our network. HKTV has granted an option in favour of us to purchase the passive network equipment at cost (less depreciation) within five years of the extension being made. In relation to any equipment sold to us, we will continue to provide the agreed telecommunication services to HKTV and grant HKTV the necessary IRUs over the extended network. Although no value has been allocated to the IRUs, the IRUs form part of the consideration for the CVC Acquisition.

HKTV may not resell, sublease or trade the IRUs under any circumstances or provide the related usage to any person who is a competitor of the Group. A competitor includes any person who directly or indirectly provides a service which competes with any business of the Group, where such business operations represent 2% or more of the consolidated revenue of HKBN as at the date of the IRU Agreement.

In respect of paid audio visual content (i.e. any audio visual content which is delivered for viewing by an end user for payment of a fee) distributed through the Internet to customers in Hong Kong, HKTV may distribute paid audio visual content within the first five years of the IRU agreement ("**Specified Period**") using capacities granted under the IRU agreement, subject to first obtaining consent by HKBN during the first three years of the Specified Period and the application of a 20% revenue sharing arrangement throughout the Specified Period. These terms were commercially negotiated to provide for a smooth transition and separation of the businesses. During the Track Record Period, no revenue has been shared pursuant to this arrangement.

HKTV may provide data, content or services through the dark fibre access granted under the IRUs at any time during the term of the IRUs, except that HKTV may not use our dark fibre access during the Specified Period to provide any service which competes with the business of the Group. Dark fibre is optical fibre that is in place and available but not currently used. The dark fibre available for use under the IRU Agreement is the straight, dedicated physical fibre connection between two specific points.

The potential capacity granted under the IRU Agreement uses a range of wavelength ("**wavelength windows**") that is separate and distinct from the wavelength windows we use to deliver our services. We have no plans to use the wavelength windows granted under the IRU Agreement in the future. The potential capacity represent less than 1% of our total network capacity and the IRU Agreement has no material financial or operational impact on the Company.

As part of the CVC Acquisition, the Group granted HKTV the rights to use certain telecommunications services from the Group for a term of 10 years from 30 May 2012 to 30 May 2022. The Group recognised the obligations in connection with the granting of such rights at fair value at the date of the CVC Acquisition. The amortisation of the obligations is charged to profit or loss on a straight-line basis over 10 years.

Barter Arrangement

During the year ended 31 August 2010, HKBN entered into an agreement with a FTNS licensee which offers network, bandwidth and metropolitan area network services. Pursuant to the agreement, HKBN agreed to provide network capacity for a service term of 10 years commencing on 1 May 2010 or after the respective activation of the relevant network capacity, and in exchange, the third party agreed to provide HKBN the right to use telecommunications facilities for a term of 10 years commencing on 1 May 2010 or after the respective activation of the relevant network capacity. The transaction was entered into on a barter basis with no monetary consideration being exchanged. The agreement expires on 30 April 2020.

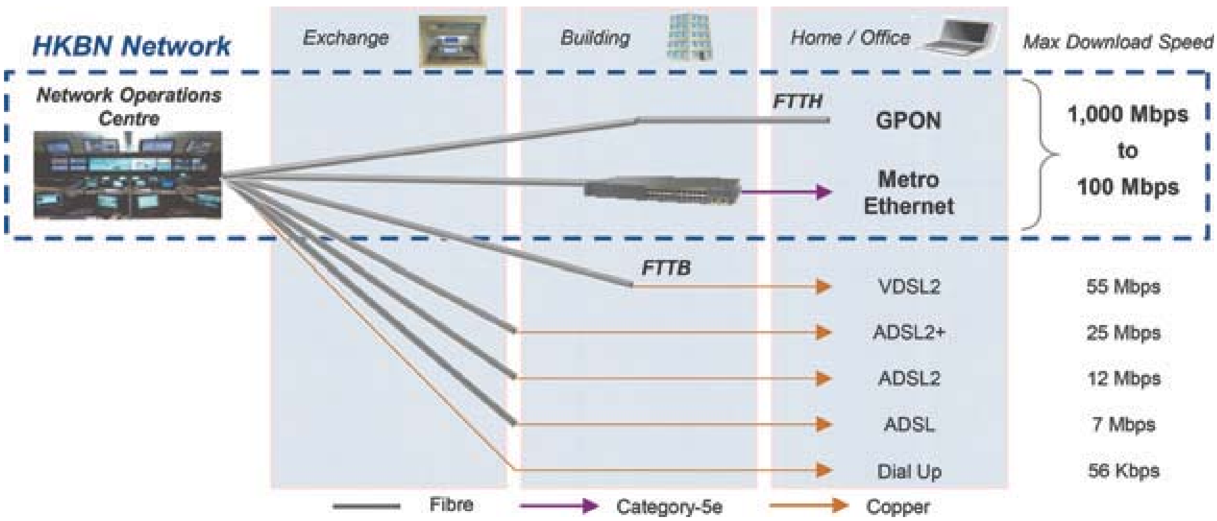
We are of the view that the amount of network capacity subject to this barter arrangement is not material to the Company.

See note 23 in Appendix IB for further details.

Comparison to Competitor Networks

Unlike many of our competitors, which use multiple platforms to provide comparable services, all of our fixed telecommunications network services are offered through a single IP platform. In addition, we operate a dual-path network that extends from our IP network hub sites and our switching centres in Hong Kong to our subscribers' premises and provides service continuity through alternate routing. All the buildings covered by us are served by our substantially self-built infrastructure.

The diagram below illustrates the key fibre and xDSL technologies used to provide broadband services. The highlighted box indicates the technologies used by us and related characteristics of these network infrastructure technologies.



HKT offers broadband Internet services primarily by using xDSL and GPON technology with a substantial portion of subscribers using its xDSL network according to MPA. HGC offers broadband Internet services predominantly using xDSL technology. i-Cable offers broadband Internet services predominantly using HFC and the DOCSIS 3.0 communications standard.

For further details on the platforms used by competitors in Hong Kong, see "*Industry Overview — Technology Types*".

Installation

The first step in expanding the reach of our fixed telecommunications network infrastructure is to select buildings that we believe will provide sufficient economic returns to justify our investment based on several factors, including population density, proximity of the building to our existing fibre network and our projected ability to sell services. We run a simplified business case for each new building to ensure it meets our returns and cash flow requirements.

We then perform a site visit to analyse the feasibility of installing our Metro Ethernet and/or GPON infrastructure. Once we are satisfied with the prospects of a particular building, we must obtain access rights from the building's management, which may take several weeks or months.

Once a new building is identified, we will need to extend our underground fibre network to the building. Typically, we will apply for a road work permit from the Director of Highways for every 300 metres of trench to be built. The Director of Highways, after due consideration of the road conditions, will typically approve and set the criteria to grant such permit. These criteria are set on a case-by-case basis but typically include consensus from other Government departments (including the Transport Department and Police Department) for the proposed road works. For public areas not under the management of Director of Highways, we will apply for the permit from the Lands Department. The approval process for this permit is similar to the approval process described above.

After receiving the required access rights, we employ a combination of our Talents and contractors to begin installation of our in-building Metro Ethernet and GPON. The length of time required for the installation process depends on the size and structural features of the building and can be completed in as little as three weeks or up to nine months. As we install our in-building Metro Ethernet and GPON infrastructure, we simultaneously connect the building to our fibre-based backbone.

Our pricing policy for installation charges is based on the cost to connect our network to the customer's residence or business. We do not consider installation fees to be a significant driver of revenue for our business. Typically, the installation fee for a residential broadband services connection ranges from HK$380 to HK$680 although we may waive installation fees depending on market conditions. In remote areas, additional charges may be incurred if we are required to extend our existing network by installing additional fibre. We have not generated significant income from installation fees during the Track Record Period.

We appoint third party contractors for all civil and cable-laying works. During the Track Record Period, we separately contracted with approximately five third party contractors in connection with these works. These contracts contain terms of about two years and are based on negotiated market prices. Typically, each project is contracted separately on a project by project basis with charges based on the distance covered. The aggregate amount of costs we incur under these contracts is not material to our business. As all civil works in public areas require government permits, the Hong Kong Government conducts regular checks during the works and site acceptance reviews after completion. We also conduct similar checks following stringent standards to ensure the quality of services provided by third party contractors.

Maintenance and Monitoring

To ensure the reliability of our fixed telecommunications network, we have adopted a comprehensive monitoring system, which involves:

- two separate network operations centres in two different locations that operate 24 hours a day, 7 days a week, providing real-time service monitoring and maintenance services;
- individual self-reporting mechanisms and centralised performance monitoring systems for our switches and equipment;
- an emergency self-reporting system that automatically contacts designated personnel; and
- back-up systems for our switches, critical software and hardware components.

Once a network fault is detected by our control room, we will either rectify the problem remotely or despatch field Talents to that location should physical interaction be required. After the problem has been resolved, we will continue to monitor network performance as well as track customer service feedback until we are satisfied the fault has been fully rectified.

We have not experienced any major interruptions to our network services since our establishment. During the Track Record Period, we have maintained network availability at above 99.988% according to our internal data.

Content Localisation

Our residential and enterprise network services increasingly benefit from localising website content in Hong Kong.

The following are examples of websites that have allowed us to localise content to improve the user experience in Hong Kong.

To enhance user experience and to provide faster broadband internet access speeds, we, via content distribution network solutions, localise content for customers' most visited international websites. Our team closely monitors the most visited websites and works to establish relationships with these leading content producers. We have established relationships with over 30 major content providers from outside Hong Kong, including most of the popular Chinese content providers, to localise their most visited websites in our local data centre. Our data centre has over 100 servers with 1,500 TB of storage (equivalent to approximately 3 million SD movies or 750 thousand HD movies).

We expect to continue to invest in website content localisation going forward.

OUR TALENTS

We believe that employees are core to the success of our business. Given this central importance, we call our employees "Talents" rather than staff. We place great importance on our Talent programmes, workplace safety and Talent satisfaction. Talent retention and growth are important factors that are taken into account in our operations and business planning. We strive to achieve for more as a team than we can as individuals. We actively promote Talent retention and invest in our Talents to improve their work performance.

We have established unique education sponsorship programmes and other Talent support programmes geared towards motivating our Talents, including:

- Annual overseas "Experiential" trip for our top 80 to 90 managers. This trip builds teamwork by offering first time experiences in a wide range of unfamiliar environments, typically from ultra-poor to ultra-luxury environments. The past three destinations were South Africa in 2013 to learn about apartheid; the United States in 2012 to visit the online retailer Zappos; and Cambodia in 2011 to spend time with the Cambodian Children's Fund.

- In years when we meet or exceed our performance targets, we reward our junior Talents with an overseas “Top Performance Reward Trip”. We intentionally widen the participants beyond sales departments to include a full cross section of Talents from back-office departments such as Administration, IT and Talent Management. Beyond rewarding our best Talents, we aim to inspire our other Talents to strive towards higher performance going forward. For many of our Talents based in Hong Kong and Guangzhou, these trips are their first “overseas” experience. Recent trips have included Seoul, South Korea for 371 Talents in 2014, Sabah, Malaysia for 315 Talents in 2013 and Bangkok, Thailand for 89 Talents in 2012.

- Twice a year, we gather all our Talents in town-hall meetings held in Hong Kong and Guangzhou to bring the whole company together for update briefings. We believe we are the only major fixed-line carrier in Hong Kong to hold these mass scale meetings at this level of frequency.

- Talent Infinity Programme — this is aimed at further developing management Talents as business entrepreneurs through the Company’s sponsorship of higher business degrees.

- Next Station: University — this is a customised four-year Talent upgrading programme, carried out in association with the Hong Kong Management Association, whereby we bring in accredited professors to teach at our office. In November 2014, we proudly bestowed 30 Talents with a Business Management degree from the University of Wales after five years of studies.

- PowerBar Career Rotation Programme — this is a mandatory career rotation requirement for management Talents across a number of areas of our business. This programme is designed to ensure our managers have cross functional expertise and also functions as a stress test for our succession pipeline.

- We also encourage a diverse range of team-building activity programmes throughout the year, providing flexibility for teams to design their own outings to meet their objectives.

Our corporate culture is intentionally designed to be very distinct and clear so as to eliminate mixed messages. We generously reward good and top performers but are very harsh on underperformers. Annually, we have a forced ranking process, whereby we terminate the bottom performing 5% of our salary base after adequate notice if there is no improvement in performance. We measure 5% of salary base rather than headcount to ensure there is fair distribution of seniority among our exited employees.

As at 31 January 2015, we had a total of 2,446 full-time Talents, comprising 1,354 full-time Talents in Hong Kong and 1,092 full-time Talents in Guangzhou, PRC, and 92 part-time Talents, comprising 72 part-time Talents in Hong Kong and 20 part-time Talents in Guangzhou, PRC.

The following table sets out the number of our full-time and part-time Talents by geographical location as at the dates indicated.

	As at 31 August			As at 30 November
	2012	2013	2014	2014
Number of Talents:				
Full-time				
Hong Kong	1,229	1,212	1,361	1,338
Guangzhou, PRC	1,337	1,274	1,235	1,173
Full-time Talents	2,566	2,486	2,596	2,511
Part-time				
Hong Kong	105	87	84	77
Guangzhou, PRC	27	21	59	67
Part-time Talents	132	108	143	144

Twice a year, we hold our all-Talent town-hall meetings in Hong Kong and Guangzhou

Nov 2014, town-hall meeting transformed into the "Next Station: University" Graduation Ceremony.

Nov 2014, under "Next Station: University" programme, HKBN sponsored 30 Talents to fulfill their dream to get a Bachelor's Degree over five years.

Jan 2013, town-hall meeting at Hong Kong Disneyland served as the stage to launch our Core Purpose of "Make our Hong Kong a better place to live".

Celebration and community event

May 2013, Talents received a surprise visit from management as ice cream was handed out to celebrate solid FY2013 interim results.

May 2014, HKBN Talents showcased their team spirit in support for Fairtrade during a charity football match.

Annual management experiential trips for about 80 managers

Nov 2013, jumping for joy as a team in Entabeni Safari Reserve, Johannesburg, South Africa.

Nov 2013, posing for a team photo at the Cape of Good Hope, South Africa.

Nov 2012, group meditation and team building undertaken at Colorado's Grand Canyon, US.

Nov 2012, exploring the merits of "happiness at work" in a seminar and a visit to online retailer Zappos in Las Vagas.

Quick response event

Aug 2014, HKBN Co-Owners in Hong Kong and Guangzhou took on the Ice Bucket Challenge quickly after being challenged.

CO-OWNERSHIP PLANS AND TALENT OFFERING

As part of the CVC Acquisition, we established the Co-Ownership Plan I that allowed our senior managers to invest in MLHL, with each investee becoming a Co-Owner. As at the Latest Practicable Date, there were 87 Co-Owners.

In preparation for and as part of the Listing, a new Co-Ownership Plan II has been established with the following key features:

- For clear alignment of both downside and upside interest with Shareholders, Talents must invest their own money to acquire Shares in order to qualify for the grant of additional Shares under the Co-Ownership Plan II. This makes the plan more onerous than traditional stock or option grants.

- The Co-Ownership Plan I had an addressable base of 100 managers, of which 87 became Co-Owners prior to the Listing. For the Co-Ownership Plan II, we intend to expand the addressable base to over 400 Talents (representing approximately 17% of our Talents as at 30 November 2014, including managers based in both Hong Kong and Guangzhou).

- Under the Co-Ownership Plan II, 400 plus of our Talents according to seniority will be invited to invest in Shares, which the Plan Trustee will acquire on their behalf in the market, giving all Talents a single averaged purchase price driven by the market price.

- Talents who invest in Shares through the Plan Trustee will be granted the right to receive additional Shares at no consideration on a matching basis of 3 additional Shares for every 7 Shares purchased, subject to a cap based on their seniority level.

- The right to receive additional Shares granted under the Co-Ownership Plan II will be subject to a three year back-end loaded vesting schedule and various conditions, to reward our Talents for being long-term owners of the Company.

- We expect to make the first invitations and grants under the Co-Ownership Plan II around two months after the Listing Date.

See "*Appendix VI — Statutory and General Information — Co-Ownership Plan II*" for further details.

In addition to our Co-Ownership Plans, our Talents will be entitled to participate in the Global Offering on a preferential basis through the Talent Offering. Under the Talent Offering, we have reserved 1% of the Offer Shares being offered in the Global Offering to our Talents (subject to eligibility conditions) to encourage more of them to become Co-Owners. Eligible Talents will be entitled to purchase Offer Shares at the Offer Price with an assured entitlement of 4,000 Talent Offer Shares and subject to a cap based on their level of seniority (ranging from 115,000 Talent Offer Shares to 230,500 Talent Offer Shares). See "*Structure of the Global Offering — The Talent Offering*" for further details.

Our share ownership structure reflects our focus on innovative employee incentive programmes. As at the Latest Practicable Date and assuming the redemption of preference shares as described in "*Financial Information — Recent Developments — Redemption of MLHL Preference Shares*" has been completed, the following 87 Talents were Co-Owners with an aggregate investment made in the Company, through MLHL, representing approximately 9.87% of the voting rights in MLHL.

1. Che Lan CHAN (陳子龍), Senior Manager — Technical Service, joined in 2001
2. Wing Sze CHAN (陳詠詩), Associate Director — Customer Service, Residential Services, joined in 1994
3. Bo Chun CHAN (陳寶珍), Manager — Administration & Corporate Social Responsibility, joined in 2007
4. Chun Yu CHAN (陳振宇), Associate Director — Sales, Enterprise Solutions, joined in 2011
5. Pui Yin CHAN (陳佩賢), Senior Manager — Marketing, joined in 2011
6. Kwok Fai CHAN (陳國輝), Manager — Sales, Enterprise Solutions, joined in 1995
7. Ka Kit CHAN (陳加傑), Manager — Sales, Enterprise Solutions, joined in 1993
8. Sze Cheong CHANG (鄭時昌), Associate Director — Carrier Sales, Enterprise Solutions, joined in 2000
9. Minyi CHEN (陳敏怡), Assistant Manager — Talent Management, joined in 2002
10. Suk Ping CHENG (鄭淑萍), Senior Manager — Procurement & Logistics, joined in 2012
11. Sui Wah CHENG (鄭瑞華), Manager — Business Development, joined in 2005
12. Gladys Kit Yan CHENG (鄭潔恩), Associate Director — Corporate & Digital Communications, joined in 2012
13. Chung Sze CHEUNG (張誦詩), Assistant Manager — Marketing, joined in 2011
14. Chi Wai CHEUNG (張志偉), Assistant Manager — Finance, joined in 2012
15. Benjamin Lau Chung CHIU (丘鎏淙), Senior Manager — Marketing, joined in 2011
16. Lun Hang CHIU (趙藺恆), Senior Manager — Corporate Relationship, Enterprise Solutions, joined in 1997
17. Sau Luen CHOI (蔡秀鑾), Manager — Digital Communications, joined in 2013
18. Selina CHONG (鄭潘行端), Chief Marketing Officer, joined in 2012
19. Alex Wai Kin CHOW (周偉健), Manager — Product Development, Enterprise Solutions, joined in 2002
20. Christine Oi Wan CHOW (鄒靄雲), Head of Operations — Enterprise Solutions, joined in 2012
21. Kin Leung CHU (朱健樑), Manager — Sales, Enterprise Solutions, joined in 1999
22. King Shun CHU (朱敬信), Senior Manager — Strategic Marketing, joined in 2012
23. Qibiao DENG (鄧其鏢), Manager — Talent Development, joined in 2013
24. Cindy Shu Yee FAN (范淑儀), Associate Director — Customer Care & Online Services, joined in 2006
25. Wai Leung FOK (霍偉良), Senior Manager — IT, joined in 2012
26. Wai Yuk FUNG (馮維玉), Manager — Sales, Enterprise Solutions, joined in 2000
27. Kwok Kay HO (何國基), Manager — Product Development & Management, Enterprise Solutions, joined in 2001
28. Chan Fai HO (何贊輝), Chief Information Officer, joined in 2012
29. Khim Ling HUE (丘錦翎), Manager — Marketing Communications, joined in 2014
30. Leong Kin HUI (許亮堅), Director — Customer Retention & Retail, Residential Services, joined in 2007
31. Kwong Tat IP (葉廣達), Associate Director — Consulting & Project Management, Enterprise Solutions, joined in 1994
32. Loretta Ching Yan KO (高靜欣), Associate Director — Sales, Enterprise Solutions, joined in 2013
33. Sau Yuk KOK (曲秀玉), Manager — Sales, joined in 2005
34. Tsz Wai KONG (江芷慧), Associate Director — Retail Business; Associate Director — Quality Assurance, Enterprise Solutions, joined in 2011
35. Ka Ho KWOK (郭家浩), Manager — IT, joined in 2012
36. Wai Kin KWOK (郭偉健), Manager — IT, joined in 2001

37. Ching Kau KWOK (郭靜郊), Legal Counsel, joined in 2012
38. Kwok Keung KWONG (江國強), Manager — Sales, Enterprise Solutions, joined in 1999
39. Kent Kar Fai KWONG (鄺家輝), Manager — IT, joined in 2005
40. Yuen Man LAI (黎苑雯), Manager — Marketing, joined in 2013
41. Ni Quiaque LAI (黎汝傑), Head of Talent Engagement and Chief Financial Officer, joined in 2004
42. Siu Kei LAM (林肇琪), Associate Director — Marketing, joined in 2011
43. Gloria Pik Yee LAM (林碧儀), Manager — Corporate Communications, joined in 2012
44. Ka Ling LAM (林嘉玲), Director — Digital Operations, joined in 1999
45. Kin Wah LAU (劉建華), Associate Director — Customer Retention & Retail, Residential Services, joined in 2003
46. Lai Man LAU (劉麗文), Manager — Corporate Communications, joined in 2013
47. Mei Yin LAU (劉美燕), Director — Talent Engagement, joined in 2011
48. Brian Chung Po LEE (李松坡), Associate Director — Sales, Enterprise Solutions, joined in 2012
49. Yuen Lam LEE (李宛琳), Assistant Manager — Marketing, joined in 2005
50. Wai Chun LEUNG (梁惠珍), Senior Manager — IT, joined in 2009
51. Chi Kit LEUNG (梁志傑), Senior Manager — Marketing, joined in 2004
52. King Chiu LEUNG (梁景超), Financial Controller and Company Secretary, joined in 2012
53. Man Chung LI (李文聰), Assistant Manager — Customer & Technical Service, Enterprise Solutions, joined in 1995
54. Man Hong LI (李民康), Manager — Solution Consulting, Enterprise Solutions, joined in 2009
55. Henry Yun Lung LI (李潤龍), Senior Manager — Marketing, joined in 2001
56. Ka Yu LI (李家裕), Associate Director — Customer Acquisition, Residential Service, joined in 1999
57. Yanfen LIU (劉燕芬), Manager — Finance, joined in 2012
58. Sui Lun LO (盧瑞麟), Chief Technology Officer, joined in 1998
59. Stephen Chi Wan LUI (雷志宏), Senior Manager — IT, joined in 2012
60. Jacky Wai Ming MEI (梅偉明), Manager — Sales, Enterprise Solutions, joined in 2000
61. Man Lung NG (吳文龍), Manager — Sales, joined in 2000
62. Yuet Leung NG (伍悦良), Senior Manager — Business Development, joined in 2006
63. Chi Ho NG (吳志豪), Director — Customer Acquisition, Residential Services; Director — Sales, Enterprise Solutions, joined in 1999
64. Jiancong OU (歐健聰), Manager — IT , joined in 2003
65. Hei Wa PUN (潘希華), Director — Operations Support, joined in 2005
66. Sibo QIU (丘思波), Manager — IT, joined in 2005
67. Lok Kei SHEK (石樂琦), Senior Manager — Business Development, Enterprise Solutions, joined in 2011
68. Yung Yin SHIU (蕭容燕), Associate Director — Marketing, Enterprise Solutions, joined in 2004
69. Trasan Chui Shan SHIU (邵翠珊), Senior Manager — Customer Relations, joined in 2004
70. Man Shan TAM (譚文珊), Manager — Audit, joined in 2009
71. Mick Siu Wah TONG (唐兆華), Manager — Network Development, joined in 1994
72. Tsz Ming TSANG (曾梓銘), Senior Manager — Sales, Enterprise Solutions, joined in 2011
73. Adrian Chun Man WATT (屈駿文), Director — Sales & Carrier Sales, Enterprise Solutions, joined in 2013
74. Agnes Siu Ping WONG (黃少萍), Senior Manager — Talent Management, joined in 2012
75. Andrew Yue Kit WONG (黃宇傑), Deputy Financial Controller, joined in 2006
76. Tak Shing WONG (王德勝), Manager — Sales, Enterprise Solutions, joined in 2009
77. Chung Lam WONG (黃松林), Project Manager, joined in 2007

78. Gary Man Ping WONG (黃敏平), Associate Director — Sales, Enterprise Solutions, joined in 2014
79. Nga Lai WONG (黃雅麗), Assistant Manager — Marketing, joined in 2008
80. Trevor Jun He WONG (王郡龢), Associate Director — Marketing Communications, joined in 2012
81. Ka Ming YAU (丘嘉明), Associate Director — Network Operation, joined in 1996
82. William Tak Wa YEUNG (楊德華), Chief Commercial Officer — Enterprise Solutions, joined in 2013
83. Kwong Cheung YEUNG (楊廣翔), Senior Manager — Regulatory Affairs & International Business, joined in 2000
84. William YEUNG (楊主光), Chief Executive Officer, joined in 2005
85. Man Chung YEUNG (楊敏聰), Manager — Application Development, joined in 2008
86. Eric Chung Hoi YIM (嚴仲凱), Manager — Product Development & Management, Enterprise Solutions, joined in 2014
87. Boris Ka Wai YIP (葉家偉), Manager — Customer Relations, joined in 2010

The numbers above correlate to the individuals in the following pictures.

"Injecting an amount that is, on average, about two times his/her annual compensation is a huge vote of confidence in HKBN."
- Ni Quiaque LAI

"The bond between us has never been stronger!"
- Stephen Chi Wan LUI

CUSTOMERS, SALES AND MARKETING

Customers

The majority of our customers are individuals who subscribe for our residential broadband services. The percentage of total turnover attributable to our five largest customers combined was 1.5% for the year ended 31 August 2014.

Certified professional engineers or CPEs

Our team provides service installation at customers' premises, enabling our customers to use our broadband Internet access, telephony and IP-TV services based on their subscriptions. The team also provides on-site maintenance services to fix issues for our customers who have encountered service problems.

Sales and marketing strategy

We actively promote our services targeting and serving residential and enterprise customers through our shops, direct sales booths, Internet marketing kiosks, telemarketing, direct mailing and online marketing via email, as well as through integrated marketing media such as television, print, outdoor advertising and direct mailers. We also selectively offer discounted subscriptions or an initial free trial period of up to one year to selected customers. Increasingly, we use online marketing offerings that target residential subscribers and corporate clients.

Residential sales and marketing

We have an extensive sales network in Hong Kong primarily operating through 13 retail shops and "on-the-street" marketing kiosks with sales representatives. We believe these shops can offer our customers convenient access to our wide range of services. We will continue to seek new locations to expand our sales network.

Our marketing department has established guidelines to ensure that all of our frontline staff present a consistent corporate image. We provide fixed salary and commission-based incentives to our residential sales force for our residential services. We have been focusing on growing our sales from our services while keeping our customer acquisition cost low. We mainly use our call centre in Guangzhou as the primary customer service call centre for our telemarketing efforts.

Based on our internal cost management records, the cost of acquiring new residential broadband customers through our "on-the-street" and telemarketing sales teams for the years ended 31 August 2013 and 2014 (the "**New Customer Acquisition Cost**"), including salaries paid for such sales team members, applicable commissions and certain related overhead costs, amounted to approximately 35% of the aggregate contract sum of two-year residential broadband contracts that such sales teams acquired from new customers after applicable discounts and coupons ("**New Two-Year Contracts**") during the same period.

In comparison, the cost of renewing contracts with our existing residential broadband customers for the years ended 31 August 2013 and 2014 (the "**Customer Retention Cost**"), including salaries paid for our customer retention sales teams, applicable commissions and certain related overhead costs, amounted to approximately 6% of the aggregate contract sum of two-year residential broadband contracts that we renewed with existing customers after applicable discounts and coupons ("**Renewed Two-Year Contracts**") during the same period, based on our internal cost management records.

Enterprise sales and marketing

We have grown our dedicated enterprise sales team to 322 as at 31 August 2014, which includes 198 dedicated call centre sales representatives in Guangzhou. We believe that our dedicated enterprise sales and marketing force is one of the largest specialist sales force targeting corporate users of broadband Internet and telecommunications services in the Hong Kong market. Dedicated corporate Talents tailor our offers and promotions to cater to particular requirements of business users. In addition, our senior management team is directly involved in marketing initiatives aimed at high profile enterprise customers, which helps to build relationships and better understand specific customers' needs. We provide detailed follow-up service and also organise seminars and workshops for current and potential customers to promote new services and to raise the public awareness of our various corporate offerings.

Online marketing

Our physical marketing channels are augmented by online marketing efforts. Our online acquisition and retention cost for new and existing subscriptions is significantly lower than our physical marketing channels. We have increased the use and effectiveness of our online marketing channel and currently acquire approximately 20% of our new subscriptions through the online channel. We continue to focus on this low cost channel and aim to acquire approximately 25% to 30% of our new subscriptions through the online marketing channel in the future.

Customer Service

We believe that excellent customer service and support is essential to our building and retaining a large and loyal subscription base. We have committed considerable personnel and financial resources to establishing a reliable and accessible customer service system.

Our Customer Engagement Division provides integrated support to subscribers of our residential and enterprise services. This division is organised into teams that are focused on the retention and acquisition of residential and enterprise customers.

We provide a hotline to handle complaints, subscription applications and queries relating to account balances, pricing, billing, service and technical information. We have also established an online platform to address customers' queries in real time. Complaints and in-depth queries from subscribers that cannot be immediately remedied or answered are forwarded to a customer care team, which is responsible for answering such complaints and queries. We also have a dedicated customer service team to provide service to our corporate subscribers, which includes access to a highly skilled technical team that may go to the customer site for troubleshooting and repairs.

We have an in-house customer service call centre facility in Guangzhou, with over 1,150 full-time Talents as at 30 November 2014. In June 2012, we restructured our centralised in-house customer service call centre to be organised by function rather than by five regional districts as it had been organised historically. We believe the location of our customer service call centre in Guangzhou as well as its recently restructured organisation enable us to lower our operating costs while continuing to increase our customer service capabilities.

We believe our Guangzhou operations give us an advantage in terms of both costs and access to Talents. We have kept our operations in-house rather than outsourcing to maintain high quality standards.

SUPPLIERS

The percentage of purchases attributable to our ten largest suppliers was less than 30% and no single supplier accounted for over 10% of our total expenses in the period from 15 March 2012 to 31 August 2012, and for the years ended 31 August 2013 and 2014. Our suppliers include providers of retail products sold in our stores, and providers of international and local bandwidth. We also source routers and other network equipment from suppliers and these costs are recorded as capital expenditure. The Directors confirm that, as at the Latest Practicable Date, none of our material suppliers is a connected person of the Group and none of the Directors or their associates or our existing Shareholders who, to the knowledge of the Directors, owned more than 5% of our issued share capital, had any interest in any of our five largest suppliers.

We separately contract with providers of local network operators and overseas telecommunications carries in providing our services to our customers. Some of these third parties are our competitors. We enter into contractual interconnection arrangements with approximately 10 third party providers on an ongoing basis. Fees for local access charges and local interconnection charges are based on usage rates. We also enter into contractual arrangements with approximately 30-40 third party suppliers in relation to our IDD services and IP transit services. The contracts for IDD services do not have a fixed term and the IP transit contracts typically have a term of 1 to 2 years. The IDD services contracts are priced based on usage rates while the IP transit contracts carry a fixed monthly charge. These contracts contain general terms and conditions and are based on negotiated market prices. The costs we incur under these third party agreements is not material to our business.

BILLING AND COLLECTION, CREDIT AND FRAUD MANAGEMENT

Our credit and collection team is responsible for securing prompt payment from subscribers. Invoices are issued on a monthly or quarterly basis with a specified payment due date. A variety of payment methods are made available to our subscribers, including cash, cheque, credit card, payment by telephone service, automatic transfer from subscribers' bank accounts and transfer through Internet banking as well as the Octopus service in selected shops. Our payment term generally ranges up to 30 days from the date of issue of the relevant bill, or in accordance with contracted terms, unless separately agreed. Our contracts typically provide for the payment of the remaining balance of the contract, and if applicable, the service installation charge calculated by remaining contract month(s) upon termination by a subscriber.

We have various overdue payment collection procedures, including periodic reminder notices, and impose a charge of HK$10 or a fee of 2.5% per month on outstanding overdue amounts for late payment. We have the right to charge the outstanding overdue amount to the subscriber's pre-registered credit card account for any overdue amounts, or if applicable, deduct such amounts from the subscriber's application deposit. In addition, we generally suspend an account when the amounts overdue are not settled within our prescribed period. If payment is still not settled after we suspend the account, further recovery actions including court proceedings and/or the use of collection agencies may be taken. Our bad debts expense represented approximately 0.7%, 0.7% and 0.7% of our turnover for the years ended 31 August 2013 and 2014 and for the three months ended 30 November 2014, respectively. We have taken provisions for bad debts in the amounts of HK$14.4 million, HK$15.4 million and HK$3.9 million for the years ended 31 August 2013 and 2014 and for the three months ended 30 November 2014, respectively.

CORPORATE SOCIAL INVESTING

After the CVC Acquisition in 2012, we set our corporate core purpose as “Make our Hong Kong a better place to live”. Beyond making the standard corporate donations and volunteering our time, we act to improve the well-being of our home, Hong Kong, by leveraging our core business experience and expertise to improve the self-sustainability of local social enterprises. We serve as business mentors to a wide range of local social enterprises, focusing on care-for-community and green initiatives. In short, we believe in Corporate Social Investing with sustainable impact rather than the pure donor-based model of traditional Corporate Social Responsibility.

We formed our first corporate “Knowledge Volunteer” team in 2013 and partnered with selected local social enterprises to mentor and improve their operational efficiency and sustainability. Our Knowledge Volunteer team comprises top to middle management members and we have mentored 12 social enterprises and projects to date. By sharing our business experience and expertise, we provide practical commercial skills and advice to help these social enterprises not just survive but thrive and grow. We encourage each Talent joining the programme to dedicate four working hours each month in working at or with their partner social enterprise.

In February 2014, we outsourced our directory assistance telephone number enquiry service to a local social enterprise that employs 13 physically-challenged individuals. We provided equipment and consultants in the recruitment and training process and also provided ongoing quality assurance to the partner social enterprise in running their business until they reached profitability and critical mass. We are proud to have received the Gold Award from The Hong Kong Call Centre Association as the Best Contact Centre in Corporate Social Responsibility in 2014.

Going green is a major part of our Corporate Social Investing initiatives. Over the past few years, we have received numerous honours and certifications for our green initiatives, including the Wastewi$e Label and Carbon Reduction 23% Certificate from the Hong Kong Awards for Environmental Excellence, Gold Label of LOOP (Low-carbon Office Operation Programme) operated by WWF-Hong Kong and the second runner-up in the Power Smart Contest operated by Friends of the Earth. We also participated in the No Shark Fin Corporate Pledge operated by WWF-Hong Kong. Furthermore, we actively participate in various community service programmes, including the youth mentorship programme organised by the Hong Kong Federation of the Youth Groups and fund raising programmes for various charity organisations. We received the Bronze Award of the Hong Kong Outstanding Corporate Citizenship Award for two consecutive years in 2013 (Enterprise category) and 2014 (Volunteer category) for our commitment to Corporate Social Investing.

In short, we execute on our core purpose to “Make our Hong Kong a better place to live” through working with and for the community rather than through donations to the community.

AWARDS

During the Track Record Period, we have won various awards including the following:

Award(s)	Scheme/Organiser	Date
The Best Residential Internet Service Provider	Sing Tao Excellent Services Brand Award 2012 by *Sing Tao Daily*	January 2013
CFO of the Year, Hong Kong	*Asset* magazine	March 2013
SME Best Partner Award	The Hong Kong General Chamber of Small and Medium Business	June 2013 and 2014
HKMA Quality Award - Silver	The Hong Kong Management Association	July 2013
Excellent Brand of Business Broadband (Telecommunications Category)	The Hong Kong I.T. Brand Awards 2013 by the Chamber of Hong Kong Computer Industry & Metroinfo	September 2013 and 2014
22 various awards including Mystery Caller Assessment Gold Award and Best Contact Centre in Quality Assurance Bronze Award	Hong Kong Call Centre Association	October 2013
Medium Enterprise CIO of the Year	The Hong Kong CIO Awards by Computerworld Hong Kong, CIO Connect	November 2013
Best Business Enabler Award	IDC Telecom Service Provider Innovation Award by International Data Corporation	November 2013
Recognition Award	Asia Pacific Contact Centre Association Leaders	November 2013
The Best Broadband Network Provider	Sing Tao Service Award 2013 by *Sing Tao Daily*	March 2014
Best Broadband Carrier Award	Telecom Asia Awards	May 2014
Yahoo Emotive Brand Awards 2013-2014 (Telecommunications Category)	Yahoo Hong Kong Limited	July 2014
13 various awards, including Mystery Caller Assessment Gold Award and Best Contact Centre in Corporate Social Responsibility Gold Award	Hong Kong Call Centre Association	October 2014

Award(s)	Scheme/Organiser	Date
Excellence in Location-Based Marketing - Gold Award	Marketing Excellence Awards 2014 by Marketing Magazine	November 2014

RESEARCH AND DEVELOPMENT ACTIVITIES

As at 31 August 2014, our research and development departments in Hong Kong and Guangzhou consisted of approximately 64 Talents experienced in systems design, engineering, telecommunications and computer programming. Our research and development department is primarily aimed at deploying vendor solutions. To identify and develop new market opportunities, our research and development department evaluates new services offered by telecommunications and Internet companies in the United States and elsewhere and works closely with our marketing department on product development. Our research and development expenditures were approximately HK$13.4 million, HK$18.7 million and HK$4.7 million for the years ended 31 August 2013 and 2014 and the three months ended 30 November 2014, respectively.

LICENCES AND PERMITS

We hold licences from OFCA to provide our fixed telecommunications network and international telecommunications services. These licences are subject to review, interpretation, modification or termination by OFCA from time to time. See "*Appendix III — Regulatory Overview*" for further details.

Fixed telecommunications network services licence

We were granted a fixed telecommunications network services licence ("**FTNS Licence**") by OFCA, which allows us to provide fixed-line voice and data telecommunications services. Our FTNS Licence was initially granted in February 2000 for a term of 15 years and expired in February 2015.

Although FTNS Licences are no longer issued due to the introduction of fixed carrier licences and mobile carrier licences on 1 April 2001, FTNS Licences issued prior to this date continue to be effective until their stipulated expiry date.

An FTNS Licence authorises the licensee, subject to the licence conditions:

- to provide a public fixed telecommunications network service, covering internal services or external services, or both; and
- to establish and maintain a fixed telecommunications network, which may be wireline-based or wireless-based (Wi-Fi spectrum included), or a combination of both.

Our FTNS Licence was subsequently amended three times and HKBN was authorised to operate both local fixed telecommunications network (wireline and wireless based) and external telecommunications facilities.

We were granted a waiver by OFCA to comply with the tariff restrictions contained in our FTNS Licence.

Our ability to adjust tariffs for different services is governed by the terms and conditions of the relevant licences. The licences, however, are issued under different regulatory frameworks. The differences in regulatory structure for these licences may constrain our flexibility to respond to market conditions, competition or cost structure.

The amount of the licence fee payable by a holder of a FTNS Licence comprises (i) a fixed annual amount of HK$1.0 million; (ii) a variable amount calculated on the basis of the number of customer connections (which was set at HK$700 for every 100 customer connections); and (iii) a variable fee calculated by reference to the radio spectrum assigned and used by the licence holder.

Unified Carrier Licence

Since OFCA will no longer issue an FTNS Licence, HKBN applied for a unified carrier licence ("**UC Licence**") for the provision of fixed telecommunications network services. In December 2014, we received the approval in-principle of our UC Licence from OFCA and the UC Licence took effect in February 2015 immediately after our FTNS Licence expired. The UC Licence has a term of 15 years and will expire in 2030.

We have been granted an exemption by OFCA to comply with the notification requirement of any discount to the published tariffs offered for the services under the UC Licence. We expect that this exemption will have broadly the same operational effect as the waiver we were granted under the FTNS Licence. If the exemption is revoked, our ability to adjust the tariffs for our fixed telecommunications network services, including our offer of discounts to subscribers from time to time, will be restricted.

A UC Licence is valid for a period of 15 years from the date of grant and, at OFCA's discretion, may be renewed for a further term of up to 15 years. The amount of the licence fee expected to be payable under our UC Licence comprises (i) a fixed annual amount of HK$1.0 million; (ii) a variable amount calculated on the basis of the number of customer connections (which is currently set at HK$700 for every 100 customer connections); and (iii) a variable fee of HK$3 for each subscriber number allocated or assigned to the licensee on an annual basis. We expect the annual licence fee payable by us to be approximately HK$10 million to HK$11 million for the 12 month period beginning in February 2015 compared to approximately HK$6 million to HK$7 million for the twelve month period beginning in February 2014 under our FTNS Licence.

International direct dial licence and Wi-Fi Licence

We have been providing international direct dial services since 1992 under licences in Hong Kong. We hold a services-based operator, or SBO, licence granted by OFCA. Our Class 3 SBO Licence requires us to comply with certain licence conditions relating to technical and reporting matters and is subject to annual renewal which is expected without any significant changes.

We also provide Wi-Fi services under licence in Hong Kong. Y5Zone holds a Class 3 SBO licence granted by OFCA. Our Class 3 SBO Licence requires us to comply with certain licence conditions relating to technical and reporting matters and is subject to annual renewal which is expected without any significant changes.

Other licences and permits

We also require block licences from the Hong Kong Lands Department (which were linked with our FTNS Licence and are linked with our UC Licence) and road works permits (which are granted by the Hong Kong Highways Department on a case-by-case basis).

Our PRC Subsidiary in Guangzhou was granted an "Offshore Test-point Call Centre Approval" issued by Guangdong Telecommunication Bureau ("**Guangdong Bureau**") on 26 June 2014, which is the only governmental approval or licence required for our PRC Subsidiary to conduct the offshore test-point call centre business in Guangzhou. Pursuant to the Circular on Accelerating the Development of Service Outsourcing Industry and Simplifying the Approval Formalities for Foreign Investors to Conduct Offshore Test-point Call Centre Business ("**Circular No. 550**") promulgated by the Ministry of Industry and Information Technology of the PRC on 10 November 2010, a foreign invested enterprise which was already engaged in the offshore test-point call centre business was required to apply to the relevant telecommunication bureaus at the provincial level to obtain an approval for such business.

Our PRC Subsidiary did not have the "Offshore Test-point Call Centre Approval" between 10 November 2010 (when Circular No. 550 was promulgated) and 26 June 2014 (when the approval was granted). The Company became aware of the promulgation of Circular No. 550 in late May 2012 and consulted the Guangdong Bureau regarding the time limit to make the application for approval. Circular No. 550 does not stipulate any particular time frame for such approval procedures to be completed. We were given a verbal confirmation by the Guangdong Bureau that the application could be conducted after certain formalities in relation to the CVC Acquisition were completed. The Company ultimately submitted the application for approval in October 2013.

While Circular No. 550 does not prescribe any fines or penalties for a failure to obtain approval, the Telecommunication Regulation of the PRC (中華人民共和國電信條例) provides that where an enterprise engages in any telecommunication service operation without having obtained a relevant permit, the relevant authority may confiscate any income obtained during the period of non-compliance, impose a fine of between three and five times of such income, and in severe situations, the company may be ordered to suspend its business operations.

The Company's PRC legal counsel, Haiwen & Partners, has consulted with an administrative staff member of the division of the Guangdong Bureau that is responsible for the examination and approval of offshore test-point call centre business approvals. This administrative staff member also oversaw our PRC Subsidiary's application for the approval. The Company's PRC legal counsel, Haiwen & Partners, was informed by this administrative staff member that the Guangdong Bureau will not penalise enterprises for operating offshore test-point call centre businesses between the date of promulgation of Circular No. 550 and the date when approval was granted. The Company's PRC legal counsel, Haiwen & Partners, is of the opinion that the Guangdong Bureau is the competent PRC government authority and it believes that this administrative staff member is competent to provide this confirmation. On this basis, the Company's PRC legal counsel, Haiwen & Partners, is of the view that the risk of the Guangdong Bureau penalising our PRC Subsidiary for carrying out its offshore test-point call centre business without the necessary approval in the past is remote.

Pursuant to the Circular No. 550 promulgated by the Ministry of Industry and Information Technology of the PRC on 10 November 2010 and other PRC laws and regulations, our call centre business conducted by our PRC Subsidiary in Guangzhou is currently not expressly classified as a form of value added telecommunication business requiring an ICP licence. Therefore, our PRC Subsidiary currently does not hold an ICP licence.

However, we note that a revised draft Catalogue of Telecommunication Business has been published by the Ministry of Industry and Information Technology of the PRC on 23 May 2013 which has included offshore call centre business as a type of value added telecommunication business, but such draft catalogue has not been adopted, and therefore the approval that our PRC Subsidiary has obtained continues to be sufficient. Once the new catalogue as drafted is adopted, our PRC Subsidiary will need to apply for an ICP licence and our PRC Subsidiary will become subject to PRC value added telecommunication laws and regulations. This could require considerable resources and time, and could significantly affect the operation of our business, while also subjecting us to increased liability under the relevant laws, rules and regulations.

In addition, pursuant to the Provisions on the Administration of Foreign Invested Telecommunication Enterprises (外商投資電信企業管理規定) as promulgated by the State Council in 2002 and amended in 2008, the shareholding percentage of foreign investors in enterprises engaged in value added telecommunication services should not exceed 50%. Moreover, pursuant to the Letter of the General Office of the State Council in Reply on encouraging to Accelerate the Development to Service Outsourcing Industry promulgated on 7 April 2010 (國務院辦公廳關於鼓勵服務外包產業加快發展的覆函), for enterprises which provide outsourcing services to overseas market to engage in the offshore test-point call centre business (i.e., both of the ultimate service consumer and client of the service are located outside the PRC), a pilot programme will be carried out in model cities without setting limitations on equity percentages to be held by foreign investors. Our PRC Subsidiary is wholly-owned by Metropolitan Light (HK) Company Limited, which is incorporated in Hong Kong. It remains to be seen whether the foreign shareholding restriction on value added telecommunication services will continue to be lifted with respect to offshore call centre business once this business becomes regulated as a value added telecommunication business.

In the event that we are unable to continue to use our offshore test-point call centre business as currently conducted by our PRC Subsidiary, the Directors believe that they could enter into alternative arrangements to provide the same services to our customers, either by outsourcing this function to a third party call centre operator or by partnering with a PRC partner such that we could continue to make use of the services currently conducted by our PRC Subsidiary and be compliant with the Provisions on the Administration of Foreign Invested Telecommunication Enterprises (外商投資電信企業管理規定). If we were required to implement either of these two alternatives, the Directors do not believe that it would cause significant disruption to our business or have a material adverse impact on our results of operations.

Our PRC Subsidiary's "Offshore Test-point Call Centre Approval" will expire on 31 December 2016.

INTELLECTUAL PROPERTY

Our brands are important to our business. We rely on a combination of trademarks, service marks, domain name registrations, copyright protection and contractual restrictions to establish and protect our brand name and logos, marketing designs and Internet domain names. Over 10 registered and unregistered trademarks are used and owned by us. We are not critically dependent upon any third party patents or licences.

The Directors confirm that, so far as they are aware, there is no material violation or infringement of any intellectual property rights owned by us or by any third parties.

PROPERTIES

We occupy or manage a range of properties in Hong Kong, including offices, shops, warehouses and hub sites. The properties occupied or managed by us had a total gross floor area ("**GFA**") of approximately 264,200 sq.ft. and included self-owned and leased properties.

Self-owned properties

We owned a total of 11 properties, with an aggregate GFA of approximately 6,600 sq.ft. in Hong Kong. We use these properties as hub sites for our network. These owned properties accounted for approximately 3% of the total GFA of properties occupied or managed by us.

All of our owned properties are currently in use. All of them were purchased by us between 2001 and 2014. None of the owned properties are subject to title defects or potential title defects as at 30 November 2014.

Leased properties

We leased a total of 32 properties with an aggregate GFA of approximately 179,800 sq. ft. in Hong Kong. These leased properties are primarily used for offices, warehousing, shops and hub sites. All leased properties are leased under tenancy agreements which do not contain any covenants, easements, exceptions, or reservations of an unusual or unduly onerous nature for an agreement of this nature. Terms of these lease agreements range from 1 year to 4 years. In the event that we are not able to renew any of our leases, we believe that we could relocate our operations to new properties without undue cost or disruption.

We leased a total of 13 properties with an aggregate GFA of approximately 77,800 sq. ft. in the PRC. These leased properties are primarily used for offices and dormitories for the employees of the PRC Subsidiary. All leased properties are leased under tenancy agreements which are valid and legally binding. Terms of these lease agreements range from one year to two years. In the event that we are not able to renew any of our leases, we believe that we could relocate our operations to new properties without undue cost or disruption.

As none of our properties has a carrying amount of 15% or more of our total assets, we are not required to include a property valuation report in this prospectus.

INSURANCE

We have insurance policies providing coverage for our assets and operations including loss of or damage to our properties and assets, loss of profit and additional costs of working arising from loss or damage to its properties or assets, public liability, contractual liability, employment liability, errors and omissions, amongst others.

We believe that our properties are covered with adequate insurance provided through a combination of direct insurance or reinsurance policies with reputable insurance companies and with commercially prudent deductibles and limits on coverage. Notwithstanding our insurance provisions, we could nevertheless experience a material loss as a result of an unforeseeable series of catastrophic events, systemic adverse circumstances, or other adverse occurrences not currently foreseeable and/or not commercially insurable.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management Policies and Procedures

We have established a set of comprehensive risk management policies and measures to identify, evaluate and manage risks arising from our operations according to the recommendations made by an internal control consultant engaged by us and who conducted a comprehensive review of our internal control system. Our audit committee oversees the financial controls, internal control procedures and risk management systems of the Company. The head of the internal audit department is responsible for periodically reporting its findings and, where necessary, discusses any issues that may arise with our external legal advisers to help ensure that we are not in breach of relevant regulatory requirements or applicable laws. Our legal department is responsible for monitoring ongoing litigation and ensuring that our contracts are enforceable and in compliance with all applicable laws.

Internal Control Policies and Procedures

In its review of our internal control system, our internal control consultant has identified certain areas in our internal control policies and procedures that require improvements. All of the issues are not considered to be material and substantially all issues will be resolved prior to Listing.

LEGAL AND REGULATORY PROCEEDINGS AND COMPLIANCE MATTERS

We are subject to various legal and regulatory proceedings. We are also subject, from time to time, to inquiries and investigations, some of which may in the future result in financial penalties being imposed or proceedings being instituted against us.

Non-compliances

On 15 October 2012, pursuant to information from the Director of Highways on our failure to meet the minimum depth requirement in certain road works in public areas, OFCA issued a written warning that we breached one of the general conditions of our FTNS Licence by failing to comply with certain minimum depth requirement specified in our excavation permit. OFCA has indicated in the written warning that, in the event that we fail to implement the necessary rectification measures, it will compel us to implement rectification work to the satisfaction of the Director of Highways. We also may be subject, and are subject, to additional complaints and investigations relating to the minimum depth requirement described above. In total, we received 164 determinations of non-compliance, all of which related to works completed before February 2012. We have not received any non-compliance enquiries from the Director of Highways for works completed on or after February 2012.

In May 2014, the Hong Kong Highways Department reviewed this issue with all relevant licensees, including various utilities and operators in the Hong Kong telecommunications industry, including us, and decided that all relevant licensees who, similar to HKBN, also have non-compliance issues with the minimum depth requirement should complete rectification work by the end of 2015. Since September 2012, we have provided monthly updates of the progress of the rectification work to the Hong Kong Highways Department. As at 31 December 2014, we have completed 100 out of 164 rectification works. We currently expect to complete all rectification work by the end of 2015.

On 5 January 2015, we received a letter from OFCA regarding the minimum depth requirement matters. The letter noted that OFCA had concluded its investigation of the non-compliance cases of telecom operators and decided to issue an advice letter to industry operators and remind us of the previously issued warning.

The timing of the completion of rectification works is dependent upon obtaining approval from the Hong Kong Highways Department as roadworks are authorised on a case-by-case basis so as not to cause undue disruption.

The cost incurred to date to complete the 100 rectification works is approximately HK$9.5 million and we expect to incur a further amount of approximately HK$8.5 million to complete the remaining rectification works.

The Directors do not consider that these non-compliances, individually or in aggregate, have had or may in the future have, a material financial or operational impact on the Company.

See *"Risk Factors — Risks relating to the legal and regulatory environment in which we operate — We are subject to risks relating to legal and regulatory proceedings, which we may be a party to from time to time, or which could develop in the future. We may also be subject to complaints or regulatory investigations, from time to time, in connection with our business and operations".*

Legal and regulatory proceedings

We are subject to the following legal and regulatory proceedings arising from our telecommunications licence and operations which may have an adverse effect on our business:

- On 25 August 2014, PCCW filed a complaint to OFCA against us alleging that our package deal with the incorporated owners of an apartment building complex in Hong Kong results in the prevention or substantial restriction of competition in the telecommunication market, and that we are making available our services to the residents without charge or for a substantially discounted charge. OFCA has made inquiries to the relevant management office requesting more information about the transaction. We have not received any inquiries directly from OFCA relating to this matter.

- On 11 September 2012, OFCA received an anti-competition complaint against us alleging the unfair cost and speed advantages over other licensees from not meeting the minimum depth requirement in road works with the intention of securing certain “first-mover” advantages by being the first operator to install its fibre optic network in buildings. OFCA has made several enquires to us and has not yet decided whether there are reasonable grounds for them to suspect that there may be an infringement. The last enquiry from OFCA was on 11 December 2014.

- In addition, we are currently involved in a litigation matter which we commenced as plaintiff in September 2000 against an i-Cable entity for disconnecting the drop-in cables from our two-way taps installed in some housing estates and buildings. We obtained an injunction against i-Cable in 2000 and claimed damages to be assessed. i-Cable made counterclaim but no amount of damages was stated in the pleadings. The case was dormant until 29 March 2012 when i-Cable took out a summons to strike out our original statement of claim. The application was heard on 4 June 2013. To date, the court has reserved judgment and the court’s decision on the summons is currently pending. If the court accepts i-Cable’s summons, we may be required to reimburse i-Cable for its legal fees and cost of the legal proceedings.

The Directors do not consider that these legal and regulatory proceedings have had or may in the future have, a material financial or operational impact on the Company.

We are also a party to various other legal and regulatory proceedings arising from our telecommunications licence and operations, none of which in our view, if adversely decided, are likely to have a material adverse effect on our business, financial condition or results of operations.

During the Track Record Period and up to the Latest Practicable Date, the Group did not breach or violate any laws, rules or regulations applicable to the Group that had or would have a material adverse effect on our business, financial condition and results of operations taken as a whole.

SELECTED FINANCIAL AND OPERATING DATA OF THE GROUP

The selected historical financial data of the Group set out below, as at and for the financial period ended 31 August 2012, the years ended 31 August 2013 and 2014 and the three months ended 30 November 2013 and 2014, was derived from the Group's audited combined financial information for such periods, included in the Accountants' Report on the Financial Information of the Group in Appendix IA. The combined financial information of the Group included in this prospectus does not reflect the Group's results of operations, financial position and cash flows in the future and its past operating results are no guarantee of the Group's future operating performance. The Group's combined financial information is prepared and presented in accordance with HKFRS. For a summary of the Group's significant accounting policies and the basis of presentation of the Group's combined financial information, you should refer to the notes to the Accountants' Report on the Financial Information of the Group in Appendix IA.

The Group's combined financial information for the period from 15 March to 31 August 2012 presents partial year results of the Group following the acquisition of our network business and related assets by the Group on 30 May 2012 and reflects only 3 months of operations for the period ended 31 August 2012 following such acquisition. These results are not directly comparable to the full year results of the Group as at and for the years ended 31 August 2013 and 2014.

You should read the following information in conjunction with "Financial Information", the Group's combined financial information and the related notes.

SELECTED INCOME STATEMENT DATA OF THE GROUP

	For the period from 15 March to 31 August	For the years ended 31 August		For the three months ended 30 November	
	2012	2013	2014	2013	2014
	HK$	HK$ (in thousands)	HK$	HK$ (in thousands) (unaudited)	HK$
Turnover	553,874	1,949,434	2,131,581	497,436	553,780
Other net income	4,071	7,265	12,925	6,763	5,043
Network costs and costs of sales	(151,617)	(305,167)	(287,121)	(60,645)	(67,234)
Other operating expenses	(384,096)	(1,460,091)	(1,560,777)	(377,443)	(389,543)
Finance costs	(47,207)	(301,401)	(191,570)	(46,632)	(43,578)
(Loss) / profit before taxation	(24,975)	(109,960)	105,038	19,479	58,468
Income tax	(6,252)	(29,038)	(51,488)	(10,672)	(19,301)
(Loss) / profit for the period / year	(31,227)	(138,998)	53,550	8,807	39,167
Other comprehensive income for the period / year	306	2,392	(383)	323	(12)
Total comprehensive income for the period / year	(30,921)	(136,606)	53,167	9,130	39,155

The table below summarises the turnover generated by our residential services, enterprise services and product revenue.

	For the period from 15 March to 31 August	For the years ended 31 August		For the three months ended 30 November	
	2012	2013	2014	2013	2014
	HK$	HK$ (in thousands)	HK$	HK$ (in thousands) (unaudited)	HK$
Residential revenue	368,137	1,489,829	1,630,472	392,997	425,500
Enterprise revenue	87,463	370,763	422,975	99,270	111,663
Product revenue	98,274	88,842	78,134	5,169	16,617
Turnover	**553,874**	**1,949,434**	**2,131,581**	**497,436**	**553,780**

We have de-emphasised IP-TV and IDD services and expect these services to decline as a percentage of our overall turnover. The increases in our revenue during the Track Record Period have been partially offset by our de-emphasis of IP-TV and IDD services.

We sold 83 million, 291 million, 260 million and 64 million IDD calling minutes for the period from 15 March 2012 to 31 August 2012, the years ended 31 August 2013 and 2014 and the three months ended 30 November 2014, respectively. We generated revenue from IDD services of HK$43.7 million, HK$159.6 million, HK$149.9 million and HK$35.8 million for the period from 15 March 2012 to 31 August 2012, the years ended 31 August 2013 and 2014 and the three months ended 30 November 2014, respectively.

SELECTED BALANCE SHEET DATA OF THE GROUP

	As at 31 August			As at 30 November
	2012	2013	2014	2014
	HK$	HK$ (in thousands)	HK$	HK$ (in thousands)
Non-current assets	5,400,294	5,212,960	5,001,036	4,948,366
Current assets	412,765	642,381	718,389	737,013
Current liabilities	(446,675)	(457,444)	(552,348)	(491,612)
Net current (liabilities) / assets	(33,910)	184,937	166,041	245,401
Total assets less current liabilities	5,366,384	5,397,897	5,167,077	5,193,767
Non-current liabilities	(2,864,100)	(3,808,219)	(3,524,232)	(3,511,767)
Net assets	2,502,284	1,589,678	1,642,845	1,682,000
Share capital	8	8	8	8
Reserves	2,502,276	1,589,670	1,642,837	1,681,992
Total equity	2,502,284	1,589,678	1,642,845	1,682,000

SELECTED CASH FLOW STATEMENT DATA OF THE GROUP

	For the period from 15 March to 31 August	For the years ended 31 August		For the three months ended 30 November	
	2012	2013	2014	2013	2014
	HK$	HK$	HK$	HK$	HK$
		(in thousands)		(in thousands)	
				(unaudited)	
Net cash inflow from operating activities	182,553	765,005	874,657	159,278	90,461
Net cash outflow from investing activities	(4,910,811)	(388,575)	(324,072)	(64,571)	(72,257)
Net cash inflow / (outflow) from financing activities	4,867,379	(207,958)	(425,047)	—	—
Net increase in cash and cash equivalents	139,121	168,472	125,538	94,707	18,204
Cash and cash equivalents as at the beginning of the period / year	—	139,283	310,029	310,029	435,630
Effect of foreign exchange rate changes	162	2,274	63	(55)	3
Cash and cash equivalents as at the end of the period / year	139,283	310,029	435,630	404,681	453,837

OTHER FINANCIAL DATA OF THE GROUP

	For the period from 15 March to 31 August	For the years ended 31 August		For the three months ended 30 November	
	2012	2013	2014	2013	2014
	HK$	HK$	HK$	HK$	HK$
	(in thousands, except percentages)			(in thousands, except percentages)	
EBITDA[(1)(2)]	158,560	740,589	845,281	211,355	235,571
EBITDA margin[(1)(3)]	28.6%	38.0%	39.7%	42.5%	42.5%
Adjusted Free Cash Flow[(1)(4)]	33,072	226,605	310,814	149,173	90,477
Capital expenditure	79,308	324,238	345,601	60,158	70,008
Adjusted Net Profit[(1)(5)]	47,786	201,110	253,940	63,848	80,081

Notes:

(1) EBITDA, EBITDA margin, Adjusted Free Cash Flow and Adjusted Net Profit are not measures of performance under HKFRS. These measures do not represent, and should not be used as substitutes for, net income or cash flows from operations as determined in accordance with HKFRS. These measures are not necessarily an indication of whether cash flow will be sufficient to fund our cash requirements. In addition, our definitions of these measures may not be comparable to other similarly titled measures used by other companies.

(2) EBITDA means profit / (loss) for the period / year plus finance costs, income tax expense, listing expenses, depreciation and amortisation of intangible assets and less interest income. EBITDA is not a measure of performance under HKFRS.

(3) EBITDA margin means EBITDA divided by turnover.

(4) Adjusted Free Cash Flow means EBITDA plus interest received and less capital expenditure, interest paid and tax paid, and adjusted by changes in working capital, other non-recurring items and other non-cash items. Working capital includes long term receivable and prepayment, inventories, accounts receivable, other receivables, deposits and prepayments, deferred expenditure, accounts payable, deposits received and deferred services revenue. Other non-recurring items, in the Track Record Period, include loss on disposal of interest in subsidiaries; and, in the future, may include one-time charges relating to corporate transactions. Other non-cash items, in the Track Record Period, include amortisation of obligations under granting of rights and, in the future, may include Co-Ownership Plan II related non-cash items and non-cash items similar to the above.

(5) Adjusted Net Profit means profit / (loss) for the period / year plus amortisation of intangible assets (net of deferred tax credit), non-recurring finance costs and other non-recurring items. Non-recurring finance costs, in the Track Record Period, include loss on extinguishment of senior notes and write-off of unamortised bank loan originating fee; and, in the future, may include write-off of unamortised borrowings originating fees and similar non-recurring finance costs. Other non-recurring items, in the Track Record Period, include transaction cost in connection with business combination, loss on disposal of interest in subsidiaries and listing expenses; and, in the future, may include listing expenses and one-time charges relating to corporate transactions.

The following is a reconciliation of (loss) / profit for the period/year to EBITDA and Adjusted Free Cash Flow.

	For the period from 15 March to 31 August	For the years ended 31 August		For the three months ended 30 November	
	2012	2013	2014	2013	2014
	HK$	HK$ (in thousands)	HK$	HK$ (in thousands) (unaudited)	HK$
(Loss) / profit for the period / year	**(31,227)**	**(138,998)**	**53,550**	**8,807**	**39,167**
Finance costs	47,207	301,401	191,570	46,632	43,578
Interest Income	(27)	(753)	(3,714)	(352)	(1,248)
Income tax	6,252	29,038	51,488	10,672	19,301
Depreciation...	70,664	286,535	327,095	79,679	89,315
Amortisation of intangible assets	65,691	263,366	225,292	65,917	27,541
Listing expenses	—	—	—	—	17,917
EBITDA	**158,560**	**740,589**	**845,281**	**211,355**	**235,571**
Capital expenditure	(79,308)	(324,238)	(345,601)	(60,158)	(70,008)
Net interest paid	(32,780)	(146,375)	(165,120)	352	1,248
Other non-recurring items	—	—	3,638	—	—
Other non-cash items	(2,256)	(9,024)	(9,024)	(2,256)	(2,256)
Income tax paid	(1,440)	(4,079)	(42,845)	(39,327)	(83,125)
Changes in working capital	(9,704)	(30,268)	24,485	39,207	9,047
Adjusted Free Cash Flow	**33,072**	**226,605**	**310,814**	**149,173**	**90,477**

The following sets out a reconciliation of (loss) / profit for the period / year to Adjusted Net Profit.

	For the period from 15 March to 31 August	For the year ended 31 August		For the three months ended 30 November	
	2012	**2013**	**2014**	**2013**	**2014**
	HK$	**HK$ (in thousands)**	**HK$**	**HK$ (unaudited)**	**HK$ (in thousands)**
(Loss) / profit for the period / year	(31,227)	(138,998)	53,550	8,807	39,167
Amortisation of intangible assets	65,691	263,366	225,292	65,917	27,541
Deferred tax arising from amortisation of intangible assets	(10,839)	(43,456)	(37,173)	(10,876)	(4,544)
Transaction cost in connection with business combination	24,161	1,073	—	—	—
Loss on extinguishment of senior notes	—	5,163	8,633	—	—
Write-off of an unamortised bank loan originating fee	—	113,962	—	—	—
Loss on disposal of interest in subsidiaries	—	—	3,638	—	—
Listing expenses	—	—	—	—	17,917
Adjusted Net Profit	47,786	201,110	253,940	63,848	80,081

The following tables present selected historical financial information of HKBN, our principal operating subsidiary. The selected historical financial data below, as at and for the years ended 31 August 2012, 2013 and 2014, was derived from HKBN's audited financial statements, which are included in Appendix IB.

HKBN's financial statements are prepared and presented in accordance with HKFRS. For a summary of HKBN's significant accounting policies and the basis of the presentation of HKBN's financial statements, you should refer to the notes to the audited financial statements of HKBN included in Appendix IB. You should read the following information in conjunction with "Financial Information", the Group's combined financial information and the related notes, HKBN's financial statements and the related notes included in Appendix IA and Appendix IB, respectively.

Investors should not make any investment decision solely on the basis of the financial information of HKBN, our principal subsidiary, since it does not reflect the results of operations, financial position and cash flows of the Group.

SELECTED INCOME STATEMENT DATA FOR OUR PRINCIPAL OPERATING SUBSIDIARY

	For the years ended 31 August		
	2012	2013	2014
	HK$	HK$ (in thousands)	HK$
Turnover	1,939,683	1,922,477	2,112,248
Other net income / (loss)	6,148	450	(383)
Network costs and costs of sales	(418,519)	(295,910)	(281,807)
Other operating expenses	(1,110,057)	(1,160,116)	(1,303,512)
Gain on transfer of properties to HKTV[(1)]	187,371	—	—
Finance costs	(42,383)	(35,559)	(10,983)
Profit before taxation	562,243	431,342	515,563
Income tax	(67,077)	(72,573)	(87,543)
Profit and total comprehensive income for the year	495,166	358,769	428,020

Note:

(1) On 31 March 2012, HKBN transferred properties, including certain offices and warehouse premises with net book value of HK$62.6 million, to HKTV at a fair market consideration of HK$250.0 million resulting in a gain of HK$187.4 million.

SELECTED FINANCIAL INFORMATION OF OUR PRINCIPAL OPERATING SUBSIDIARY

The table below summarises the turnover generated by HKBN's residential and enterprise services and product sales.

	For the years ended 31 August		
	2012	2013	2014
	HK$	HK$	HK$
		(in thousands)	
Residential revenue	1,379,317	1,472,286	1,621,260
Enterprise revenue	344,447	361,348	412,853
Product revenue	215,919	88,843	78,135
Turnover	1,939,683	1,922,477	2,112,248

SELECTED BALANCE SHEET DATA FOR OUR PRINCIPAL OPERATING SUBSIDIARY

	As at 31 August		
	2012	2013	2014
	HK$	HK$	HK$
		(in thousands)	
Non-current assets	1,629,488	1,679,136	1,732,529
Current assets	473,260	565,455	772,526
Current liabilities	(382,263)	(740,638)	(563,474)
Net current assets / (liabilities)	90,997	(175,183)	209,052
Total assets less current liabilities	1,720,485	1,503,953	1,941,581
Non-current liabilities	(768,348)	(193,047)	(202,655)
Net assets	952,137	1,310,906	1,738,926
Share capital and other statutory capital reserve	431,089	431,089	431,089
Other reserves	521,048	879,817	1,307,837
Total equity	952,137	1,310,906	1,738,926

SELECTED CASH FLOW STATEMENT DATA OF OUR PRINCIPAL OPERATING SUBSIDIARY

	For the years ended 31 August		
	2012	2013	2014
	HK$	HK$	HK$
		(in thousands)	
Net cash inflow from operating activities	463,005	767,758	856,372
Net cash outflow from investing activities	(325,479)	(386,766)	(396,654)
Net cash outflow from financing activities	(157,321)	(278,082)	(302,244)
Net (decrease) / increase in cash and cash equivalents	(19,795)	102,910	157,474
Cash and cash equivalents as at the beginning of the year	124,759	104,964	207,874
Cash and cash equivalents as at the end of the year	104,964	207,874	365,348

OTHER FINANCIAL DATA OF OUR PRINCIPAL OPERATING SUBSIDIARY

	For the years ended 31 August		
	2012	2013	2014
	HK$	HK$	HK$
		(in thousands)	
EBITDA(1)	649,173	711,479	813,832
EBITDA margin (1)(2)	33.5%	37.0%	38.5%
Capital expenditure	357,219	317,572	343,574

Notes:

(1) EBITDA with respect to HKBN, our principal operating company, means profit / (loss) for the year plus finance costs, income tax expense, depreciation and less interest income and the gain on transfer of properties to HKTV. EBITDA and EBITDA margin are not measures of performance under HKFRS. EBITDA does not represent, and should not be used as a substitute for, net income or cash flows from operations as determined in accordance with HKFRS, and EBITDA is not necessarily an indication of whether cash flow will be sufficient to fund our cash requirements. In addition, our definition of EBITDA may not be comparable to other similarly titled measures used by other companies.

(2) EBITDA margin means EBITDA divided by turnover.

The following is a reconciliation of profit and total comprehensive income to EBITDA of HKBN for the periods below.

	For the years ended 31 August		
	2012	2013	2014
	HK$	HK$	HK$
		(in thousands)	
Profit and total comprehensive income for the year	**495,166**	**358,769**	**428,020**
Finance costs	42,383	35,559	10,983
Income tax	67,077	72,573	87,543
Depreciation	232,345	244,994	288,207
Interest income	(427)	(416)	(921)
Gain on transfer of properties to HKTV	(187,371)	—	—
EBITDA	**649,173**	**711,479**	**813,832**

The following discussion and analysis of the Group's financial position and results of operations is based upon and should be read in conjunction with the Group's combined financial information and the related notes included in Appendix IA. You should also read the audited financial statements of HKBN as at and for the years ended 31 August 2012, 2013 and 2014 and the related notes, included in Appendix IB. This discussion contains forward-looking statements that involve risks, uncertainties and assumptions. We caution you that our business and financial performance are subject to substantial risks and uncertainties. Our actual results could differ materially from those projected in the forward-looking statements. In evaluating our business, you should carefully consider the information provided in "Risk Factors".

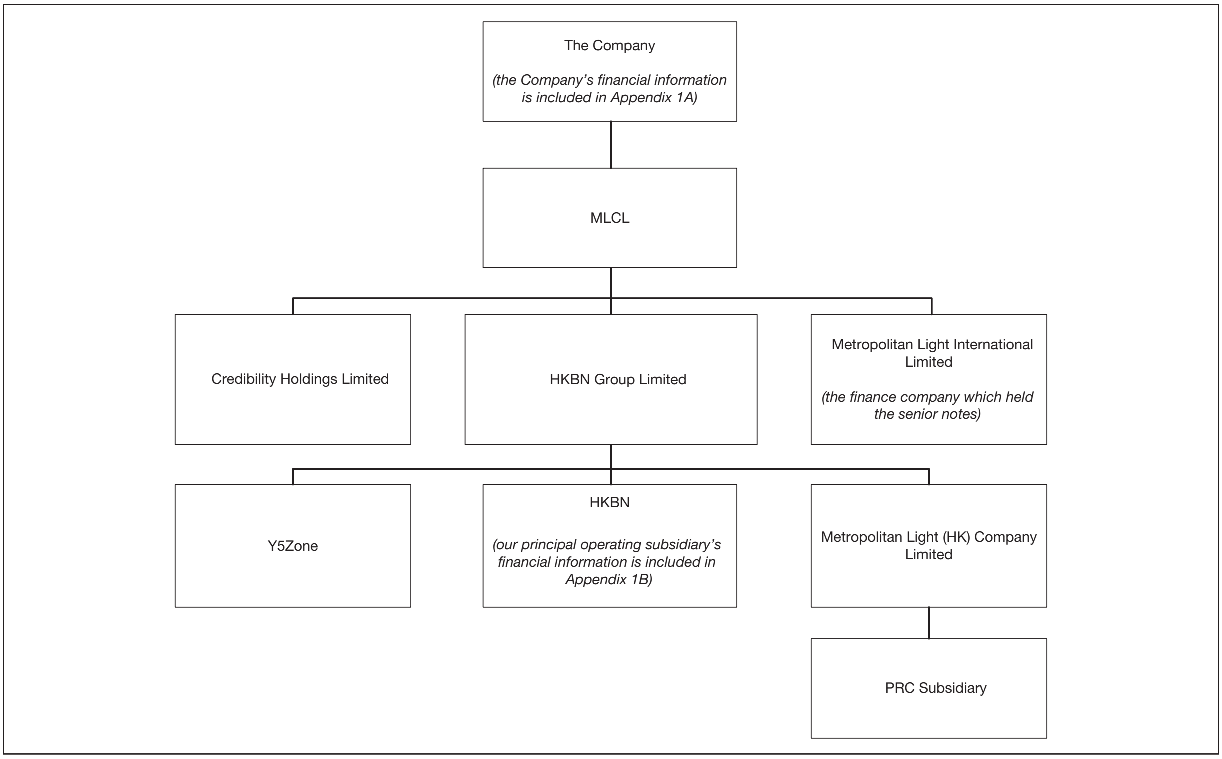
The Group's combined financial information for the period from 15 March to 31 August 2012 presents partial year results of the Group following the acquisition of our network business and related assets by the Group on 30 May 2012 and reflects only 3 months of operations for the period ended 31 August 2012 following such acquisition. These results are not directly comparable to the full year results of the Group for the years ended 31 August 2013 and 2014.

The audited financial statements of HKBN as at and for the years ended 31 August 2012, 2013 and 2014 are included in Appendix IB.

HKBN is the principal operating subsidiary of the Group and operates its residential and enterprise businesses. We have included certain information regarding the operations of HKBN, our principal operating subsidiary, as we believe it provides investors with useful information about the majority of our operations on a comparable basis for the years ended 31 August 2012 and 2013. It should be considered as supplemental to, and not as a substitute or replacement for, the audited combined financial information of the Group included in Appendix IA.

Investors should not make any investment decision solely on the basis of the financial information of HKBN, our principal subsidiary, since it does not reflect the results of operations, financial position and cash flows of the Group.

The following chart sets out the corporate structure of the Group as at the date of this prospectus:



OVERVIEW

We generate turnover primarily from two major businesses: our residential and enterprise businesses. Our residential business mainly consists of fixed telecommunications network services including high-speed broadband Internet access services of symmetric 100 Mbps to 1,000 Mbps, VoIP services and other telecommunications services including IP-TV services to residential customers. Residential broadband Internet access services generate the majority of our turnover, and also drives demand for our other residential telecommunications services when offered as a bundled service. Our enterprise business mainly consists of broadband, VoIP, MetroNet private network services and other telecommunications services to enterprise customers.

BASIS OF PRESENTATION AND BASIS OF PREPARATION OF FINANCIAL INFORMATION

In connection with the Reorganisation as detailed in "*History and Reorganisation*", the entire issued share capital of MLCL was transferred by MLHL to the Company in consideration for an issue of Shares to MLHL. Upon completion of the transfer of MLCL, the Company became the holding company of MLCL and its subsidiaries, and an immediate holding company of the Group. The companies that took part in this transfer were controlled by the same ultimate equity shareholders before and after the transfer and there were no changes in the business and operations of MLCL and its subsidiaries as a result of the transfer. The Company was newly incorporated for the purposes of the Global Offering and at the time of the transfer, had no prior substantive operations. Accordingly, the transfer has been accounted for using a principle similar to that for a reverse acquisition with MLCL treated as the acquirer for accounting purposes. The financial information has been prepared and presented as a continuation of the consolidated financial statements of MLCL and its subsidiaries, with the assets and liabilities of the Group recognised and measured at their historical carrying amounts prior to the share transfer, and as if the group structure upon completion of the transfer of MLCL had completed on 15 March 2012, being the date of incorporation of MLCL, and throughout the entire Track Record Period.

The combined financial information of the Group is prepared in conformity with HKFRS, which requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Management reviews the estimates and underlying assumptions on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in both current and future periods if the revision affects both periods.

Judgments made by management in the application of HKFRS that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 31 to the Accountants' Report on the Financial Information of the Group included as Appendix IA to this prospectus.

The financial statements have been prepared using a historical cost basis except as set out in the accounting policies in note 1 to the Accountants' Report on the Financial Information of the Group included as Appendix IA.

SIGNIFICANT FACTORS AFFECTING RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Number of subscriptions and ARPU

The number of subscriptions that we have is a primary factor affecting our turnover and results of operations. The number of residential broadband Internet subscriptions increased from approximately 626,000 to approximately 692,000 from 31 August 2012 to 31 August 2014, representing a CAGR of 5.2%. We typically concentrate on densely populated areas in Hong Kong characterised by high-rise apartment buildings with multiple apartments on each floor, to reach more customers on a cost-efficient basis. The number of enterprise broadband subscriptions (comprising enterprise and small and medium business customers) increased from approximately 23,000 to approximately 28,000 from 31 August 2012 to 31 August 2014, representing a CAGR of 9.7%.

Increasing the number of subscriptions involves retaining existing subscriptions as well as acquiring new subscriptions. Our ability to successfully manage the churn of customers affects our revenue and profitability. We have maintained low broadband churn rates of less than 1% during each year of the Track Record Period. Over 95% of our residential subscriptions are on contracts of two years or above.

Our ability to increase residential ARPU and broadband ARPU directly affects our turnover and profitability.

As part of our pricing strategy, we aim to up-sell our customers to higher broadband access speed packages and cross-sell additional voice and IP-TV services subscriptions to our broadband service subscribers. This pricing strategy allows us to increase our "wallet share" of new and existing customers who demand higher quality and higher speed broadband services.

To address customer demands which vary depending on their level of disposable income, we have begun to implement tiered pricing plans announced in December 2014, each of which targets customers with different needs and priorities, by offering customised, bundled solutions to each customer segment.

Our results of operations are affected by our ability to increase ARPU in both our residential and enterprise businesses. Our residential ARPU increased from HK$155 for the year ended 31 August 2012 to HK$158 for the year ended 31 August 2013 and to HK$175 for the year ended 31 August 2014, primarily as a result of our up-selling efforts. We are able to charge more for packages with higher broadband access speeds and more value-added services which appeal to customers with higher levels of disposable income which in turn positively impacts residential ARPU. Our enterprise ARPU increased from HK$910 for the year ended 31 August 2012 to HK$948 for the year ended 31 August 2013 and to HK$1,026 for the year ended 31 August 2014, primarily as a result of strong demand for our services and efforts from our dedicated sales team.

Network costs and costs of sales

We incur costs in order to provide subscribers broadband bandwidth through our network which affects our profitability. Network costs mainly include international bandwidth costs, leased line rentals, programme fees and costs for the content provided through our IP-TV services and interconnection charges payable to other local fixed network operators. These costs do not include depreciation charges, which are included in other operating expenses.

While our network costs are variable in nature, they are largely scalable as each additional subscription does not require a corresponding increase in network costs. As the number of subscriptions increases, we are able to improve our profitability by effectively managing these costs.

In addition, our business strategy allows us to maintain or lower network costs. We continue to focus on content localisation which allows us to reduce costs related to international bandwidth purchases while improving the user experience. We have de-emphasised IP-TV and IDD services and expect these services to decline as a percentage of our overall turnover. Consistent with this strategy, we expect to incur lower levels of costs related to IP-TV and IDD services.

Cost of sales mainly includes the cost of computers, mobile phones and other devices that we sell to our subscribers and retail customers. As we expect to focus on providing broadband internet access service and de-emphasised product sales going forward, we expect our costs of sales to decrease in the future.

Advertising and marketing costs

Our profitability is affected by the advertising and marketing costs we incur to renew existing subscriptions and acquire new subscriptions as well as enhancing our brand recognition.

A significant portion of our advertising and marketing costs is related to the costs we incur to acquire new customers and also retain existing customers by signing renewed contracts upon expiration of initial contracts which we monitor to measure the performance of our business. Our salary, commission and other costs associated with retaining an existing customer are lower than the salary, commission and other costs associated with acquiring a new customer. This difference is largely due to our higher cost base in Hong Kong which drives acquisitions of new customers versus our lower cost base in Guangzhou which drives our retentions. For example, a typical two year contract acquisition is done by physical channels in Hong Kong such as our "on the street promoters" and shops, whereas the renewal after two years' service is typically done with a phone call from our call centre in Guangzhou.

Our profitability is affected by our ability to renew existing subscriptions and the costs we incur to acquire new subscriptions.

Talent costs and Co-Owner compensation

Our profitability is affected by the cost of attracting and retaining Talents. While a significant portion of our Talent costs is recorded as advertising and marketing costs, we also incur salary and bonus costs for our Talents that is recorded as other operating expenses. Our Talent costs recorded in other operating expenses have increased as a percentage of turnover from 16.0% to 17.3% in the years ended 31 August 2013 and 2014, respectively.

Consistent with our corporate culture, we believe in investing in our Talents and expect that our Talent costs will continue to increase if we continue to reach our performance goals.

Going forward, our Talent costs, head count levels and compensation arrangements will continue to affect our profitability.

As part of the CVC Acquisition in 2012, we established the Co-Ownership Plan I that allowed our senior managers to invest in the Group, with each investee becoming a Co-Owner. As at the Latest Practicable Date, there were 87 Co-Owners.

In addition, we have adopted the Co-Ownership II plan which will allow Talents to invest in the Shares and to be granted the right to receive additional Shares for no consideration. This equity-based compensation is consistent with our entrepreneurial culture.

For clear alignment of both downside and upside interest with Shareholders, Talents must invest their own money to acquire Shares at market price in order to qualify for the grant of additional Shares under the Co-Ownership Plan II. This makes the plan more onerous than traditional stock or option grants. Talents who invest in Shares through the Plan Trustee will be granted the right to receive additional bonus Shares at no consideration on a matching basis of 3 additional Shares for every

7 Shares purchased, subject to a cap based on their seniority level. Such additional Shares will vest over three years with a back-ended schedule.

Our Co-Ownership Plan I had an addressable base of 100 managers, of which 87 became Co-Owners as at the Latest Practicable Date. For our Co-Ownership Plan II, we intend to expand the addressable base and over 400 managers (representing approximately 17% of our Talents, including managers based in both Hong Kong and Guangzhou) are expected to be invited to participate. The increased costs associated with this equity-based compensation totalling a maximum of HK$51 million over the vesting period may affect our profitability.

In addition to our Co-Ownership Plans, our Talents will be entitled to participate in the Global Offering on a preferential basis through the Talent Offering. Under the Talent Offering, we have reserved 1% of the Shares being offered in the Global Offering to our Talents (subject to eligibility conditions) to encourage more of them to become Co-Owners. Eligible Talents will be entitled to purchase Shares at the Offer Price with an assured entitlement of 4,000 Talent Offer Shares and subject to a cap based on their level of seniority (ranging from 115,000 Talent Offer Shares to 230,500 Talent Offer Shares).

The table below sets out our estimate of the share-based payment expenses that will be charged to our income statement in the years ending 31 August 2015 to 2018 in respect of the Co-Ownership Plan II.

	Year ending 31 August			
	2015	2016	2017	2018
	HK$'000			
Estimated Share-based Payment Expenses	2,700	10,400	7,800	4,500

See "*Business — Co-Ownership Plans and Talent Offering*".

Capital expenditure

We incurred capital expenditure of approximately HK$324.2 million and HK$345.6 million in the years ended 31 August 2013 and 2014, respectively. HKBN, our principal operating subsidiary, incurred capital expenditure of approximately HK$357.2 million for the year ended 31 August 2012. Substantially all of this capital expenditure was made in connection with the construction and upgrade of our infrastructure for the provision of fixed telecommunications network services and the subscription base growth of both our residential and enterprise businesses.

Since 2000, we have invested significantly to build one of the most extensive fibre networks in Hong Kong. As at 31 August 2014, the accumulated cost of HKBN's fixed assets in telecommunications, computer and office equipment, leasehold land and buildings and leasehold improvements amounted to approximately HK$4.1 billion. These fixed assets primarily relate to, and are an integral part of, our network. As at the Latest Practicable Date, our network coverage exceeded 2.10 million residential homes passed, comprising approximately 79% of Hong Kong's total residential units according to MPA, and more than 1,900 commercial buildings in Hong Kong, which represents a majority of the high-end commercial buildings targeted by the Company. Our fibre network from end to end is substantially self-owned and has the capacity to deliver a range of advanced telecommunications services to our customers.

Going forward, we expect that the majority of our capital expenditure will be used to selectively expand our network coverage. We will incur build-out capital expenditure costs for the further expansion of the network when we identify locations in Hong Kong with significant numbers of potential new subscriptions that can be covered on a cost-efficient basis and which can be profitably connected to our network. We expect that our network build-out capital expenditure costs will continue to decrease as our network build-out is largely complete.

In the year ending 31 August 2015, we expect to incur capital expenditure of approximately HK$360 million.

Regulatory and technology changes

Our ability to provide commercially viable broadband and telecommunications services depends, in part, upon the regulatory environment in which we operate. The technologies and services of the telecommunications industry have become increasingly diversified and sophisticated.

The provision of broadband services, data connectivity, and voice and IDD services in Hong Kong has become increasingly diversified. We compete with other companies based on various technologies, including fibre, wireless and xDSL.

Approximately 75% of our broadband subscriptions are connected to our network using our Metro Ethernet technology, which involves “fibre-to-the-building” or, as we say, “fibre-to-within-100-metres” architecture with the “last mile” using Category-5e copper wiring. We limit the use of this advanced copper wiring to 100 metres to allow for faster speeds and easier upgrades to speeds up to 1,000 Mbps.

Introduced by us in 2007, our GPON, or “fibre-to-the-home”, broadband service uses optical fibre for the “last mile” to the home rather than using Category-5e copper wiring to provide faster speeds on a mass scale basis and allow for flexible upgrades.

We are frequently updating our systems, which results in ongoing capital expenditure. We may incur capital expenditure on an ongoing basis as we upgrade our Metro Ethernet network architecture to GPON technology.

Debt and interest rates

Historically we have maintained a significant level of indebtedness initially in the form of bank loans and then in the form of the senior notes. In the future we expect to maintain a significant level of indebtedness primarily through bank facilities and other long term debt instruments. Following the redemption of the senior notes, our primary indebtedness will be borrowings under the New Credit Facilities.

Historically, a significant portion of our finance costs related to interest payable on the senior notes and other indebtedness.

Under the New Credit Facilities, the majority of our indebtedness will carry variable interest rates which exposes us to interest rate risk. We have, and expect to continue to, enter into hedging arrangements to hedge this interest rate exposure. We do not enter into hedging arrangements for speculative purposes. The finance costs will be recognised in our financial statements in the period in which they are incurred.

Taxation

Hong Kong profits tax has been applied at the rate of 16.5% on the estimated assessable profits during each of the period from 15 March 2012 to 31 August 2012, the years ended 31 August 2013 and 2014 and the three months ended 30 November 2013 and 2014. Overseas tax has been calculated on the estimated assessable profits for the relevant years at the rates prevailing in the respective jurisdictions.

Our effective tax rate is computed as the income tax expenses divided by profit before tax. Our effective tax rate was 49.0% for the year ended 31 August 2014, which was higher than 16.5% because our interest expense was not tax deductible and is not applicable for the period ended 15 March 2012 to 31 August 2012 and year ended 31 August 2013 as we operated at loss for each of the period and the year. Our adjusted effective tax rate, which is computed as the income tax expense divided by profit/(loss) before tax, finance costs and transaction costs in connection with business combination, would be 13.5%, 15.1%, 17.4%, 16.1% and 18.9% for the period from 15 March 2012 to 31 August 2012, the years ended 31 August 2013 and 2014 and for the three months ended 30 November 2013 and 2014, respectively. Going forward, our effective tax rate will also be affected by the interest expenses that we will incur under the New Credit Facilities which (except for amounts drawn under the 2014 Revolving Facility) are also not expected to be tax deductible.

All relevant taxes due have been duly paid during the Track Record Period.

General economic conditions in Hong Kong

As our revenue and expenses are substantially derived from and related to our operations in Hong Kong, our financial condition and results of operations have been, and are expected to continue to be, affected by fluctuations in the Hong Kong economy. When the Hong Kong economy improves, individuals and enterprises typically have more money to spend on broadband and telecommunications services, resulting in increased usage of and demand for our services. Contractions in the Hong Kong economy may cause both business and individual customers to reduce discretionary spending, resulting in a potential decreased usage of and demand for our services.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The preparation of the Group's financial information is in conformity with HKFRS and requires management to make estimates and judgments that affect the application of policies and reported amounts of assets, liabilities, revenues and expenses. We base our estimates and judgments on historical experience and on various other factors we believe to be reasonable under the circumstances. This forms the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Changes to accounting estimates are recognised in the period in which the estimate is changed if the change affects only that period or in the period of the change and future periods if the change affects both current and future periods.

The following are the most significant accounting estimates and judgments we apply in preparing the Group's financial information.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

Revenue for the provision of international telecommunications and fixed telecommunications network services is recognised, when an arrangement exists, service is rendered, the fee is fixed or determinable and collectability is probable. Tariff-free periods granted to subscribers of fixed telecommunications network services are recognised in profit or loss rateably over the term of the service subscription agreement.

Amounts received in advance for the provision of fixed telecommunications network services are deferred and included under deferred services income, and subsequently recognised as revenue on a straight-line basis over the related service period.

Revenue from the sales of products is recognised upon the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered and title has passed.

Rental income receivable under an operating lease is recognised in profit or loss in equal instalments over the period covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

Interest income is recognised as it accrues using the effective interest method.

Useful lives of fixed assets

We have significant fixed assets and intangible assets (other than goodwill). We are required to estimate the useful lives of fixed assets and intangible assets (other than goodwill) in order to ascertain the amount of depreciation and amortisation charges for each reporting period.

The useful life of an asset is estimated at the time the asset is acquired by considering future technological changes, business developments and strategies of the Group. We perform annual reviews to confirm the appropriateness of estimated economic useful lives of each class of fixed assets. Such reviews take into account any unexpected adverse changes in circumstances or events, including declines in projected operating results, negative industry or economic trends and rapid advances in technology. Based on the results of such reviews, we extend or shorten the useful lives of the relevant fixed asset and/or make impairment provisions. During the Track Record Period, there were no changes in the useful lives of the Group's fixed assets.

Impairment of goodwill

Our goodwill represents the excess of the consideration paid in connection with the acquisition over the net fair value of the acquiree's identifiable assets and liabilities at the acquisition date.

We test annually whether goodwill has suffered any impairment. The recoverable amount of an asset or a cash-generating unit has been determined based on its value-in-use. These calculations require the use of estimates. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the expected operating margin, growth rates and selection of discount rates, to reflect the risks-involved and the earnings multiple that can be realised for the estimated terminal value.

The average annual revenue growth rates adopted in goodwill impairment assessment are determined based on past performance and management's expectation of future market development, while the discount rates adopted in goodwill impairment assessment are based on the estimated return that investors would require if they were to choose an investment that would generate cash flows of amounts, timing and risk profile equivalent to those of the asset.

The average annual revenue growth rate adopted in the goodwill impairment assessment as of 31 August 2012, 2013 and 2014 and 30 November 2014 was 8%, 6%, 10% and 10%, respectively. The decrease in the average annual revenue growth rate of 8% to 6% from 31 August 2012 to 31 August 2013 was principally due to management's expectation of slower market growth and increased price competition, while the average annual revenue growth rate at 31 August 2014 was increased to 10% after considering improved market conditions and the Group's strategies in enhancing customer yield through segmentation and up-selling initiatives, and further penetrating the enterprise market.

The discount rates adopted in assessing goodwill impairment were 16%, 8%, 8% and 8% as at 31 August 2012, 2013 and 2014 and 30 November 2014, respectively. The higher discount rate of 16% adopted as at 31 August 2012 as compared to other periods was primarily due to our management adopting a particularly conservative approach and applying a higher risk factor associated with forecasted cash flows of the newly acquired fixed telecommunications network services and IDD services businesses and the higher turnover growth rate assumed at the time of the 31 August 2012 impairment assessment.

We prepare the financial budgets reflecting actual performance and market development expectations. Judgment is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the result of the impairment reviews.

Interest-bearing borrowings

We recognise interest-bearing borrowings initially at fair value less the attributable transaction costs. Subsequent to initial recognition, the interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and the redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

Income tax

We recognise all deferred tax assets arising from deductible temporary differences, unused tax losses and unused tax credits to the extent it is probable that future taxable profits will be available against which the asset can be utilised. The recognition of deferred tax assets requires judgment regarding the results of future operations, including the assumption that there will be sufficient future operations to allow us to utilise the related deferred tax assets. We recognise deferred tax assets to the extent that the future taxable profit arises from the reversal of existing taxable temporary differences, and that those differences relate to the same taxation authority and the same taxable entity and are expected to reverse in either the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is also reversed to the extent that it becomes probable that sufficient taxable profit will be available.

RECENT DEVELOPMENTS

Current Trading update

Since 30 November 2014, the Company has continued to expand its subscription base with a particular focus on broadband services for both residential customers and enterprise customers. Our total number of residential broadband Internet subscriptions in Hong Kong has increased from approximately 710,000 subscriptions as at 30 November 2014 to approximately 715,000 subscriptions as at 31 December 2014. Our total number of enterprise customers has increased from approximately 34,000 as at 30 November 2014 to approximately 35,000 as at 31 December 2014. We continue to win significant enterprise customers. These new accounts are expected to continue to deliver revenue growth while requiring costs related to the selective expansion of our network coverage to meet identified demand.

In December 2014, we received approval in-principle from OFCA for a UC Licence which became effective in February 2015 for a term of 15 years.

As described below, our results of operations and/or financial condition have been, and will continue to be, impacted by the other recent developments in this section, including the finance costs associated with the redemption of senior notes and the funding of the redemption of MLHL preference shares as well as the listing expenses incurred and charged to our income statement.

As far as the Directors are aware, there have been no changes in the general economic and market conditions in Hong Kong or the industry in which we operate that materially and adversely affected our business operations or financial condition since 30 November 2014 and up to the date of this prospectus.

New Credit Facilities and Redemption of Senior Notes

On 11 December 2014, we entered into the New Credit Facilities relating to the HK$4,460 million term and revolving credit facilities. The New Credit Facilities were amended and restated on 22 December 2014. The New Credit Facilities are repayable in full upon final maturity. The Group intends to refinance or renew the New Credit Facilities on maturity or earlier through sources that it deems appropriate at that time. The Group will continue to analyse which sources of capital are most advantageous to the Group at any particular time. As part of the Group's capital structure management, the Group has been able to borrow and refinance funds in the form of bank loans and the senior notes. As our business continues to grow, we expect to be able to continue to obtain refinancing on or before the maturity of our indebtedness on commercially reasonable terms.

See "*—Indebtedness — Description of material indebtedness — New Credit Facilities*" for further details.

Using the partial proceeds from the New Credit Facilities, on 22 January 2015 we redeemed the outstanding senior notes issued by a subsidiary of the Group. In connection with the redemption of the outstanding senior notes, we paid a premium of HK$53 million and wrote off the unamortised cost of originating fee of HK$43 million. These finance costs will be reflected in our income statement for the six months ending 28 February 2015 and the year ending 31 August 2015. See "*— Indebtedness — Description of material indebtedness — 5.25% Guaranteed Senior Notes due 2018"* for further details. We have entered into interest rate swaps to manage the interest rate risk associated with a significant portion of the amount drawn down under the New Credit Facilities. See *"— Qualitative and Quantitative Disclosure about Market Risk — Hedging Arrangements"* for further details.

Redemption of MLHL Preference Shares

On 18 February 2015, MLHL approved a redemption of certain of its preference shares (together with the accrued coupon thereon) held by certain of its shareholders (other than the Co-Owners) with an aggregate value of approximately HK$245 million. The redemption will be completed on 9 March 2015 and will be fully funded by cash on hand, sourced by way of dividends from HKBN amounting to approximately HK$230 million and residual cash held by MLHL amounting to approximately HK$15 million. As part of our capital structure management, the redemption will increase our net tangible liabilities position. See "*Financial Information — Dividends, Dividend Policy and Distributable Reserves*" for more details.

The Capitalisation Issue

In order to enable the Plan Trustee to release Shares to Participants upon vesting of RSUs granted under the Co-Ownership Plan II, the Company will capitalise an amount of between HK$566.67 and HK$637.50 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par between 5,666,666 Plan Shares (based on Maximum Offer Price) and 6,375,000 Plan Shares (based on Minimum Offer Price) for allotment and issue to the

Plan Trustee on the Listing Date. The Plan Shares will be held by the Plan Trustee until their release to Participants upon vesting of the RSUs or termination of the Co-Ownership Plan II. See "*Appendix VI — Statutory and General Information — Co-Ownership Plan II*" for further details.

Co-Ownership Plan II

The Company expects to invite 400 plus Talents according to seniority to participate in the Co-Ownership Plan II, whereby the Talents will purchase Shares at market price and be granted the right to receive additional Shares at no consideration on a 3 for 7 matching basis around two months after the Listing Date, subject to a cap based on each Talent's seniority level, under the Co-Ownership Plan II. The right to receive additional Shares granted under the Co-Ownership Plan II will be subject to a three year back-end loaded vesting schedule and various conditions, to reward our Talents for being long-term owners of the Company.

DESCRIPTION OF SELECTED LINE ITEMS IN THE STATEMENT OF COMPREHENSIVE INCOME

The following table sets forth a summary of our results of operations for the years / periods indicated.

	For the period from 15 March to 31 August	For the years ended 31 August		For the three months ended 30 November	
	2012	2013	2014	2013	2014
	HK$	HK$ (in thousands)	HK$	HK$ (unaudited)	HK$ (in thousands)
Residential revenue	368,137	1,489,829	1,630,472	392,997	425,500
Enterprise revenue	87,463	370,763	422,975	99,270	111,663
Product revenue	98,274	88,842	78,134	5,169	16,617
Turnover	**553,874**	**1,949,434**	**2,131,581**	**497,436**	**553,780**
Other net income	4,071	7,265	12,925	6,763	5,043
Network costs and costs of sales	(151,617)	(305,167)	(287,121)	(60,645)	(67,234)
Other operating expenses	(384,096)	(1,460,091)	(1,560,777)	(377,443)	(389,543)
Finance costs	(47,207)	(301,401)	(191,570)	(46,632)	(43,578)
(Loss) / profit before taxation	(24,975)	(109,960)	105,038	19,479	58,468
Income tax	(6,252)	(29,038)	(51,488)	(10,672)	(19,301)
(Loss) / profit for the period / year	(31,227)	(138,998)	53,550	8,807	39,167
Other comprehensive income for the period / year	306	2,392	(383)	323	(12)
Total comprehensive income for the period / year	**(30,921)**	**(136,606)**	**53,167**	**9,130**	**39,155**

Turnover

We generate turnover primarily from two major businesses: our residential and enterprise businesses. Our residential business mainly consists of fixed telecommunications network services including high-speed broadband Internet access services of symmetric 100 Mbps to 1,000 Mbps, VoIP services and other telecommunications services including IP-TV services to residential customers. Residential broadband Internet access services generate the majority of our turnover, and also drives demand for our other residential telecommunications services when offered as a bundled service. Our enterprise business mainly consists of broadband, VoIP, MetroNet private network services and other telecommunications services to enterprise customers.

Residential business

Turnover from our residential business primarily consists of monthly service charges payable by our subscribers. We generate turnover from our high-speed broadband Internet access services (typically from 100 Mbps to 1,000 Mbps), fixed line voice services and other services, including IP-TV services and IDD services. Residential broadband services generate the majority of our turnover, and also drive demand for our other residential telecommunications services when offered as a bundled service.

We charge our subscribers a monthly service charge, which generally varies by the number and nature of the fixed telecommunications network services subscribed.

We derive turnover by providing IDD services with tariffs generally varying by the destination of the call and the calling prefix, and different discounts depending on the time of the day or day of the week when the call is placed.

Enterprise business

Turnover from our enterprise business primarily consists of monthly service charges payable by our enterprise service subscribers and interconnection charges payable by other telecommunications operators. We generate turnover from our broadband services, VoIP and MetroNet private network services.

Product sales

We sell computers, tablets, mobile phones and other devices to our subscribers, through promotional offers, and to retail customers. As part of our strategy to focus on providing broadband Internet access services, we have decreased the emphasis on product sales during the Track Record Period including terminating a reselling arrangement with a major technology company in 2012.

Other net income

Other net income comprises interest income, net exchange difference, amortisation of obligations under granting of rights and other income. Other income includes fair value gain / (loss) of derivative financial instruments, one-off net loss on disposal of Automedia Group (which operates a small IDD business in Canada and was sold to a member of our senior management in 2014) and other miscellaneous income.

Network costs and costs of sales

Network costs vary according to either our network capacity or our traffic volume. Such costs mainly include international bandwidth costs, leased line rentals, programme fees and costs for the content provided through our IP-TV services and interconnection charges payable to other local fixed network operators. Network costs do not include depreciation charge, which is included in other operating expenses. Cost of sales mainly includes the cost of computers, mobile phones and other devices that we sell to our subscribers and retail customers.

A breakdown of the network costs and costs of sales for the Group is as follows:

	For the period from 15 March to 31 August	For the years ended 31 August		For the three months ended 30 November	
	2012	2013	2014	2013	2014
	HK$	HK$ (in thousands)	HK$	HK$ (in thousands) (unaudited)	HK$
Network costs	60,217	229,354	227,096	56,580	53,831
Costs of sales	91,400	75,813	60,025	4,065	13,403
Network costs and costs of sales	151,617	305,167	287,121	60,645	67,234

Other operating expenses

Other operating expenses comprises advertising and marketing expenses, Talent costs, depreciation, amortisation of intangible assets and others. Others include net gains or losses on disposal of fixed assets, impairment losses on accounts receivable, collection charges, site and equipment maintenance costs, office rental and utilities and other general administrative expenses.

Advertising and marketing expenses. Due to our efforts in promoting our residential and enterprise network services, our advertising and marketing expenses incurred in connection with subscription acquisition and retention activities have been relatively high. Advertising and marketing expenses includes Talent costs and commissions paid which we characterise as customer acquisition costs and customer retention costs.

Talent costs. Salaries and related costs incurred for services rendered by Talents. A portion of Talent costs is capitalised as fixed assets and are also included in advertising and marketing expenses. A portion of Talent costs was also included in network costs and costs of sales during the Track Record Period.

Depreciation. Depreciation is calculated to write off the cost of items of fixed assets less their estimated residual value, if any, using straight-line method over their estimated useful lives. We expect that we will continue to invest in our network to expand our network coverage. In addition, any technological advancement or obsolescence might affect the estimated useful lives of our fixed assets.

Amortisation of intangible assets. Amortisation of intangible assets is the write-off of intangible assets such as backlog of residential and enterprise businesses, customer relationships, brand and trademarks on a straight line basis over the assets' estimated useful lives. These intangible assets primarily relate to the assets acquired pursuant to the CVC Acquisition. Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses. Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. A portion of the intangible assets related to the backlog of contractual arrangements with customers at the time of the CVC Acquisition had been fully amortised over the two years since the CVC Acquisition. This has resulted in the decrease in the amortisation of intangible assets for the three months ended 30 November 2014. See note 10 to the Accountants' Report on the Financial Information of the Group included in Appendix IA.

A breakdown of the other operating expenses for the Group is as follows:

	For the period from 15 March to 31 August	For the years ended 31 August		For the three months ended 30 November	
	2012	2013	2014	2013	2014
	HK$	HK$ (in thousands)	HK$	HK$ (in thousands) (unaudited)	HK$
Advertising and marketing expenses	96,340	380,204	377,975	83,832	96,697
Talent costs	71,539	311,921	369,404	86,413	98,228
Depreciation	70,664	286,535	327,095	79,679	89,315
Amortisation of intangible assets	65,691	263,366	225,292	65,917	27,541
Others[(1)]	79,862	218,065	261,011	61,602	77,762
Other operating expenses	384,096	1,460,091	1,560,777	377,443	389,543

Note:

(1) Others include net gains or losses on disposal of fixed assets, impairment losses on accounts receivable, collection charges, site and equipment maintenance costs, office rental and utilities and other general administrative expenses.

Finance costs

Finance costs represent interest paid on our indebtedness, including the senior notes and bank loans. Finance costs also include a one-off write-off of an unamortised bank loan origination fee of HK$114.0 million in the year ended 31 August 2013.

Income Tax

Hong Kong profits tax has been applied at the rate of 16.5% on the estimated assessable profits during each of the period from 15 March 2012 to 31 August 2012, the years ended 31 August 2013 and 2014 and the three months ended 30 November 2013 and 2014. The statutory income tax rate in the PRC is 25%. The PRC Subsidiary, a wholly-owned subsidiary acquired by the Group on 30 May 2012, being a recognised Advanced Technology Service Enterprise, was subject to income tax at a reduced rate of 15% until 31 December 2012. Starting from 1 January 2013, the provision for PRC income tax has been calculated at 25%.

The income tax expense from deferred taxation represents deferred taxation relating to the origination and reversal of temporary differences on amortisation of intangible assets and obligations under granting of rights and utilisation of deferred tax assets in respect of tax losses.

Our effective tax rate is computed as the income tax expenses divided by profit before tax. Our effective tax rate was 49.0% for the year ended 31 August 2014, which was higher than 16.5% mainly because our interest expense was not tax deductible, and is not applicable for the period ended 15 March 2012 to 31 August 2012 and year ended 31 August 2013 as we operated at loss for each of the period and the year. Our adjusted effective tax rate, which is computed as the income tax expense divided by profit/(loss) before tax, finance costs and transaction costs in connection with business combination, would be 13.5%, 15.1%, 17.4%, 16.1% and 18.9% for the period from 15 March 2012 to 31 August 2012, the years ended 31 August 2013 and 2014 and for the three months ended 30 November 2013 and 2014, respectively. Going forward, our effective tax rate will also be affected by the interest expense that we will incur under the New Credit Facilities which (except for amounts drawn under the 2014 Revolving Facility) are also not expected to be tax deductible.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS OF THE GROUP

Comparison of the three months ended 30 November 2013 and 2014

Turnover. Turnover increased by 11.3% to HK$553.8 million in the three months ended 30 November 2014 from HK$497.4 million in the three months ended 30 November 2013, reflecting an increase in subscription prices from our residential broadband and enterprise services, as well as increased revenue from product sales due to more bundling promotional offers, which was partially offset by decreased residential IP-TV subscriptions.

Residential revenue. Residential revenue increased by HK$32.5 million, or 8.3%, to HK$425.5 million in the three months ended 30 November 2014 from HK$393.0 million in the three months ended 30 November 2013. The increase was due to the increase in our residential broadband Internet subscription base, which was partially offset by a decrease in our residential IP-TV subscription base.

Enterprise revenue. Enterprise revenue increased by HK$12.4 million, or 12.5%, to HK$111.7 million in the three months ended 30 November 2014 from HK$99.3 million in the three months ended 30 November 2013. This increase was due to an expansion on our enterprise business as the number of enterprises broadband subscriptions increased.

Product revenue. Revenue from product sales increased by HK$11.4 million, or 219.2%, to HK$16.6 million in the three months ended 30 November 2014 from HK$5.2 million in the three months ended 30 November 2013. This increase was due to an increase in bundling promotional offers with products to our residential broadband services.

Other net income. Other net income decreased by 26.5% to HK$5.0 million in the three months ended 30 November 2014 from HK$6.8 million in the three months ended 30 November 2013. The decrease was due to a decrease in exchange gain by HK$2.8 million due to translation of the senior notes partially offset by an increase in interest income of HK$0.9 million.

Network costs and costs of sales. Network costs and costs of sales increased by 10.9% to HK$67.2 million in the three months ended 30 November 2014 from HK$60.6 million in the three months ended 30 November 2013. Network costs decreased by 4.9% from the three months ended 30 November 2013 to the three months ended 30 November 2014 mainly due to a decrease in programme cost as a result of a de-emphasis on our IP-TV business. Costs of sales increased by 229.7% from the three months ended 30 November 2013 to the three months ended 30 November 2014 mainly due to an increase in bundling promotional offers with products to our residential customers.

Other operating expenses.

Set forth below is a table summarising the details of our other operating expenses in the three months ended 30 November 2013 and 2014:

	For the three months ended 30 November	
	2013	**2014**
	HK$	**HK$**
	(in thousands)	
	(unaudited)	
Advertising and marketing expenses	83,832	96,697
Talent costs	86,413	98,228
Depreciation	79,679	89,315
Amortisation of intangible assets	65,917	27,541
Others[(1)]	61,602	77,762
Other operating expenses	377,443	389,543

Note:

(1) Others include net gains or losses on disposal of fixed assets, impairment losses on accounts receivable, collection charges, site and equipment maintenance costs, office rental and utilities and other general administrative expenses.

Other operating expenses increased by 3.2% to HK$389.5 million in the three months ended 30 November 2014 from HK$377.4 million in the three months ended 30 November 2013 mainly due to the following:

Advertising and marketing expenses. Advertising and marketing expenses increased by 15.4% to HK$96.7 million in the three months ended 30 November 2014 from HK$83.8 million in the three months ended 30 November 2013, primarily due to an increase in sales team members as a result of the expansion of our enterprise business and installation cost as a result of a significant increase in the number of residential broadband subscriptions.

Talent costs. Talent costs increased by 13.7% to HK$98.2 million in the three months ended 30 November 2014 from HK$86.4 million in the three months ended 30 November 2013, primarily due to the increase in number of Talents as a result of the expansion of our enterprise business and the increase in installation requests from residential broadband customers.

Depreciation. Depreciation increased by 12.0% to HK$89.3 million in the three months ended 30 November 2014 from HK$79.7 million in the three months ended 30 November 2013, primarily due to the expansion of our network coverage and the subscription base growth of both our residential and enterprise businesses.

Finance costs. Finance costs decreased by 6.4% to HK$43.6 million in the three months ended 30 November 2014 from HK$46.6 million in the three months ended 30 November 2013, primarily due to the repurchase of senior notes during the year ended 31 August 2014 which saved the interest being paid.

Profit / loss before taxation. Profit before taxation increased by 200.0% to HK$58.5 million in the three months ended 30 November 2014 from HK$19.5 million in the three months ended 30 November 2013 due to the factors discussed above. Our profit before taxation margin was 10.6% in the three months ended 30 November 2014.

Income tax. Income tax increased by 80.4% to HK$19.3 million in the three months ended 30 November 2014 from HK$10.7 million in the three months ended 30 November 2013 mainly due to the increase in profit. Our effective tax rate was 33.0% for the three months ended 30 November 2014, which was higher than 16.5% mainly because our interest expense was not tax deductible.

Profit / loss for the period. Profit for the period increased by 345.5% to HK$39.2 million in the three months ended 30 November 2014 from HK$8.8 million in the three months ended 30 November 2013 due to the factors discussed above.

Non-HKFRS financial measures

The measures of financial performance described in this section are non-HKFRS measures and accordingly are not audited, not included in the financial statements and not presented in accordance with HKFRS. Although these measures of financial performance are reconcilable to line items on the financial statements, they may not be equivalent to similarly named measures used by other companies and should not be considered as measures comparable to income statement items in the financial statements. They have limitations as analytical tools and should not be considered in isolation from, or as a substitute for, an analysis of our financial results presented under HKFRS.

EBITDA of the Group

EBITDA increased by HK$24.2 million or 11.4% to HK$235.6 million in the three months ended 30 November 2014 from HK$211.4 million in the three months ended 30 November 2013, primarily due to a 11.3% growth in turnover as a result of the increase in both subscriptions for our residential and enterprise services as well as implementation of cost saving measures.

EBITDA margin of the Group

EBITDA margin remained stable at 42.5% in the three months ended 30 November 2014 and 42.5% in the three months ended 30 November 2013, primarily due to the consistent growth of the business offset by similar increases in advertising and marketing expenses and Talent costs.

Adjusted Free Cash Flow of the Group

Adjusted Free Cash Flow decreased by HK$58.7 million or 39.3% to HK$90.5 million in the three months ended 30 November 2014 from HK$149.2 million in the three months ended 30 November 2013, primarily due to the annual tax payment of HK$83.1 million for the three months ended 30 November 2014. The tax payment for the three months ended 30 November 2013 was relatively smaller due to a tax loss that was carried forward.

Adjusted Net Profit of the Group

Adjusted Net Profit increased by HK$16.3 million or 25.5% to HK$80.1 million in the three months ended 30 November 2014 from HK$63.8 million in the three months ended 30 November 2013, primarily due to an increase in turnover, the implementation of cost-saving measures as well as lower finance costs.

Comparison of the years ended 31 August 2013 and 2014

Turnover. Turnover increased by 9.3% to HK$2,131.6 million in the year ended 31 August 2014 from HK$1,949.4 million in the year ended 31 August 2013, reflecting an increase in both subscriptions from our residential business and higher prices for our residential broadband and enterprise services, partially offset by decreased residential IP-TV subscriptions and decreased revenue from product sales.

Residential revenue. Residential revenue increased by HK$140.7 million or 9.4% to HK$1,630.5 million in the year ended 31 August 2014 from HK$1,489.8 million in the year ended 31 August 2013. The increase was partially due to the increase in our residential broadband Internet subscription base and successful up-selling to higher broadband access speeds at higher prices when renewing existing subscriptions and cross-selling our services. Such increase was partially offset by decreases in subscriptions for our IP-TV services and revenue from our IDD services.

Enterprise revenue. Enterprise revenue increased by 14.1% to HK$423.0 million in the year ended 31 August 2014 from HK$370.8 million in the year ended 31 August 2013. This increase reflected our increased emphasis on the enterprise business as the number of enterprise broadband subscriptions increased from approximately 26,000 as at 31 August 2013 to approximately 28,000 as at 31 August 2014.

Product revenue. Revenue from product sales decreased from HK$88.8 million in the year ended 31 August 2013 to HK$78.1 million in the year ended 31 August 2014 as we have decreased the emphasis on product sales during the Track Record Period including terminating a reselling arrangement with a major technology company in 2012.

Other net income. Other net income increased by 76.7% to HK$12.9 million in the year ended 31 August 2014 from HK$7.3 million in the year ended 31 August 2013. The increase was mainly due to the increase in interest income in the year ended 31 August 2014.

Network costs and costs of sales. Network costs and costs of sales decreased by 5.9% to HK$287.1 million in the year ended 31 August 2014 from HK$305.2 million in the year ended 31 August 2013. Network costs decreased by 1.0% from the year ended 31 August 2013 to the year ended 31 August 2014 mainly due to the decrease in IDD costs and programme costs, and decrease in costs of sales in our Y5Zone business, which outpaced the increase in our international bandwidth costs. Cost of sales also decreased by HK$15.8 million from HK$75.8 million in the year ended 31 August 2013 to HK$60.0 million in the year ended 31 August 2014 reflecting the decrease in bundling promotional offers with products to our customers.

Other operating expenses.

Set forth below is a table summarising the details of our other operating expenses in the years ended 31 August 2013 and 2014:

	For the years ended 31 August	
	2013	**2014**
	HK$	**HK$**
	(in thousands)	
Advertising and marketing expenses	380,204	377,975
Talent costs	311,921	369,404
Depreciation	286,535	327,095
Amortisation of intangible assets	263,366	225,292
Others(1)	218,065	261,011
Other operating expenses	1,460,091	1,560,777

Note:

(1) Others include net gains or losses on disposal of fixed assets, impairment losses on accounts receivable, collection charges, site and equipment maintenance costs, office rental and utilities and other general administrative expenses.

Other operating expenses increased by 6.9% to HK$1,560.8 million in the year ended 31 August 2014 from HK$1,460.1 million in the year ended 31 August 2013 mainly due to the following:

Advertising and marketing expenses. Advertising and marketing expenses decreased by 0.6% to HK$378.0 million in the year ended 31 August 2014 from HK$380.2 million in the year ended 31 August 2013 mainly due to savings realised from the more frequent use of online advertising channels, which was partially offset by the increase in customer acquisition costs as a result of an increase in the number of subscriptions.

Talent costs. Talent costs increased by 18.4% to HK$369.4 million in the year ended 31 August 2014 from HK$311.9 million in the year ended 31 August 2013 mainly due to the full year effect of salary increases in 2013, additional bonus provisions and the increase in number of Talents due to the expansion of our enterprise business.

Depreciation. Depreciation increased by 14.2% to HK$327.1 million in the year ended 31 August 2014 from HK$286.5 million in the year ended 31 August 2013 primarily due to the expansion of our network coverage and the subscription base growth of both our residential and enterprise businesses.

Finance costs. Finance costs decreased by 36.4% to HK$191.6 million in the year ended 31 August 2014 from HK$301.4 million in the year ended 31 August 2013 mainly due to the one-off write-off of an unamortised bank loan origination fee of HK$114.0 million in the year ended 31 August 2013 related to the refinancing of a bank loan with proceeds from the senior notes.

Profit / loss before taxation. Profit before taxation was HK$105.0 million in the year ended 31 August 2014 while we operated at a loss of HK$110.0 million in the year ended 31 August 2013 due to the factors discussed above. Our profit before taxation margin was 4.9% in the year ended 31 August 2014.

Income tax. Income tax increased by 77.6% to HK$51.5 million in the year ended 31 August 2014 from HK$29.0 million in the year ended 31 August 2013 mainly due to the increase in profit. Our effective tax rate was 49.0% for the year ended 31 August 2014, which was higher than 16.5% mainly because our interest expense was not tax deductible.

Profit / loss for the year. Profit for the year was HK$53.6 million in the year ended 31 August 2014 while we operated at a loss of HK$139.0 million in the year ended 31 August 2013 due to the factors discussed above.

Non-HKFRS financial measures

The measures of financial performance described in this section are non-HKFRS measures and accordingly are not audited, not included in the financial statements and not presented in accordance with HKFRS. Although these measures of financial performance are reconcilable to line items on the financial statements, they may not be equivalent to similarly named measures used by other companies and should not be considered as measures comparable to income statement items in the financial statements. They have limitations as analytical tools and should not be considered in isolation from, or as a substitute for, an analysis of our financial results presented under HKFRS.

EBITDA of the Group

EBITDA increased by HK$104.7 million or 14.1% to HK$845.3 million in the year ended 31 August 2014 from HK$740.6 million in the year ended 31 August 2013. The increase in EBITDA was driven by a 9.3% growth in turnover as a result of the increase in both subscriptions and higher prices of our residential and enterprise broadband services, as well as implementation of cost-saving measures.

EBITDA margin of the Group

EBITDA margin increased to 39.7% in the year ended 31 August 2014 from 38.0% in the year ended 31 August 2013, mainly due to implementation of cost savings measures.

Adjusted Free Cash Flow of the Group

Adjusted Free Cash Flow increased by HK$84.2 million or 37.2% to HK$310.8 million in the year ended 31 August 2014 from HK$226.6 million in the year ended 31 August 2013. The increase was due to the increase in both subscriptions of our residential and enterprise broadband services and the increase in prices for our residential and enterprise services, as well as net changes in working capital and the implementation of cost-saving measures.

Adjusted Net Profit of the Group

Adjusted Net Profit increased by HK$52.8 million or 26.3% to HK$253.9 million in the year ended 31 August 2014 from HK$201.1 million in the year ended 31 August 2013. The increase was due to the increase in turnover and the implementation of cost-saving measures, as well as lower finance costs.

Comparison of the years ended 31 August 2012 and 2013

The Group's combined financial information for the period from 15 March 2012 to 31 August 2012 presents partial year results of the Group following the acquisition of our network by the Group on 30 May 2012. These results are not directly comparable to the full year combined results of the Group for the year ended 31 August 2013. The Group's combined financial information for the period from 15 March 2012 to 31 August 2012 is prepared on a combined basis and reflects only 3 months of operations for the year ended 31 August 2012 following the acquisition of our network and related assets. The audited financial statements of HKBN, our principal operating subsidiary, as at and for the years ended 31 August 2012, 2013 and 2014 are included in Appendix IB to this prospectus.

As the primary driver for changes in specific line items is the limited duration of the post-acquisition portion of the period ended 31 August 2012, the Group's results of operations for the period from 15 March 2012 to 31 August 2012 and the years ended 31 August 2013 and 2014 are not comparable.

Turnover. Turnover increased by 252.0% to HK$1,949.4 million in the year ended 31 August 2013 from HK$553.9 million in the period from 15 March 2012 to 31 August 2012.

Residential revenue. Residential revenue increased by 304.7% to HK$1,489.8 million in the year ended 31 August 2013 from HK$368.1 million in the period from 15 March 2012 to 31 August 2012. The significant increase in the year ended 31 August 2013 is mainly due to the fact that the audited results for the period from 15 March 2012 to 31 August 2012 only reflect partial year results of our business following the completion of the CVC Acquisition on 30 May 2012.

Enterprise revenue. Enterprise revenue increased by 323.8% to HK$370.8 million in the year ended 31 August 2013 from HK$87.5 million in the period from 15 March 2012 to 31 August 2012. The significant increase in the year ended 31 August 2013 is mainly due to the fact that the audited results for the period from 15 March 2012 to 31 August 2012 only reflect partial year results of our business following the completion of the CVC Acquisition on 30 May 2012.

Product revenue. Revenue from product sales decreased to HK$88.8 million in the year ended 31 August 2013 compared to HK$98.3 million in the period from 15 March 2012 to 31 August 2012 as we have decreased the emphasis on product sales during the Track Record Period including terminating a reselling arrangement with a major technology company in 2012.

Other net income. Other net income increased by 78.0% to HK$7.3 million in the year ended 31 August 2013 from HK$4.1 million in the period from 15 March 2012 to 31 August 2012. The increase was mainly due to the amortisation of certain obligations under the granting of rights of HK$9.0 million, which was partially offset by the net exchange loss of HK$6.8 million related to the partial repurchase of the senior notes.

Network costs and costs of sales. Network costs and costs of sales increased by 101.3% to HK$305.2 million in the year ended 31 August 2013 from HK$151.6 million in the period from 15 March 2012 to 31 August 2012. The significant increase in the year ended 31 August 2013 is due to the fact that the audited results for the period from 15 March 2012 to 31 August 2012 only reflect partial year results of our business following the completion of the CVC Acquisition on 30 May 2012.

Other operating expenses

Set forth below is a table summarising the details of the Group's other operating expenses for the periods indicated:

	For the period from 15 March to 31 August	For the year ended 31 August
	2012	2013
	HK$	HK$
	(in thousands)	
Advertising and marketing expenses	96,340	380,204
Talent costs	71,539	311,921
Depreciation	70,664	286,535
Amortisation of intangible assets	65,691	263,366
Others(1)	79,862	218,065
Other operating expenses	384,096	1,460,091

Note:

(1) Others include collection charges, site and equipment maintenance costs, office rental and utilities and other general administrative expenses.

Other operating expenses increased by 280.1% to HK$1,460.1 million in the year ended 31 August 2013 from HK$384.1 million in the period from 15 March 2012 to 31 August 2012. The significant increase in the year ended 31 August 2013 is due to the fact that the audited results for the period from 15 March to 31 August 2012 only reflect partial year results of our business following the completion of the CVC Acquisition on 30 May 2012.

Talent costs. Talent costs increased by 336.2% to HK$311.9 million in the year ended 31 August 2013 from HK$71.5 million in the period from 15 March 2012 to 31 August 2012.

Advertising and marketing expenses. Advertising and marketing expenses increased by 294.8% to HK$380.2 million in the year ended 31 August 2013 from HK$96.3 million in the period from 15 March 2012 to 31 August 2012.

Depreciation. Depreciation increased by 305.2% to HK$286.5 million in the year ended 31 August 2013 from HK$70.7 million in the period from 15 March 2012 to 31 August 2012.

The significant increases in the year ended 31 August 2013 for each of these line items are due to the fact that the audited results for the period from 15 March 2012 to 31 August 2012 only reflect partial year results of our business following the completion of the CVC Acquisition on 30 May 2012.

Finance costs. Finance costs increased by 538.5% to HK$301.4 million in the year ended 31 August 2013 from HK$47.2 million in the period from 15 March to 31 August 2012 partially due to the one-off write-off of an unamortised bank loan origination fee of HK$114.0 million in the year ended 31 August 2013 related to the refinancing of a bank loan with proceeds from the senior notes. The significant increase in the year ended 31 August 2013 is due to the fact that the audited results for the period from 15 March to 31 August 2012 only reflect partial year results of our business following the completion of the CVC Acquisition on 30 May 2012.

Loss before taxation. Loss before taxation increased by 340.0% to operating at a loss of HK$110.0 million in the year ended 31 August 2013 from HK$25.0 million in the period from 15 March 2012 to 31 August 2012. The significant increase in the year ended 31 August 2013 was due to the one-off write-off of an unamortised bank loan originating fee and the fact that the audited results for the period from 15 March to 31 August 2012 only reflect partial year results of our business following the completion of the CVC Acquisition on 30 May 2012.

Income tax. Income tax increased by 360.3% to HK$29.0 million in the year ended 31 August 2013 from HK$6.3 million in the period from 15 March 2012 to 31 August 2012. Our effective tax rate is not applicable as we operated at a loss for each of the period from 15 March 2012 to 31 August 2012 and the year ended 31 August 2013. The significant increase in income tax in the year ended 31 August 2013 is due to the fact that the audited results for the period from 15 March 2012 to 31 August 2012 only reflect partial year results of our business following the completion of the CVC Acquisition on 30 May 2012.

Loss for the period/year. Loss for the period/year increased by 345.5% to a loss of HK$139.0 million in the year ended 31 August 2013 from a loss of HK$31.2 million in the period from 15 March 2012 to 31 August 2012 due to the factors discussed above, particularly the one-off write-off of an unamortised bank loan origination fee in 2013.

Non-HKFRS financial measures

The measures of financial performance described in this section are non-HKFRS measures and accordingly are not audited, not included in the financial statements and not presented in accordance with HKFRS. Although these measures of financial performance are reconcilable to line items on the financial statements, they may not be equivalent to similarly named measures used by other companies and should not be considered as measures comparable to income statement items in the financial statements. They have limitations as analytical tools and should not be considered in isolation from, or as a substitute for, an analysis of our financial results presented under HKFRS.

EBITDA of the Group

EBITDA increased by HK$582.0 million or 367.0% to HK$740.6 million in the year ended 31 August 2013 from HK$158.6 million in the period from 15 March 2012 to 31 August 2012. The significant increase in the year ended 31 August 2013 is due to the fact that the audited results for the period from 15 March 2012 to 31 August 2012 only reflect partial year results of the network following the completion of the CVC Acquisition on 30 May 2012.

EBITDA margin of the Group

EBITDA margin increased to 38.0% in the year ended 31 August 2013 from 28.6% in the period from 15 March 2012 to 31 August 2012, due to the implementation of cost-saving measures and a decrease in the emphasis of product sales.

Adjusted Free Cash Flow of the Group

Adjusted Free Cash Flow increased by HK$193.5 million or 584.6% to HK$226.6 million in the year ended 31 August 2013 from HK$33.1 million in the period from 15 March 2012 to 31 August 2012. The significant increase in the year ended 31 August 2013 is due to the fact that the audited results for the period from 15 March 2012 to 31 August 2012 only reflect partial year results of our business following the completion of the CVC Acquisition on 30 May 2012.

Adjusted Net Profit of the Group

Adjusted Net Profit increased by HK$153.3 million or 320.7% to HK$201.1 million in the year ended 31 August 2013 from HK$47.8 million in the period from 15 March 2012 to 31 August 2012. The significant increase in the year ended 31 August 2013 is due to the fact that the audited results for the period from 15 March 2012 to 31 August 2012 only reflect partial year results of our business following the completion of the CVC Acquisition on 30 May 2012.

LIQUIDITY AND CAPITAL RESOURCES

Overview

We believe that our current cash and cash equivalents and cash flow from operations will be sufficient to meet our anticipated cash needs, including working capital requirements, capital expenditure, repayment of our indebtedness when it falls due and various contractual obligations, for at least the next 12 months. Our cash flows from operations, however, may decrease due to lower customer demand resulting from rapid technological changes, increasing competition resulting from new local and foreign entrants into the market or our failure to obtain or renew the necessary telecommunications licences. A decrease in our operating cash flow could adversely affect our ability to make planned capital expenditure, to comply with our obligations under various operating and capital leases and to repay amounts due under banking facilities.

Cash flow

The following table summarises the Group's cash flows for each of the years / periods indicated:

	For the period from 15 March to 31 August	For the years ended 31 August		For the three months ended 30 November	
	2012	2013	2014	2013	2014
	HK$	HK$ (in thousands)	HK$	HK$ (in thousands) (unaudited)	HK$
Net cash inflow from operating activities	182,553	765,005	874,657	159,278	90,461
Net cash outflow from investing activities	(4,910,811)	(388,575)	(324,072)	(64,571)	(72,257)
Net cash inflow/(outflow) from financing activities	4,867,379	(207,958)	(425,047)	—	—
Net increase in cash and cash equivalents	139,121	168,472	125,538	94,707	18,204
Cash and cash equivalents as at the beginning of the period / year	—	139,283	310,029	310,029	435,630
Effect of foreign exchange rate changes	162	2,274	63	(55)	3
Cash and cash equivalents as at the end of the period / year	139,283	310,029	435,630	404,681	453,837

Operating activities

Our principal source of cash was cash generated from our residential business.

Net cash inflow from operations activities decreased by 43.2% from HK$159.3 million in the three months ended 30 November 2013 to HK$90.5 million in the three months ended 30 November 2014. Such decrease was mainly due to tax payments of HK$83.1 million in the three months ended 30 November 2014 offset in part by a decrease in changes in working capital by HK$30.2 million due to the timing difference in settlement.

Net cash inflow from operating activities increased by 14.3% from HK$765.0 million in the year ended 31 August 2013 to HK$874.7 million in the year ended 31 August 2014. Such increase was mainly due to the increase in gross receipts from customers in the year ended 31 August 2014 as a result of the increase in both subscriptions and prices of our residential and enterprise broadband services.

Net cash inflow from operations activities increased 319.0% from HK$182.6 million in the period from 15 March 2012 to 31 August 2012 to HK$765.0 million in the year ended 31 August 2013. The net cash inflow was mainly due to the fact that the audited results for the period from 15 March 2012 to 31 August 2012 only reflected partial year results of our business following the completion of the CVC Acquisition on 30 May 2012.

Investing activities

Net cash outflow from investing activities in the three months ended 30 November 2014 was HK$72.3 million. The net cash outflow was mainly due to the purchase of fixed assets of HK$70.0 million relating to the expansion of our network.

Net cash outflow from investing activities in the three months ended 30 November 2013 was HK$64.6 million. The net cash outflow was mainly due to the purchase of fixed assets of HK$60.2 million relating to the expansion of our network.

Net cash outflow from investing activities in the year ended 31 August 2014 was HK$324.1 million. The net cash outflow was mainly due to the purchase of fixed assets of HK$345.6 million relating to the expansion of our network.

Net cash outflow from investing activities in the year ended 31 August 2013 was HK$388.6 million. The net cash outflow was mainly due to the purchase of fixed assets of HK$324.2 million relating to the expansion of our network and an increase of bank deposits of HK$45.0 million.

Net cash outflow from investing activities in the period from 15 March 2012 to 31 August 2012 was HK$4,910.8 million. The net cash outflow was mainly due to the payment for acquisition of subsidiaries in connection with the CVC Acquisition of HK$4,838.8 million.

Financing activities

We recorded net cash from financing activities of nil and nil in the three months ended 30 November 2013 and 2014, respectively.

Net cash outflow from financing activities in the year ended 31 August 2014 was HK$425.0 million. The net cash outflow was mainly due to payment for the repurchase of senior notes of HK$255.3 million and the interest paid on senior notes of HK$168.8 million.

Net cash outflow from financing activities in the year ended 31 August 2013 was HK$208.0 million. The net cash outflow was mainly due to loan principal and interest repayment of HK$2,546.7 million, payment for the repurchase of senior notes of HK$198.2 million and dividend payment of HK$776.0 million. Such amounts were partially offset by the net proceeds from the issue of senior notes of HK$3,415.4 million.

Net cash inflow from financing activities in the period from 15 March 2012 to 31 August 2012 was HK$4,867.4 million. The net cash inflow was mainly due to the net proceeds from new bank loans of HK$2,367.0 million and proceeds from the issue of new shares of HK$2,533.2 million in connection with the CVC Acquisition.

Working Capital Statement

Taking into account our cash generated from operating activities and the bank facilities available to us, the Directors believe that we have sufficient working capital for our present requirements and for the 12 months from the date of this prospectus.

Net Current Assets / Liabilities

The following table sets out the details of our current assets and liabilities as at the dates indicated.

	As at 31 August			As at 30 November	As at 31 December
	2012	2013	2014	2014	2014
	HK$	HK$ (in thousands)	HK$	HK$ (in thousands)	HK$ (in thousands) (unaudited)
Current assets					
Inventories	31,064	13,586	21,680	23,850	22,480
Accounts receivable	62,413	74,887	79,995	87,753	87,128
Other receivables, deposits and prepayments	172,782	195,241	180,262	170,541	215,676
Deferred expenditure	7,223	3,638	822	1,032	949
Bank deposits	—	45,000	—	—	—
Cash and cash equivalents	139,283	310,029	435,630	453,837	451,633
Total current assets	**412,765**	**642,381**	**718,389**	**737,013**	**777,866**
Current liabilities					
Bank loan - current portion	119,654	—	—	—	—
Accounts payable	29,865	14,492	11,611	9,468	11,175
Other payables and accrued charges	177,190	257,675	306,625	295,700	306,438
Deposits received	26,477	34,034	32,021	30,601	31,150
Amount due to an immediate holding company	421	14,718	—	—	—
Deferred services revenue - current portion	82,833	68,121	84,399	88,193	89,046
Obligations under granting of rights - current portion	9,024	9,024	9,024	9,024	9,024
Obligations under finance leases - current portion	20	—	—	—	—
Contingent consideration - current portion	—	2,426	6,145	5,380	5,380
Tax payable	1,191	56,954	102,523	53,246	64,276
Total current liabilities	**446,675**	**457,444**	**552,348**	**491,612**	**516,489**
Net current (liabilities)/assets	**(33,910)**	**184,937**	**166,041**	**245,401**	**261,377**

Other payables and accrued charges, the current portion of bank loans and the current portion of deferred service revenue constituted the largest components of our current liabilities as at 31 August 2012. Other payables and accrued charges, the current portion of deferred service revenue and tax payable constituted the largest components of our current liabilities as at 31 August 2013 and 2014, 30 November 2014 and 31 December 2014. Other receivables, deposits and prepayments and cash and cash equivalents constituted the largest components of our current assets during the Track Record Period.

The changes in our inventories during the Track Record Period largely reflected the decrease in product sales in the year ended 31 August 2013 as we de-emphasised this business following the termination of the reseller agreement with a major technology company in 2012.

We recorded net current assets of HK$184.9 million, HK$166.0 million and HK$245.4 million as at 31 August 2013 and 2014 and 30 November 2014, respectively. We had a net current liabilities position of HK$33.9 million as at 31 August 2012.

Our net current liabilities position as at 31 August 2012 primarily reflected the current portion of our bank loan which was refinanced in January 2013 with the proceeds from senior notes. Our net current assets position as at 31 August 2014 primarily reflected a significant increase in cash and cash equivalents.

As at 31 December 2014, being the latest practicable date for the purposes of this statement, our net current assets were HK$261.4 million, consisting of HK$777.9 million of current assets and HK$516.5 million of current liabilities. Our net current assets position as at 31 December 2014 primarily reflected decreased tax payable and an increase in cash and cash equivalents.

CAPITAL EXPENDITURE, COMMITMENTS AND CONTINGENT LIABILITIES

Capital Expenditure

We incurred capital expenditure of approximately HK$324.2 million, HK$345.6 million and HK$70.0 million in the years ended 31 August 2013 and 2014 and the three months ended 30 November 2014, respectively. HKBN, our principal operating subsidiary, incurred capital expenditure of approximately HK$357.2 million for the year ended 31 August 2012. Substantially all of this capital expenditure was made in connection with the construction and upgrade of our infrastructure for the provision of fixed telecommunications network services.

Since 2000, we have invested significantly to build one of the most extensive fibre networks in Hong Kong. As at 31 August 2014, the accumulated cost of HKBN's fixed assets in telecommunications, computer and office equipment, leasehold land and buildings and leasehold improvements amounted to approximately HK$4.1 billion. These fixed assets primarily relate to, and are an integral part of, our network. As at the Latest Practicable Date, our coverage exceeded 2.10 million residential homes passed, covering approximately 79% of Hong Kong's total residential units, and more than 1,900 commercial buildings in Hong Kong, which represents a majority of the high-end commercial buildings targeted by the Company. Our fibre network from end to end is substantially self-owned and has the capacity to deliver a range of advanced telecommunications services to our customers.

Going forward, we expect that the majority of our capital expenditure will be used to selectively expand our network coverage. We will incur build-out capital expenditure costs for the further expansion of the network when we identify locations in Hong Kong with significant numbers of potential new subscriptions that can be covered on a cost-efficient basis and which can be profitably connected to our network. We expect that our network build-out capital expenditure costs will continue to decrease as our network build-out is largely complete.

In the year ending 31 August 2015, we expect to incur capital expenditure of approximately HK$360 million. Since our network is substantially invested, subject to unexpected changes in market conditions, shifts in demographics in Hong Kong or changes in technology, we expect our capital expenditure in the next few years to be similar to the levels incurred during the Track Record Period.

Capital Commitments

Our capital commitments consist of contracts to purchase telecommunications, computer and office equipment. The following table sets out our capital commitments as at the dates indicated:

	As at 31 August			As at 30 November
	2012	2013	2014	2014
	HK$	HK$ (in thousands)	HK$	HK$ (in thousands)
Contracted but not provided for	178,417	121,753	67,992	98,035

Operating Lease Commitments

Our operating lease commitments comprise rentals payable by us for telecommunications facilities, certain land and buildings and computer equipment. We lease a number of land and buildings and telecommunications facilities and computer equipment under operating leases. The leases typically have an initial term of six months to fifteen years with an option to renew the lease subject to renegotiation of commercial terms. Lease payments are usually adjusted annually to reflect market rentals. None of these leases include contingent rentals.

The following table sets out our outstanding commitments under non-cancellable operating leases for leases in respect of telecommunications facilities which are receivable as at the dates indicated:

	As at 31 August			As at 30 November
	2012	2013	2014	2014
	HK$	HK$ (in thousands)	HK$	HK$ (in thousands)
Within one year	4,215	9,425	17,321	22,779
After 1 year but within 5 years	3,256	13,675	30,321	42,105
After 5 years	—	—	14,795	15,000
	7,471	23,100	62,437	79,884

The following table sets out our outstanding commitments under non-cancellable operating leases for leases for land and buildings which are payable as at the dates indicated:

	As at 31 August			As at 30 November
	2012	2013	2014	2014
	HK$	HK$ (in thousands)	HK$	HK$ (in thousands)
Within one year	40,465	36,989	33,911	34,301
After 1 year but within 5 years	74,327	44,553	31,438	28,783
	114,792	81,542	65,349	63,084

The following table sets out our outstanding commitments under non-cancellable operating leases for leases for telecommunications facilities and computer equipment which are payable as at the dates indicated:

	As at 31 August			As at 30 November
	2012	2013	2014	2014
	HK$	HK$ (in thousands)	HK$	HK$ (in thousands)
Within one year	60,484	71,912	67,498	77,488
After 1 year but within 5 years	15,380	20,473	13,559	12,068
After 5 years	2,087	944	50	35
	77,951	93,329	81,107	89,591

Programme Fee Commitments

We entered into several long-term agreements with content providers for the rights to use certain programming in our IP-TV services. The following table set out our minimum outstanding commitments for content costs under these agreements as at the dates indicated:

	As at 31 August			As at 30 November
	2012	2013	2014	2014
	HK$	HK$ (in thousands)	HK$	HK$ (in thousands)
Within one year	36,189	10,152	2,853	1,640
After 1 year but within 5 years	6,793	482	—	—
	42,982	10,634	2,853	1,640

Contingent Liabilities

As at 31 August 2012, 2013 and 2014 and 30 November 2014, our contingent liabilities amounted to HK$5.4 million, HK$5.5 million, HK$5.4 million and HK$5.4 million, respectively. These contingent liabilities represented bank guarantees provided to suppliers and a bank guarantee provided in lieu of payment of utility deposits.

INDEBTEDNESS

The Group has historically used proceeds from debt facilities, particularly its bank loans and the senior notes, to fund a portion of its cash requirements for working capital and investment activities.

The following table sets forth the Group's indebtedness as at the dates indicated.

	As at 31 August			As at 30 November	As at 31 December
	2012	2013	2014	2014	2014
	HK$	HK$ (in millions)	HK$	HK$ (in millions)	HK$ (in millions) (unaudited)
Current indebtedness					
Bank loan - current portion	120	—	—	—	—
Total current indebtedness	120	—	—	—	—
Non-current indebtedness					
Bank loan - long-term portion	2,255	—	—	—	—
Senior notes	—	3,231	2,994	2,997	3,098
Total non-current indebtedness	2,255	3,231	2,994	2,997	3,098
Total indebtedness	2,375	3,231	2,994	2,997	3,098

Description of material indebtedness

5.25% Guaranteed Senior Notes due 2018

Metropolitan Light International Limited, a subsidiary of the Group, issued the 5.25% Guaranteed Senior Notes due 2018 (the "**senior notes**") in an aggregate principal amount of US$450 million on 17 January 2013. The senior notes were unconditionally and irrevocably guaranteed by MLCL and HKBN. The Issuer is a wholly-owned subsidiary of Metropolitan Light established solely for the purpose of issuing debt securities.

The senior notes bore interest at the interest rate of 5.25% per annum payable semi-annually in arrears on 17 July and 17 January in each year commencing 17 July 2013. The senior notes were to mature on 17 January 2018. At any time prior to the second anniversary of the Issue Date, the Issuer could redeem all or part of the senior notes at 100% of their principal amount plus a "make-whole" premium, and any accrued and unpaid interest. At any time on or after the second anniversary of the Issue Date, the Issuer could redeem all or a part of the senior notes at the redemption prices set forth in this offering memorandum relating to the issuance of the senior notes. In addition, at any time prior to the second anniversary of the Issue Date, the Issuer could redeem up to 35% of the senior notes with the net cash proceeds of certain equity offerings.

During the years ended 31 August 2013 and 2014, we repurchased a portion of the senior notes with cumulative principal value of US$25.4 million (HK$196.9 million) and US$32.2 million (HK$249.9 million), respectively, using cash generated from operations and cash on hand. As at 31 August 2013 and 2014, the remaining principal amount of the senior notes after these repurchases was US$424.6 million (HK$3.3 billion) and US$392.4 million (HK$3.0 billion), respectively.

The senior notes were listed on the Official List of the Singapore Stock Exchange Securities Trading Limited (the "**SGX-ST**").

The remaining senior notes have been redeemed in full on 22 January 2015 using proceeds from the Term Facility A under the New Credit Facilities described below. As a result of the redemption in full, the terms and conditions of the senior notes have been terminated and cease to apply.

Bank loan

Prior to the issuance of the senior notes in January 2013, the Group had a bank loan with a principal amount of HK$2.5 billion drawn on a facility of HK$2.95 billion. All amounts outstanding were repaid using proceeds from the senior notes in 2013. See Note 17 to Appendix IA.

Revolving facility agreement dated 14 January 2013

On 14 January 2013, HKBN entered into a HK$200 million revolving credit facility (the "**2013 Revolving Facility**") with Standard Chartered Bank, for general corporate purposes. The 2013 Revolving Facility was amended to reduce the available amount to HK$100 million. The 2013 Revolving Facility is guaranteed by MLCL. The 2013 Revolving Facility carries an interest rate of HIBOR plus 4.25% per annum. The 2013 Revolving Facility has standard events of default and a financial covenant requiring the Group to maintain a ratio of EBITDA to consolidated total interest expense of not less than 2.0 times. The 2013 Revolving Facility has never been drawn and was cancelled upon partial drawdown of the New Credit Facilities.

US$2 million credit facility dated 5 November 2012

On 5 November 2012, HKBN entered into an uncommitted credit facility (the "**2012 Facility**") with Citibank, N.A., Hong Kong Branch, for general corporate purposes. The total facility amount is equivalent to US$2 million and is repayable on demand by Citibank. The 2012 Facility carries an interest rate of LIBOR plus 0.8% per annum.

New Credit Facilities

On 11 December 2014, Metropolitan Light Company Limited, HKBN Group Limited and HKBN entered into a term and revolving credit facilities agreement with JPMorgan Chase Bank, N.A., acting through its Hong Kong Branch as mandated lead arranger and bookrunner (as amended and restated on 22 December 2014 and as may be amended and restated from time to time) (the "**New Credit Facilities Agreement**").

In connection with the addition of banks as mandated lead arrangers and bookrunners into the New Credit Facilities Agreement, the New Credit Facilities Agreement was amended and restated with an aggregate amount of approximately HK$4,460 million. The mandated lead arrangers of the New Credit Facilities Agreement are The Bank of East Asia, Limited (東亞銀行有限公司), Bank of Taiwan, Hong Kong Branch, BNP Paribas Hong Kong Branch, Cathay United Bank Company Limited, Hong Kong Branch, Crédit Agricole Corporate and Investment Bank, Hong Kong Branch, Hang Seng Bank Limited, JPMorgan Chase Bank, N.A., acting through its Hong Kong Branch, Mega International Commercial Bank Co., Ltd., Offshore Banking Branch, NATIXIS, Hong Kong Branch and Taipei Fubon Commercial Bank Co., Ltd.

The New Credit Facilities consist of the following:

- a HK$3,100 million term facility ("**Term Facility A**");

- a HK$1,160 million term facility ("**Term Facility B**", together with the New Term Facility A, the "**2014 Term Facilities**"); and
- a HK$200 million revolving credit facility (the "**2014 Revolving Facility**" and together with the 2014 Term Facilities, in each case as may be amended and restated from time to time, the "**New Credit Facilities**").

<u>Purposes</u>

The New Credit Facilities are to be applied towards the following purposes:

- Term Facility A – to (directly or indirectly) entirely call and redeem all the outstanding amounts under the senior notes, for general corporate purposes and the payment of fees, costs and expenses in relation to the New Credit Facilities;
- Term Facility B – to (directly or indirectly) make payment of dividends or distribution (including by way of loans, share buy-back, capital reduction or otherwise) to the shareholders of Metropolitan Light Company Limited and the payment of fees, costs and expenses in relation to the New Credit Facilities; and
- 2014 Revolving Facility – To provide working capital for the Group and for general corporate purposes.

<u>Key commercial terms</u>

A summary of the key commercial terms of the New Credit Facilities is set out below:

- Tenor: 5 years from the date of first drawdown of the Term Facility A;
- Interest margin:
  - — 2.06% per annum for the Term Facility A and the 2014 Revolving Facility, rising to 2.75% per annum upon a drawdown of the Term Facility B; and
  - — 2.75% per annum for the Term Facility B,

in each case, subject to a margin ratchet by reference to the net leverage ratio (on a consolidated basis) of the Group from time to time;

- Interest rate: Interest margin plus HIBOR;
- Interest payment terms: interest is payable on the last day of each interest period, which may be 1, 2, 3 or 6 months at the election of the relevant borrower;
- Principal repayment terms: the entire principal amount drawn under the 2014 Term Facilities is repayable in full at the end of the five year term; repayment on the last day of each interest period for the 2014 Revolving Facility (subject to the ability to rollover);
- Security: floating charge over all assets of HKBN, but only in the event that Term Facility B is utilised;
- Guarantors: Metropolitan Light Company Limited, HKBN Group Limited and HKBN.

Material covenants and events of default

The New Credit Facilities Agreement contains customary covenants restricting the ability of the guarantors (and where relevant, the Group), among other things, to make substantial changes to the business of HKBN, enter into any amalgamation, demerger or merger, consolidation or corporate reconstruction, invest in or acquire any shares issued by, or any interest in, any person or make a capital investment in any person, enter into, invest in or acquire any shares, stocks, securities or other interests in any joint venture, or provide security for the obligations of any joint venture, create or permit to subsist any security over its assets, dispose of any asset, or incur, any financial indebtedness. In each case, there are permitted exceptions to these restrictions. There are no restrictions on the ability of the Company to declare and pay dividends under the New Credit Facilities. The guarantors (and where relevant, the Group) are also under customary obligations for facilities of this nature to, among other things, ensure that all material laws and regulations are complied with and material environmental licenses obtained.

The New Credit Facilities Agreement also contains restrictive financial covenants requiring Metropolitan Light Company Limited to ensure that, on each test date (i.e. each financial half year) in respect of the previous 12 months:

- the ratio of consolidated EBITDA (as defined in the New Credit Facilities Agreement) to consolidated total interest expenses (as defined in the New Credit Facilities Agreement) is not less than 2.15:1;

- prior to the Global Offering, the total debt of the Group shall not exceed HK$4.8 billion; and

- following the Global Offering, the net leverage ratio is not more than 6.00:1 (for each test date up to and including 31 August 2017), 5.50:1 (for the test dates falling on 28 February 2018 and 31 August 2018), 5.00:1 (for the test date falling on 28 February 2019) or 4.75:1 (for the test date falling on 31 August 2019).

The New Credit Facilities Agreement contains certain customary events of default including, but not limited to, non-payment of any amount due pursuant to a finance document, breach of financial covenants or breach of any of other obligations under the finance documents, failure of any representation or warranty to be true in all material respects when made or deemed to be made, cross default and cross acceleration in relation to any indebtedness which is greater than HK$50 million (or its equivalent in other currencies), insolvency, insolvency proceedings and creditors' process, cessation of business, expropriation, material litigation or the occurrence of an event or circumstance that has a material adverse effect. Upon the occurrence of an event of default, subject to applicable grace periods, the Facility Agent may, and upon the instructions of more than 50% of the Lenders shall, accelerate any and all loans outstanding under the New Credit Facilities and instruct the security agent to take other enforcement action including enforcing the security.

The New Credit Facilities are repayable in full upon final maturity. The Group intends to refinance or renew the New Credit Facilities on maturity or earlier through sources that it deems appropriate at that time. The Group will continue to analyse which sources of capital are most advantageous to the Group at any particular time. As part of the Group's capital structure management, the Group has been able to borrow and refinance funds in the form of bank loans and the senior notes. As our business continues to grow, we expect to be able to continue to obtain refinancing on or before the maturity of our indebtedness on commercially reasonable terms.

Indebtedness as at 31 December 2014

As at 31 December 2014, except as disclosed in this prospectus, and apart from intra-group liabilities, we did not have any other debt securities, term-loan borrowings, indebtedness, acceptance credits, hire purchase commitments, mortgages, charges, contingent liabilities or guarantees outstanding.

We confirm that there has not been any material adverse change in our indebtedness and contingent liabilities since 31 December 2014 and up to the date of this prospectus.

As at 31 December 2014, in addition to the amount outstanding under the senior notes, we had total banking facilities in the amount of approximately HK$3,235.5 million, of which approximately HK$5.4 million was utilised and HK$3,230.1 million remained unutilised and available. As at 31 December 2014, no amounts were drawn down under the New Credit Facilities. As at 31 January 2015, HK$3.1 billion had been drawn down under the Term Facility A and the proceeds were used to redeem the senior notes, as well as settling fees payable in connection with the New Credit Facilities. We do not expect to draw down any amounts under the Term Facility B.

As at 31 December 2014, the Directors confirm that we have been in full compliance with the relevant material covenants and restrictions under the terms of our debt facilities.

On 22 January 2015, we refinanced a significant proportion of our outstanding indebtedness with proceeds from the New Credit Facilities, including the redemption in full of the senior notes.

CERTAIN BALANCE SHEET ITEMS

The following table sets out selected information from the combined balance sheets:

	As at 31 August			As at 30 November
	2012	2013	2014	2014
	HK$	HK$ (in thousands)	HK$	HK$ (in thousands)
Total non-current assets	5,400,294	5,212,960	5,001,036	4,948,366
Total current assets	412,765	642,381	718,389	737,013
Total assets	5,813,059	5,855,341	5,719,425	5,685,379
Total non-current liabilities	2,864,100	3,808,219	3,524,232	3,511,767
Total current liabilities	446,675	457,444	552,348	491,612
Total liabilities	3,310,775	4,265,663	4,076,580	4,003,379
Net assets	2,502,284	1,589,678	1,642,845	1,682,000
Share capital	8	8	8	8
Reserves	2,502,276	1,589,670	1,642,837	1,681,992
Total equity	2,502,284	1,589,678	1,642,845	1,682,000

Description of certain balance sheet items

Intangible assets

The intangible assets primarily represented backlog of contracts from the FTNS business, customer relationships and brands and trademarks recognised by the Group in connection with the CVC Acquisition.

The fair values of the intangible assets at the date of acquisition were determined based on appraisals performed by independent valuers.

In particular, the fair values of backlog of contracts from the FTNS business and customer relationships were determined using the multi-period excess earning method ("**MEEM**") with key assumptions including the estimated revenue growth rate, asset useful lives (approximately 2 years for backlog based on the expected future economic benefit attributable to those contracts and 14 years for customer relationships with reference to the average churn rate over a historical period of not less than three years) and cash flow discount rates (approximately 13% and 14% for backlog and customer relationships, respectively, based on estimates of the independent value considering the associated risks). Under the MEEM, the value of a specific intangible asset is estimated from the residual earnings after fair returns on all other assets employed have been deducted from the business's after-tax operating earnings. The principle underlying MEEM is that the value of an intangible asset is equal to the present value of the after-tax cash flows attributable only to that intangible asset. The useful life of customer relationships is reviewed by the Company at the end of each annual reporting period with reference to the average churn rate over a historical period of not less than three years, representing the expected long-term churn rate. This approach is consistent with the basis adopted in the appraisals performed by the independent valuers in connection with the CVC Acquisition. Based on the annual review of the average churn rate over a historical period of not less than three years, there was no change in the useful life of customer relationships during the Track Record Period.

The fair values of brands and trademarks were determined using the relief from royalty method ("**RFR**") with key assumptions including the estimated revenue growth rate, royalty rates (3% and 1% for trade names for the FTNS business and IDD services business, respectively, making reference to comparable royalty transactions, market position and profitability), asset useful lives (20 years and 14 years for the FTNS business and IDD services business, respectively, based on management estimates) and a cash flow discount rate (14% based on the independent valuer's estimate of the risks associated with customer relationships). Using the RFR Method, the value of a trade name is estimated as the value of future foregone royalty payments over the life of the asset by virtue of owning the asset.

See note 10 in Appendix IA for further details.

Accounts receivable

Our accounts receivable consisted primarily of receivables due from our residential and enterprise customers during the Track Record Period. The following table sets out our accounts receivable as at the dates indicated and average accounts receivable turnover days for the years / period indicated:

	As at 31 August			As at 30 November
	2012	2013	2014	2014
	HK$	HK$	HK$	HK$
	(in thousands, except days)			(in thousands, except days)
Total accounts receivable	**65,885**	**80,425**	**82,528**	**89,210**
Less: Allowance for doubtful debts	(3,472)	(5,538)	(2,533)	(1,457)
Accounts receivable, net	**62,413**	**74,887**	**79,995**	**87,753**
Accounts receivable turnover days[(1)]	N/A	14.0	13.7	14.4

Note:

(1) Calculated by dividing period or year end accounts receivable by turnover and multiplying the resulting value by the number of days in the period.

We had accounts receivable of HK$62.4 million, HK$74.9 million, HK$80.0 million and HK$87.8 million as at 31 August 2012, 2013 and 2014 and 30 November 2014, respectively. The increases in accounts receivable from 31 August 2012 to 31 August 2013 and then to 31 August 2014 and again to 30 November 2014 were largely in line with the growth of our business during the Track Record Period. As at 31 December 2014, approximately HK$41.5 million or 47.3% of our accounts receivable outstanding as at 30 November 2014 were settled.

The majority of the Group's accounts receivable are due within 30 days from the date of billing. Subscribers with receivable that are more than three months past due are requested to settle all outstanding balances before further credit is granted.

The following table sets out the aging analysis of accounts receivable as at the dates indicated:

	As at 31 August			As at 30 November
	2012	2013	2014	2014
	HK$	HK$	HK$	HK$
		(in thousands)		(in thousands)
Neither past due nor impaired	46,750	54,858	55,506	64,708
Less than 30 days past due	9,373	10,464	13,229	11,494
31 to 60 days past due	2,809	4,461	4,032	3,530
Over 60 days past due	3,481	5,104	7,228	8,021
Total	**62,413**	**74,887**	**79,995**	**87,753**

Accounts payable

Our accounts payable consisted primarily of payables to our trade creditors. The following table sets out our accounts payable as at the dates indicated and accounts payable turnover days for the years/period indicated:

	As at 31 August			As at 30 November
	2012	2013	2014	2014
	HK$	HK$	HK$	HK$
	(in thousands, except days)			(in thousands, except days)
Accounts payable	**29,865**	**14,492**	**11,611**	**9,468**
Accounts payable turnover days[1]	N/A	17.3	14.8	12.8

Note:

(1) Calculated by dividing the period or year end accounts payable by network costs and costs of sales for the year / period and multiplying the resulting value by the number of days in the period.

The decrease in accounts payable from 2012 to 2013 was primarily attributable to the decrease in purchases of products to be resold as we de-emphasised product sales beginning in 2012. The decrease in accounts payable from 2013 to 2014 was primarily due to the increased settlement of payables as at 31 August 2014 and lower levels of product purchases. The decrease in accounts payables from 31 August 2014 to 30 November 2014 was primarily due to the increased settlement of payables as at 30 November 2014. As at 31 December 2014, approximately HK$5.4 million or 57.0% of our accounts payable outstanding as at 30 November 2014 were settled. The Group had no material defaults with respect to payments of accounts payable during the Track Record Period. Our accounts payable are expected to be settled within one year.

The following table sets out the aging analysis of accounts payable as at the dates indicated:

	As at 31 August			As at 30 November
	2012	2013	2014	2014
	HK$	HK$ (in thousands)	HK$	HK$ (in thousands)
Within 30 days	23,815	10,772	4,503	1,375
31 to 60 days	3,331	659	3,237	3,635
61 to 90 days	523	986	12	596
Over 90 days	2,196	2,075	3,859	3,862
	29,865	14,492	11,611	9,468

IRU Agreement and Obligations under Granting of Rights.

We granted indefeasible rights of use in favour of HKTV allowing it to use less than 1% capacity of our network for a term of 20 years from 30 May 2012, on a free of charge basis. We estimate the incremental costs associated with fulfilling the obligations under the granting of indefeasible rights of use to HKTV are insignificant, and accordingly no provision was recognised in our combined financial information.

In addition, we agreed to provide certain telecommunication services to HKTV at agreed charges for a period of 10 years from 30 May 2012. The Group recognised the obligations in connection with the granting of such rights at fair value in the amount of HK$90.2 million at the date of the CVC Acquisition. The amortisation of the obligations has been, and will be, charged to our income statement on a straight-line basis over 10 years. The amortisation of the obligations were HK$2.3 million, HK$9.0 million, HK$9.0 million and HK$2.3 million for the period from 15 March to 31 August 2012, the years ended 31 August 2013 and 2014 and the three months ended 30 November 2014, respectively.

See "*Business — Our Network Infrastructure — Arrangements Related to the Use of our Network*" for further details.

KEY FINANCIAL RATIOS OF THE GROUP

The following table sets out certain financial ratios of the Group as at the dates indicated:

	As at and for the year ended 31 August			As at and for the three months ended 30 November
	2012	**2013**	**2014**	**2014**
EBITDA margin(1)	28.6%	38.0%	39.7%	42.5%
Return on equity(2)	N/A(8)	(8.7)%	3.3%	N/A(8)
Adjusted return on equity(3)	N/A(8)	12.7%	15.5%	N/A(8)
Return on total assets(4)	N/A(8)	(2.4)%	0.9%	N/A(8)
Adjusted return on tangible assets(5)	N/A(8)	7.7%	9.5%	N/A(8)
Gross debt to EBITDA ratio(6)	N/A(8)	4.4x	3.5x	N/A(8)
Net debt to EBITDA ratio(7)	N/A(8)	3.9x	3.0x	N/A(8)
Gearing ratio(9)	94.9%	203.2%	182.2%	178.2%
Adjusted gearing ratio(10)	89.3%	183.7%	155.7%	151.2%

Notes:

(1) EBITDA margin means EBITDA divided by turnover.

(2) Return on equity is calculated by dividing profit / (loss) for the year / period by shareholders equity and multiplying the result by 100%.

(3) Adjusted return on equity is calculated by dividing Adjusted Net Profit by shareholders equity and multiplying the result by 100%.

(4) Return on total assets is calculated by dividing profit / (loss) for the year / period by total assets and multiplying the result by 100%.

(5) Adjusted return on tangible assets is calculated by dividing Adjusted Net Profit by tangible assets and multiplying the result by 100%.

(6) Gross debt to EBITDA ratio is calculated by dividing gross debt as at the respective year / period end by EBITDA for the respective year / period. Gross debt is calculated as the total interest-bearing loans from banks, senior notes and other borrowings. EBITDA means profit / (loss) for the year / period plus finance costs, income tax expense, depreciation and amortisation of intangible assets and less interest income.

(7) Net debt to EBITDA ratio is calculated by dividing net debt as at the respective year / period end by EBITDA for the respective year / period. Net debt is defined as all borrowings net of cash and cash equivalents.

(8) The ratios as at and for the period from 15 March 2012 to 31 August 2012 and as at and for the three months ended 30 November 2014 are not applicable and potentially misleading as the underlying income statement measures do not reflect a full year of results of operations.

(9) Gearing ratio is calculated by dividing gross debt by total equity and multiplying the result by 100%. As part of the management and optimisation of our capital structure, we maintain a significant amount of indebtedness.

(10) Adjusted gearing ratio is calculated by dividing net debt by total equity and multiplying the result by 100%. As part of the management and optimisation of our capital structure, we maintain a significant amount of indebtedness.

Discussion of changes in key financial ratios

EBITDA margin

Our EBITDA margin was 28.6%, 38.0%, 39.7% and 42.5% for the period from 15 March to 31 August 2012, the years ended 31 August 2013 and 2014 and the three months ended 30 November 2014, respectively. This ratio is discussed above in *"— Review of Historical Results of Operations of the Group"*.

Return on equity

Our return on equity was negative 8.7% and 3.3% as at 31 August 2013 and 2014, respectively. The negative net profit was primarily due to amortisation of intangible assets and amortisation of obligations under granting of rights as well as a one-off write-off of an unamortised bank loan origination fee of HK$114.0 million that was written off in the year ended 31 August 2013. The improvement in return on equity over the Track Record Period was due to our scalable cost structure and built-out network which provided operating leverage. We also implemented cost-saving initiatives by emphasising our online sales channel. The growth of our enterprise business also improved overall profitability.

Adjusted return on equity

Our adjusted return on equity was 12.7% and 15.5% as at 31 August 2013 and 2014, respectively.

The improvement in adjusted return on equity over the Track Record Period was due to our scalable cost structure and built-out network which provided operating leverage. We also implemented cost-saving initiatives by emphasising our online sales channel. The growth of our enterprise business also improved overall profitability.

Return on total assets

Our return on total assets was negative 2.4% and 0.9% as at 31 August 2013 and 2014, respectively. Our return on total assets improved from negative 2.4% as at 31 August 2013 to 0.9% as at 31 August 2014.

The negative net profit was primarily due to amortisation of intangible assets and amortisation of obligations under granting of rights as well as a one-off write-off of an unamortised bank loan origination fee of HK$114.0 million that was written off in the year ended 31 August 2013. The improvement in return on total assets over the Track Record Period was due to our scalable cost structure and built-out network which provided operating leverage. We also implemented cost-saving initiatives by emphasising our online sales channel. The growth of our enterprise business also improved overall profitability.

Adjusted return on tangible assets

Our adjusted return on tangible assets was 7.7% and 9.5% as at 31 August 2013 and 2014, respectively. The improvement in adjusted return on tangible assets from 31 August 2013 to 31 August 2014 was due to our scalable cost structure and built-out network which provided operating leverage. We also implemented cost-saving initiatives by emphasising our online sales channel. The growth of our enterprise business also improved overall profitability. We believe that this ratio provides a useful illustration of the underlying performance of our business.

Gross debt to EBITDA ratio

Our gross debt to EBITDA ratio was 4.4x and 3.5x as at 31 August 2013 and 2014, respectively. Our gross debt to EBITDA ratio decreased from 4.4x as at 31 August 2013 to 3.5x as at 31 August 2014. Our gross debt to EBITDA ratio improved primarily due to the partial repurchases of senior notes in FY2014 along with the increase in EBITDA.

Net debt to EBITDA ratio

Our net debt to EBITDA ratio was 3.9x and 3.0x as at 31 August 2013 and 2014, respectively. Our net debt to EBITDA ratio decreased from 31 August 2013 to 31 August 2014 primarily due to the partial repurchases of senior notes in FY2014 along with the increase in EBITDA.

Gearing ratio

Our gearing ratio was 94.9%, 203.2%, 182.2% and 178.2% as at 31 August 2012, 2013 and 2014 and as at 30 November 2014, respectively. Our gearing ratio increased from 31 August 2012 to 31 August 2013 primarily due to the payment of a dividend to shareholders of MLCL in 2013. Our gearing ratio decreased from 31 August 2013 to 31 August 2014 primarily due to the partial repurchase of senior notes in FY2014. Our gearing ratio decreased from 31 August 2014 to 30 November 2014, primarily due to the increase in earnings from our business.

Adjusted gearing ratio

Our adjusted gearing ratio was 89.3%, 183.7%, 155.7% and 151.2% as at 31 August 2012, 2013 and 2014 and as at 30 November 2014, respectively. Our adjusted gearing ratio decreased from 31 August 2013 to 31 August 2014 primarily due to the partial repurchase of senior notes in FY2014.

Our adjusted gearing ratio increased from 31 August 2012 to 31 August 2013 primarily due to the payment of a dividend to shareholders of MLCL in 2013.

Our adjusted gearing ratio decreased from 31 August 2014 to 30 November 2014, primarily due to the increase in earnings from our business.

OFF-BALANCE SHEET ARRANGEMENTS

During the Track Record Period and as at the Latest Practicable Date, except for the capital commitments, contingent liabilities and the derivative financial instruments described above, we had no material off-balance sheet arrangements. The Group has entered into certain derivative financial instruments in the form of interest rate swaps to hedge the interest rate risk associated with the Group's variable rate indebtedness.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

Credit risk

Our credit risk is primarily attributable to accounts receivable and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of accounts receivable and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay. These receivables are due within 30 days from the date of billing. Subscribers with receivables that are more than three months overdue are requested to settle all outstanding balances before any further credit is granted. We generally do not obtain collateral from customers.

Our exposure to credit risk is influenced mainly by individual characteristics of each customer. Concentrations of credit risk with respect to accounts receivable are limited due to our customer base being large and unrelated. Management does not expect any significant losses of accounts receivable that have not been provided for by way of allowances as disclosed in note 13 to the Accountants' Report on the Financial Information of the Group in Appendix IA.

Except for the financial guarantee given by the Group as disclosed in note 29 to the Accountants' Report on the Financial Information of the Group in Appendix IA, we do not provide any other guarantees which expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in note 29 in Appendix IA.

Liquidity risk

We have a cash management policy, which includes the short term investment of cash surpluses and the raising of loans and other borrowings to cover expected cash demands. The Group's policy is to regularly monitor its current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient cash and readily realisable marketable securities and an adequate amount of committed credit facilities from major financial institutions to meet its liquidity requirements in the short and long term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date we are required to pay.

	As at 30 November 2014			
	Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Carrying amount
	HK$	HK$	HK$	HK$
		(in thousands)		
Accounts payable	9,468	—	9,468	9,468
Other payables and accrued charges	295,700	—	295,700	295,700
Contingent consideration	5,380	—	5,380	5,380
Senior notes	159,666	3,421,391	3,581,057	2,997,238
	470,214	3,421,391	3,891,605	3,307,786

	As at 31 August 2014			
	Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Carrying amount
	HK$	HK$	HK$	HK$
		(in thousands)		
Accounts payable	11,611	—	11,611	11,611
Other payables and accrued charges	306,625	—	306,625	306,625
Contingent consideration	6,145	3,789	9,934	9,575
Senior notes	159,666	3,421,391	3,581,057	2,994,058
	484,047	3,425,180	3,909,227	3,321,869

	As at 31 August 2013			
	Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Carrying amount
	HK$	HK$	HK$	HK$
		(in thousands)		
Accounts payable	14,492	—	14,492	14,492
Other payables and accrued charges	257,675	—	257,675	257,675
Amount due to MLHL	14,718	—	14,718	14,718
Contingent consideration	2,426	13,024	15,450	12,665
Senior notes	172,992	3,879,946	4,052,938	3,230,631
	462,303	3,892,970	4,355,273	3,530,181

	As at 31 August 2012			
	Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Carrying amount
	HK$	HK$ (in thousands)	HK$	HK$
Bank loan	269,746	2,685,322	2,955,068	2,374,521
Accounts payable	29,865	—	29,865	29,865
Other payables and accrued charges	177,190	—	177,190	177,190
Amount due to MLHL	421	—	421	421
Obligations under finance leases	23	26	49	44
Interest-rate swaps	3,534	3,361	6,895	6,866
	480,779	2,688,709	3,169,488	2,588,907

Interest rate risk

The Group's interest rate risk primarily arose from the floating rate bank loans at 31 August 2012 with an aggregated notional amount and amortised cost of HK$2,500 million and HK$2,374.5 million, respectively.

As at 31 August 2012, it was estimated that a general increase of 50 basis points in interest rates, with all other variables held constant, would have increased the Group's loss after tax by HK$12.5 million.

The sensitivity analysis above indicates the annualised impact on the Group's interest expense that would arise assuming that the change in interest rates had occurred at 31 August 2012 and had been applied to the bank loans which expose the Group to cash flow interest rate risk at that date.

The Group entered into the interest rate swaps with aggregated notional amount of HK$2,375 million to mitigate the interest rate risk and, therefore, the Group considered the cash flow interest rate risk to be insignificant.

The bank loans were early repaid on 18 January 2013 and the interest rate swaps were terminated on the same date. As at 31 August 2013 and 2014, the Group did not have any borrowings bearing floating interest rates.

Upon drawdown of the Term Facility A, we will have borrowings bearing floating interest rates. Pursuant to the terms of the New Credit Facilities Agreement, we expect to enter into one or more interest rate swaps to mitigate the interest rate risk.

Currency risk

The Group's monetary assets and liabilities are primarily denominated in either Hong Kong dollars or United States dollars. Given that the exchange rate of the Hong Kong dollar to the U.S. dollar has remained close to the current pegged rate of HKD7.80 = USD1.00 since 1983, management does not expect significant foreign exchange gains or losses between the two currencies.

The Group is also exposed to a certain amount of foreign exchange risk based on fluctuations between the Hong Kong dollar and the Renminbi arising from its operations in the PRC. To limit this foreign currency risk exposure and maintain an acceptable net exposure level, the Group buys and sells foreign currencies at spot rates when necessary to address short-term imbalances.

Hedging arrangements

In 2012, we entered into two interest rate swaps to hedge the variable interest rate risk arising from our bank loans, which had variable interest rates. As at 31 August 2012, the interest rate swaps were recognised as a liability of HK$6.9 million according to their fair value. The notional amounts of the swaps largely matched our bank loan as at 31 August 2012. The bank loans were interest-bearing at HIBOR plus 4.5% in the first twelve months. The swaps were settled in early 2013 in connection with the issuance of the senior notes, which had a fixed interest rate and the refinancing of the bank loan. Changes in fair value at each balance sheet date were recognised in profit or loss. The interest rate swaps were entered into with a large international financial institution and subject to standard terms and conditions. The swaps had a term of 3 years and fixed our HIBOR interest rate exposure at 0.51%.

We did not have any outstanding derivative financial instruments outstanding as at 31 August 2013 and 2014 and 30 November 2014. We have entered into hedging arrangements to mitigate interest rate risk relating to the New Credit Facilities and may hedge in the future indebtedness in accordance with the policy described below.

Hedging Policy

Our policy is that we hedge our interest rate risk arising from the variable interest rates of our debt instruments and facilities by entering into interest rate swaps. Under the terms of the New Credit Facilities, we are permitted to enter into hedging arrangements with respect to our interest rate exposure arising under the New Credit Facilities. In order to maintain certain long-term indebtedness at fixed rates of interest, we have, and expect to continue to enter into, interest rate swaps to hedge against our exposure to changes in fair values of those debt instruments and facilities.

Our Chief Executive Officer and Head of Talent Engagement and Chief Financial Officer are primarily responsible for overseeing our hedging activities. Under their guidance, our finance team is responsible for planning, executing and monitoring our hedging activities. The board of directors approves all material hedging arrangements. See *"Directors and Management"* for details of the relevant experience of our Chief Executive Officer and our Head of Talent Engagement and Chief Financial Officer. We do not enter into hedging arrangements for speculative purposes.

When entering into interest rate swaps, we consider the level of expected volatility of interest rates in a conservative manner. The term for interest rate swap contracts typically matches our indebtedness maturity profile.

In connection with our New Credit Facilities, we entered into one or more interest rate swaps in the principal amount of HK$2,635 million. These interest rate swaps were entered into with a large international financial institution for a term of 3.5 years and fixed our HIBOR interest rate exposure at 1.453%. These interest rate swap agreements contain customary terms and conditions.

DIVIDENDS, DIVIDEND POLICY AND DISTRIBUTABLE RESERVES

For the years ended 31 August 2012, 2013 and 2014 and the three months ended 30 November 2014, distributions of nil, HK$776 million, nil and nil, respectively, were distributed to certain shareholders of MLCL. On 18 February 2015, MLHL approved a redemption of certain of its preference shares (together with the accrued coupon thereon) held by certain of its shareholders (other than the Co-Owners) with an aggregate value of approximately HK$245 million. The redemption will be completed on 9 March 2015 and will be fully funded by cash on hand, sourced by way of dividends from HKBN amounting to approximately HK$230 million and residual cash held by MLHL amounting to approximately HK$15 million.

Our dividend policy is to pay dividends in an amount of not less than 90% of our Adjusted Free Cash Flow with an intent to pay 100% of our Adjusted Free Cash Flow in respect of the relevant year / period, after adjusting for potential debt repayment, if required. It is the current intention of the Directors that the Group will declare and pay dividends to the Shareholders on a semi-annual basis. The respective proportions of the aggregate annual dividends to be paid as an interim dividend and a final dividend shall be determined by the Board in its discretion.

Any declaration of dividends may or may not reflect our prior declarations of dividends and any dividend recommendation will be at the absolute discretion of the Board.

For the period from the Listing Date to 31 August 2015, we, in the absence of unforeseen circumstances, will declare and pay dividends based on a pro rata proportion of Adjusted Free Cash Flow for the period calculated as the percentage of annual Adjusted Free Cash Flow for the year ending 31 August 2015 multiplied by the number of days from the Listing Date to 31 August 2015 (both dates inclusive) and divided by 365 (being the number of calendar days in the financial year ending 31 August 2015). The proportion of Adjusted Free Cash Flow for the period will be determined by the Board in accordance with the above policy.

As at 31 August 2012, 2013 and 2014 and 30 November 2014, the Group had reserves of approximately HK$2,502 million, HK$1,590 million, HK$1,643 million and HK$1,682 million, respectively.

RELATED PARTY TRANSACTIONS

We typically enter into transactions with related parties in the normal course of our business relating to the provision of services under our residential business. During the Track Record Period, we did not enter into any material related party transactions relating to our operating activities, financing requirements, the administration of our business activities and key management personal compensation.

The Directors are of the opinion that all of our related party transactions were conducted on normal commercial terms and do not distort our results during the Track Record Period. For more details, see Note 30 of the Accountants' Report in Appendix IA.

LISTING EXPENSES

Total expenses (excluding fees payable by the Selling Shareholders) expected to be incurred in relation to the Listing are approximately HK$55.9 million, all of which is expected to be charged to our income statement. The Group incurred expenses of HK$17.9 million relating to the Listing up to 30 November 2014.

NO ADDITIONAL DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as at the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE STATEMENT

The Directors confirm that there has not been any material adverse change in the financial or trading position of the Group since 30 November 2014 and up to the date of this prospectus.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS OF HKBN, OUR PRINCIPAL OPERATING SUBSIDIARY

The audited financial statements of HKBN as at and for the years ended 31 August 2012, 2013 and 2014 are included in Appendix IB.

HKBN is the principal operating subsidiary of the Group and operates its residential and enterprise businesses. We have included certain information regarding the operations of HKBN, our principal operating subsidiary, for informational purposes only as we believe it provides investors with useful information about the majority of our operations on a comparable basis for the years ended 31 August 2012 and 2013. It should be considered as supplemental to, and not as a replacement for, the audited combined financial information of the Group included in Appendix IA.

Investors should not make any investment decision solely on the basis of the financial information of HKBN, our principal subsidiary, since it does not reflect the results of operations, financial position and cash flows of the Group.

Comparison of the years ended 31 August 2013 and 2014

Turnover. Turnover increased by 9.9% to HK$2,112.2 million in the year ended 31 August 2014 from HK$1,922.5 million in the year ended 31 August 2013, reflecting an increase in both broadband subscriptions generated from HKBN's residential and enterprise businesses and increase in prices as a result of up-selling and cross-selling, partially offset by decreased numbers of IP-TV subscriptions and decreased turnover from product sales.

Residential revenue. Residential revenue increased by HK$149.0 million or 10.1% to HK$1,621.3 million in the year ended 31 August 2014 from HK$1,472.3 million in the year ended 31 August 2013. The increase was partially due to the increase in HKBN's broadband subscription base and up-selling higher broadband access speeds when renewing existing subscriptions which, in turn, increases ARPU. This increase was partially offset by a decrease in turnover from IP-TV services and IDD services.

Enterprise revenue. Enterprise revenue increased by 14.3% to HK$412.9 million in the year ended 31 August 2014 from HK$361.3 million in the year ended 31 August 2013. This increase reflected our increased emphasis on the enterprise business as the number of enterprise broadband subscriptions increased from approximately 26,000 as at 31 August 2013 to approximately 28,000 as at 31 August 2014.

Product revenue. Revenue from product sales decreased from HK$88.8 million in the year ended 31 August 2013 to HK$78.1 million in the year ended 31 August 2014 as we have decreased the emphasis on product sales during the Track Record Period including terminating a reselling arrangement with a major technology company in 2012.

Network costs and costs of sales. Network costs and costs of sales decreased by 4.8% to HK$281.8 million in the year ended 31 August 2014 from HK$295.9 million in the year ended 31 August 2013. Network costs increased by HK$1.7 million from the year ended 31 August 2013 to the year ended 31 August 2014 mainly due to the decrease in IDD costs and content costs, which outpaced the increase in our international bandwidth costs. Cost of sales decreased by HK$15.8 million from HK$75.8 million in the year ended 31 August 2013 to HK$60.0 million in the year ended 31 August 2014 reflecting the decrease in bundling promotional offers with products to our customers.

Other operating expenses.

Set forth below is a table summarising the details of HKBN's other operating expenses in the years ended 31 August 2013 and 2014:

	For the years ended 31 August	
	2013	2014
	HK$	HK$
	(in thousands)	
Advertising and marketing expenses	399,156	401,082
Talent costs	324,114	376,366
Depreciation	244,994	288,207
Others(1)	191,852	237,857
Other operating expenses	1,160,116	1,303,512

Note:

(1) Others include collection charges, site and equipment maintenance costs, office rental and utilities and other general administrative expenses.

Other operating expenses increased by 12.4% to HK$1,303.5 million in the year ended 31 August 2014 from HK$1,160.1 million in the year ended 31 August 2013 mainly due to the following:

Advertising and marketing expenses. Advertising and marketing expenses increased by 0.5% to HK$401.1 million in the year ended 31 August 2014 from HK$399.2 million in the year ended 31 August 2013 mainly due to the increase in customer acquisition costs, which was partially offset by savings from the more frequent use of online advertising channels.

Talent costs. Talent costs increased by 16.1% to HK$376.4 million in the year ended 31 August 2014 from HK$324.1 million in the year ended 31 August 2013 mainly due to the full year effect of salary increases in 2013, additional bonus provisions and the increase in number of Talents dedicated to the enterprise business.

Depreciation. Depreciation increased by 17.6% to HK$288.2 million in the year ended 31 August 2014 from HK$245.0 million in the year ended 31 August 2013 primarily due to the expansion of our network coverage and the subscription base expansion of both our residential and enterprise businesses.

Finance costs. Finance costs decreased by 69.1% to HK$11.0 million in the year ended 31 August 2014 from HK$35.6 million in the year ended 31 August 2013 mainly due to the repayment of an intercompany loan and bank loan.

Profit before taxation. Profit before taxation increased to HK$515.6 million in the year ended 31 August 2014 from HK$431.3 million in the year ended 31 August 2013 due to the factors discussed above. HKBN's profit before taxation margin was 24.4% in the year ended 31 August 2014.

Income tax. Income tax increased by 20.5% to HK$87.5 million in the year ended 31 August 2014 from HK$72.6 million in the year ended 31 August 2013 mainly due to the increase in profit. HKBN's effective tax rate increased to 17.0% for the year ended 31 August 2014.

Profit and total comprehensive income for the year. Profit and total comprehensive income for the year increased to HK$428.0 million in the year ended 31 August 2014 from HK$358.8 million in the year ended 31 August 2013 due to the factors discussed above.

Non-HKFRS financial measures

The measures of financial performance described in this section are non-HKFRS measures and accordingly are not audited, not included in the financial statements and not presented in accordance with HKFRS. Although these measures of financial performance are reconcilable to line items on the financial statements, they may not be equivalent to similarly named measures used by other companies and should not be considered as measures comparable to income statement items in the financial statements. They have limitations as analytical tools and should not be considered in isolation from, or as a substitute for, an analysis of our financial results presented under HKFRS.

EBITDA of HKBN

EBITDA increased by HK$102.3 million or 14.4% to HK$813.8 million in the year ended 31 August 2014 from HK$711.5 million in the year ended 31 August 2013. The increase in EBITDA was driven by a 9.9% growth in turnover as a result of the increase in both subscriptions and price of our residential and enterprise broadband services, as well as the implementation of cost-saving measures.

EBITDA margin of HKBN

EBITDA margin increased to 38.5% in the year ended 31 August 2014 from 37.0% in the year ended 31 August 2013, mainly due to the implementation of cost-saving measures.

Comparison of the years ended 31 August 2012 and 2013

As the Group's results of operations for the period from 15 March to 31 August 2012 and the year ended 31 August 2013 are not comparable, we have provided a discussion of the results of operations of HKBN, our principal operating subsidiary, for the years ended 31 August 2012 and 31 August 2013.

Turnover. Turnover decreased by 0.9% to HK$1,922.5 million in the year ended 31 August 2013 from HK$1,939.7 million in the year ended 31 August 2012, reflecting an increase in residential revenue of HK$93.0 million and an increase in enterprise revenue of HK$16.9 million, which was offset by a decrease in product revenue of HK$127.1 million as we have decreased the emphasis on product sales during the Track Record Period including terminating a reselling arrangement with a major technology company in 2012.

Residential revenue. Residential revenue increased by 6.7% to HK$1,472.3 million in the year ended 31 August 2013 from HK$1,379.3 million in the year ended 31 August 2012. The increase was primarily due to the increase in our broadband subscription base as we maintained strong growth in subscriptions through active advertising and promotional efforts along with targeted installations of our network.

Enterprise revenue. Enterprise revenue increased by 4.9% to HK$361.3 million in the year ended 31 August 2013 from HK$344.4 million in the year ended 31 August 2012. The increase in the year ended 31 August 2013 was mainly due to the increase of enterprise broadband subscriptions from approximately 23,000 as at 31 August 2012 to approximately 26,000 as at 31 August 2013.

Product revenue. Revenue from product sales decreased to HK$88.8 million in the year ended 31 August 2013 compared to HK$215.9 million in the year ended 31 August 2012 as we have decreased the emphasis on product sales during the Track Record Period including terminating a reselling arrangement with a major technology company in 2012.

Network costs and costs of sales. Network costs and costs of sales decreased by 29.3% to HK$295.9 million in the year ended 31 August 2013 from HK$418.5 million in the year ended 31 August 2012 mainly because of the decrease in cost of sales by HK$116.1 million as a result of the decrease in product sales.

Other operating expenses.

Set forth below is a table summarising the details of HKBN's other operating expenses in the years ended 31 August 2012 and 2013:

	For the years ended 31 August	
	2012	**2013**
	HK$	**HK$**
	(in thousands)	
Advertising and marketing expenses	414,829	399,156
Talent costs	300,450	324,114
Depreciation	232,345	244,994
Others(1)	162,433	191,852
Other operating expenses	1,110,057	1,160,116

Note:

(1) Others include collection charges, site and equipment maintenance costs, office rental and utilities and other general administrative expenses.

Other operating expenses increased by 4.5% to HK$1,160.1 million in the year ended 31 August 2013 from HK$1,110.1 million in the year ended 31 August 2012 mainly due to the following:

Talent costs. Talent costs increased by 7.9% to HK$324.1 million in the year ended 31 August 2013 from HK$300.5 million in the year ended 31 August 2012 mainly due to the full year effect of salary increases in 2013.

Advertising and marketing expenses. Advertising and marketing expenses decreased by 3.8% to HK$399.2 million in the year ended 31 August 2013 from HK$414.8 million in the year ended 31 August 2012 due to the decrease in net growth of broadband subscriptions in 2013 as the result of an increase in subscription price.

Depreciation. Depreciation increased by 5.5% to HK$245.0 million in the year ended 31 August 2013 from HK$232.3 million in the year ended 31 August 2012 because of the expansion of our network coverage.

Gain on transfer of properties to HKTV. On 31 March 2012, HKBN transferred properties, including certain offices and warehouse premises with a net book value of HK$62.6 million to HKTV at a fair market consideration of HK$250.0 million, resulting in a gain of HK$187.4 million.

Finance costs. Finance costs decreased by 16.0% to HK$35.6 million in the year ended 31 August 2013 from HK$42.4 million in the year ended 31 August 2012 mainly due to the repayment of outstanding bank loans which were refinanced using proceeds of the senior notes issued by the parent company of HKBN.

Profit before taxation. Profit before taxation decreased by 23.3% to HK$431.3 million in the year ended 31 August 2013 from HK$562.2 million in the year ended 31 August 2012 due to the factors discussed above. HKBN's profit before taxation margin was 29.0% and 22.4% in the years ended 31 August 2012 and 2013, respectively. This decrease was primarily due to the gain on transfer of properties to our former ultimate holding company.

Income tax. Income tax increased by 8.2% to HK$72.6 million in the year ended 31 August 2013 from HK$67.1 million in the year ended 31 August 2012 mainly due to the increase in profit before taxation. HKBN's effective tax rates are 11.9% and 16.8% for the years ended 31 August 2012 and 2013, respectively. The lower effective tax rate for the year ended 31 August 2012 was due to the fact that a gain on the transfer of properties to HKTV was non-taxable.

Profit and total comprehensive income for the year. Profit and total comprehensive income for the year decreased by 27.5% to HK$358.8 million in the year ended 31 August 2013 from HK$495.2 million in the year ended 31 August 2012 due to the factors discussed above.

Non-HKFRS financial measures

The measures of financial performance described in this section are non-HKFRS measures and accordingly are not audited, not included in the financial statements and not presented in accordance with HKFRS. Although these measures of financial performance are reconcilable to line items on the financial statements, they may not be equivalent to similarly named measures used by other companies and should not be considered as measures comparable to income statement items in the financial statements. They have limitations as analytical tools and should not be considered in isolation from, or as a substitute for, an analysis of our financial results presented under HKFRS.

EBITDA of HKBN

EBITDA increased by HK$62.3 million or 9.6% to HK$711.5 million in the year ended 31 August 2013 from HK$649.2 million in the year ended 31 August 2012. The increase in EBITDA was due to the increase in both subscriptions and price of our residential and enterprise broadband services, as well as the implementation of cost-saving measures.

EBITDA margin of HKBN

EBITDA margin increased to 37.0% in the year ended 31 August 2013 from 33.5% in the year ended 31 August 2012, due to improved operational efficiency and a decrease in low-margin product revenue.

SHARE CAPITAL OF THE COMPANY

The following is a description of the authorised and issued share capital of the Company immediately before and following the completion of the Reorganisation, the Capitalisation Issue and the Global Offering.

		Nominal Value (HK$)
Authorised share capital		
3,800,000,000	Shares	380,000
Issued and to be issued, fully paid or credited as fully paid		
1,000,000,000	Shares in issue as at the date of this prospectus	100,000
5,666,666	Shares to be issued to the Plan Trustee pursuant to the Capitalisation Issue	566.67
1,005,666,666	**Total**	100,566.67

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and does not take into account any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares as described below. The number of Shares to be issued pursuant to the Capitalisation Issue depends on the Offer Price. The number of Shares shown above assumes the Maximum Offer Price.

Assuming the Minimum Offer Price, the number of Shares to be issued to the Plan Trustee pursuant to the Capitalisation Issue would be 6,375,000 and the total Shares issued and outstanding would be 1,006,375,000.

RANKING

The Offer Shares are ordinary shares in the share capital of the Company and will rank equally in all respects with all the Shares in issue or to be issued as set out in the above table, and will qualify for all dividends and other distributions declared, made or paid by the Company following the completion of the Reorganisation, the Capitalisation Issue and the Global Offering.

GENERAL MANDATES GRANTED TO THE DIRECTORS

Subject to the Global Offering becoming unconditional, general mandates have been granted to the Directors to allot and issue Shares and to repurchase Shares. For details of such general mandates, see "*Appendix VI — Statutory and General Information — Further Information About the Company*".

So far as is known to any Director or Chief Executive of the Company as at the Latest Practicable Date, immediately following the completion of the Reorganisation, the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised), the following persons (other than a Director or chief executive of the Company) will have an interest and/or short position (as applicable) in the Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, once the Shares are listed on the Stock Exchange:

Interests and Long Positions in Shares

		Assuming the Maximum Offer Price		Assuming the Minimum Offer Price	
Name	**Capacity**	**Number of Shares held**	**% of Shares held**	**Number of Shares held**	**% of Shares held**
Canada Pension Plan Investment Board	Legal and beneficial owner	172,382,000	17.14%	193,930,000	19.27%
MLGHL	Legal and beneficial owner	145,222,444	14.44%	146,176,172	14.53%
CVC Capital Partners Asia Pacific III L.P.[(1)]	Interest in controlled corporation	127,795,751	12.71%	128,635,031	12.78%
CVC Capital Partners Asia Pacific III Parallel Fund — A, L.P. [(1)]	Interest in controlled corporation	17,426,693	1.73%	17,541,141	1.74%
CVC Capital Partners Asia III Limited	Interest in a controlled corporation	145,222,444	14.44%	146,176,172	14.53%
CVC Capital Partners Advisory Company Limited	Interest in a controlled corporation	145,222,444	14.44%	146,176,172	14.53%
CVC Capital Partners Finance Limited	Interest in a controlled corporation	145,222,444	14.44%	146,176,172	14.53%
CVC Group Holdings L.P.	Interest in a controlled corporation	145,222,444	14.44%	146,176,172	14.53%
CVC Group Limited	Interest in a controlled corporation	145,222,444	14.44%	146,176,172	14.53%
CVC Portfolio Holdings Limited	Interest in a controlled corporation	145,222,444	14.44%	146,176,172	14.53%
CVC MMXII Limited	Interest in a controlled corporation	145,222,444	14.44%	146,176,172	14.53%

Name	Capacity	Assuming the Maximum Offer Price		Assuming the Minimum Offer Price	
		Number of Shares held	% of Shares held	Number of Shares held	% of Shares held
CVC Capital Partners 2013 PCC[(2)]	Interest in a controlled corporation	145,222,444	14.44%	146,176,172	14.53%
CVC Capital Partners SICAV-FIS S.A.	Interest in a controlled corporation	145,222,444	14.44%	146,176,172	14.53%
City-Scape Pte. Ltd.[(3)]	Legal and beneficial owner	99,387,329	9.88%	99,546,996	9.89%
GIC (Ventures) Pte. Ltd.	Interest in a controlled corporation	99,387,329	9.88%	99,546,996	9.89%
GIC Special Investments Pte. Ltd.	Interest in a controlled corporation	99,387,329	9.88%	99,546,996	9.89%
GIC Pte. Ltd.	Interest in a controlled corporation	99,387,329	9.88%	99,546,996	9.89%

Notes:

(1) CVC Capital Partners Asia Pacific III L.P. and CVC Capital Partners Asia Pacific III Parallel Fund — A, L.P. are closed ended exempted limited partnerships formed under the laws of the Cayman Islands, which are each controlled by a general partner, CVC Capital Partners Asia III Limited.

(2) Acting in respect of its protected cell, CVC Capital Partners Cell C PC.

(3) City-Scape Pte. Ltd. is wholly-owned by GIC (Ventures) Pte. Ltd.. GIC Special Investments Pte. Ltd. manages the investments of City-Scape Pte. Ltd., and is wholly-owned by GIC Pte. Ltd..

(4) All interests assume (i) a Listing Date of 12 March 2015; and (ii) the exchange rate on the Price Determination Date will be US$1.00 : HK$7.75468.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company is aware of any other person who will, immediately following the completion of the Reorganisation, the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised), have an interest or short position in the Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

OVERVIEW

Immediately following the completion of the Reorganisation, the Capitalisation Issue and the Global Offering, MLGHL will, in aggregate, own approximately 14.44% (based on the Maximum Offer Price) or 14.53% (based on the Minimum Offer Price) of the issued Shares (assuming (i) a Listing Date of 12 March 2015; (ii) the exchange rate on the Price Determination Date will be US$1.00 : HK$7.75468; and (iii) the Over-allotment Option is not exercised). Accordingly, MLGHL will be a substantial shareholder of the Company at that time. MLGHL is wholly-owned by the CVC Asia III Funds.

The CVC Asia III Funds are managed and advised by affiliates of CVC Capital Partners SICAV-FIS S.A..

INDEPENDENCE FROM CVC

The Directors consider that the Group is capable of carrying on its business independently of MLGHL and CVC for the reasons set out below.

MANAGEMENT INDEPENDENCE

The Board consists of six Directors, two of whom are Executive Directors, one is a Non-executive Director and three are Independent Non-executive Directors.

Our Non-executive Director, Roy KUAN (管文浩), is an employee of an affiliate of CVC Capital Partners SICAV-FIS S.A..

Our daily management and operations are carried out by our senior management team. None of the members of our senior management team holds any board or other executive position in, or are employed by, MLGHL or CVC.

Under applicable Cayman Islands laws, Directors must not place themselves in a position where there is conflict between their duty to the Company and their personal interests. This obligation may, however, be varied by the articles of association, for example, by permitting a Director to vote on a matter in which he has an interest provided that he has disclosed the nature of that interest to the board of directors. Our Articles of Association (which will be effective on the Listing Date) provide that a Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Board in respect of any contract or arrangement or any other proposal whatsoever in which he or any of his close associates (as defined in the Listing Rules) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution). This provision is subject to certain exceptions further described in "*Appendix IV — Summary of the Constitution of the Company and Cayman Companies Law — A. Summary of the Constitution of the Company — 2. Articles of Association — 2.2 Directors — (f) Disclosure of interest in contracts with the Company or any of its subsidiaries*".

Finally, following Listing, the Board will be required to comply with the Listing Rules, including the provisions relating to corporate governance, which require, among other things, that a Director shall not vote on any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his associates has a material interest, nor shall he/she be counted in the quorum for the meeting.

OPERATIONAL INDEPENDENCE

The CVC Asia III Funds, together with other funds managed and advised by affiliates of CVC Capital Partners SICAV-FIS S.A., are private equity funds that invest in companies which demonstrate the potential for growth in value. CVC controls a broad portfolio of businesses which operate in a wide range of different sectors.

The Group has its own independent access to sources of materials required for its operations. Neither MLGHL nor CVC has any interest in any of the Group's key suppliers required for its operations. The Group has independent access to its customers.

The Group does from time to time transact business with companies that may be controlled by CVC in the normal course of business and on the same arm's length terms that apply to the Group's dealings with third parties.

FINANCIAL INDEPENDENCE

Neither MLGHL nor CVC provides the Group with any direct or indirect financing for its operations.

COMPETITION WITH MLGHL AND CVC

Apart from their interest in the business of the Group as described in this prospectus, neither MLGHL nor CVC has any interest, directly or indirectly, in any business which competes or is likely to compete, directly or indirectly, with the business of the provision of fixed telecommunications network services in Hong Kong as carried on by the Group as at the date of this prospectus.

TAG ALONG ARRANGEMENTS

On 17 February 2015, MLGHL, City-Scape Pte. Ltd., AlpInvest Partners Co-Investments 2009 C.V. and AlpInvest Partners Co-Investments 2010 II C.V. (each AlpInvest entity as represented by its general partner, AlpInvest Partners 2009 B.V.) (each, a "**Relevant Shareholder**") entered into a tag along agreement which will be effective from the Listing Date to regulate the sale of Shares amongst themselves following the completion of the Global Offering (the "**Tag Along Agreement**"). The Company is not party to the Tag Along Agreement.

The Tag Along Agreement provides that no Relevant Shareholder will dispose of Shares (a "**Sale**") without first notifying the others and following a process inviting them to participate in such Sale on a pro rata basis and on no less favourable commercial terms. There is no obligation on any Relevant Shareholder to participate in a Sale. Certain types of Sales are excluded from these restrictions, including (but not limited to) disposals pursuant to a takeover offer, scheme of arrangement or share buyback and disposals to affiliates.

The Tag Along Agreement will terminate in certain circumstances, including (but not limited to) in respect of a Relevant Shareholder when it holds no Shares or for all Relevant Shareholders when the Company ceases to be listed on the Main Board of the Stock Exchange or upon the occurrence of certain insolvency events.

CORNERSTONE INVESTMENT

As part of the International Offering, MLGHL, the Company and the Joint Global Coordinators have entered into the Cornerstone Investment Agreement with the Cornerstone Investor.

KEY TERMS OF THE CORNERSTONE INVESTMENT AGREEMENT

Pursuant to the Cornerstone Investment Agreement, Canada Pension Plan Investment Board, being the Cornerstone Investor, has agreed to acquire from MLGHL, at the Offer Price, such number of International Offer Shares which is equivalent to HK$1,551,440,000, rounded down to the nearest whole board lot of 500 Shares.

Based on the total number of Shares which will be in issue on the Listing Date immediately following the completion of the Reorganisation, the Capitalisation Issue and the Global Offering:

- assuming an Offer Price of HK$9.00 (being the Maximum Offer Price), the Cornerstone Investor will acquire 172,382,000 International Offer Shares, representing 30.55% of the total number of International Offer Shares initially available under the Global Offering; and
- assuming an Offer Price of HK$8.00 (being the Minimum Offer Price), the Cornerstone Investor will acquire 193,930,000 International Offer Shares representing 34.37% of the total number of International Offer Shares initially available under the Global Offering.

In all cases, the Cornerstone Investor will be the largest single Shareholder on completion of the Global Offering.

The number of International Offer Shares to be acquired by the Cornerstone Investor will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering or any exercise of the Over-allotment Option as described in "*Structure of the Global Offering*". The Cornerstone Investor has agreed that, other than pursuant to the Cornerstone Investment Agreement, it will not acquire any Offer Shares pursuant to the Global Offering.

INFORMATION ABOUT THE CORNERSTONE INVESTOR

Canada Pension Plan Investment Board is a professional investment management organisation that invests the funds not needed by the Canada Pension Plan ("**CPP**") to pay current benefits on behalf of 18 million contributors and beneficiaries. At 31 December 2014, the CPP Fund totalled C$238.8 billion. Canada Pension Plan Investment Board invests in public equities, private equities, bonds, private debt, real estate, infrastructure, agriculture and other areas.

As at the date of this prospectus, the Cornerstone Investor is an independent third party, is not a connected person of the Company, and is not an existing holder of Shares. Immediately upon completion of the Global Offering, the Cornerstone Investor will be a substantial shareholder and a connected person of the Company. Accordingly, the International Offer Shares which are acquired by the Cornerstone Investor pursuant to the Cornerstone Investment Agreement will not count towards the public float of Shares. On completion of the Global Offering, the Cornerstone Investor will be the largest single Shareholder.

CONDITIONS PRECEDENT

The obligation of the Cornerstone Investor to acquire International Offer Shares under the Cornerstone Investment Agreement is conditional upon the following conditions precedent:

(a) the Underwriting Agreements being entered into and having become unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) and having completed by no later than the time and date as specified in the Underwriting Agreements or as subsequently waived or varied by agreement of the parties thereto;

(b) neither of the Underwriting Agreements having been terminated;

(c) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Shares and such approval or permission not having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(d) the respective representations, warranties, undertakings and confirmations of the Cornerstone Investor in the Cornerstone Investment Agreement remaining accurate and true in all material respects and there being no material breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor;

(e) immediately following completion of the Reorganisation, the Capitalisation Issue and the Global Offering, and assuming that the Over-allotment Option has been exercised in full simultaneously with completion of the Global Offering, the Shares to be acquired by the Cornerstone Investor amount to no less than 17.14%, and no more than 29.9%, of the entire share capital in the Company; and

(f) the Offer Price does not exceed the Maximum Offer Price.

RESTRICTIONS ON DISPOSAL OF SHARES

The Cornerstone Investor has agreed that without the prior written consent of the Company and the Joint Global Coordinators, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of any of the Shares acquired pursuant to the Cornerstone Investment Agreement (or any interests in any Shares or any other securities of the Company which are derived therefrom pursuant to any rights issue, capitalisation issue or other form of capital reorganisation) (together, the "**Relevant Shares**") or any interest in any company or entity holding any of the Relevant Shares, nor will it agree or contract to (or enter into any transaction with the same economic effect), or publicly announce any intention to enter into a transaction for the disposal of the Relevant Shares.

OTHER INFORMATION

The Shares to be delivered to the Cornerstone Investor pursuant to the Cornerstone Investment Agreement will rank *pari passu* with all other Shares then in issue and to be listed on the Stock Exchange.

Immediately following the completion of the Global Offering, the Cornerstone Investor will not have any representation on the Board. Compared with public holders of Shares, the Cornerstone Investor will not have any preferential rights pursuant to the Cornerstone Investment Agreement.

OVERVIEW

Prior to the Listing Date, we have entered into certain transactions with parties who will, upon the Listing, become connected persons of the Group and transactions with such persons will constitute connected transactions under the Listing Rules. Following the completion of the Listing, the Group will have one continuing connected transaction. Details of this transaction are set out below.

Provision of Fixed Telecommunications Network Services and IDD Services

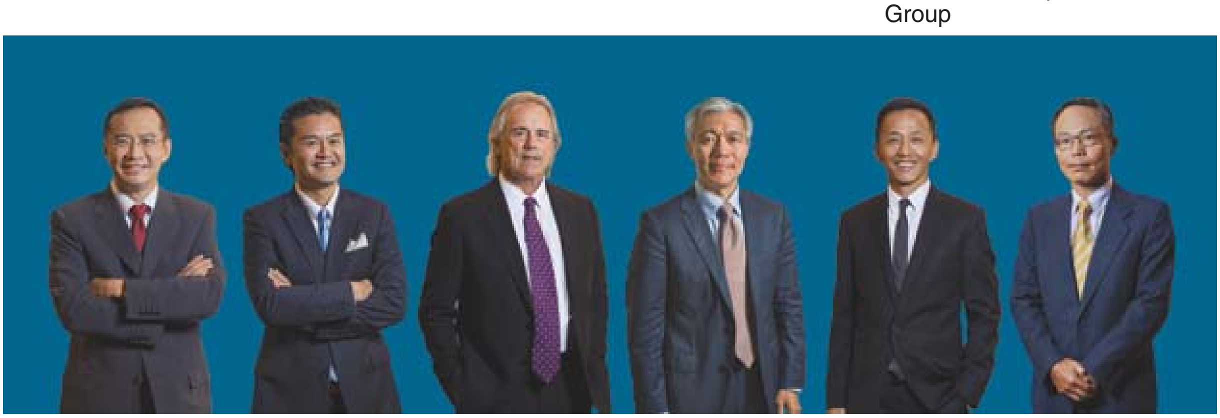
Certain of the Group's connected persons are subscribers of the Group's fixed telecommunications network services and/or IDD services. The provision of such services are "consumer services" on the basis that these services are (i) of a type ordinarily supplied for the connected person's private use or consumption, (ii) for the connected person's own consumption or use, (iii) consumed or used by the connected person in the same state as when they were bought and (iv) subscribed on terms no more favourable to the connected person, or no less favourable to the Group, than those terms available to independent third parties.

On the basis of the above and given that the provision of such services by the Group to its connected persons are on normal commercial terms or better in its ordinary and usual course of business, these transactions are fully exempt from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.97 of the Listing Rules.

BOARD OF DIRECTORS

The Board of Directors consists of six Directors, comprising two Executive Directors, one Non-executive Director and three Independent Non-executive Directors. Brief information of the Directors is set out below:

Name	Age	Position	Date of Appointment	Date of Joining the Group	Principal Responsibilities
Bradley Jay HORWITZ	59	Chairman and Independent Non-executive Director	6 February 2015	6 February 2015	Responsible for the management of the Board, addressing conflicts and giving strategic advice and guidance on the business and operations of the Group
William YEUNG (楊主光)	54	Chief Executive Officer and Executive Director	15 December 2014	1 October 2005	Responsible for leading in the formulation of strategic directions and the day-to-day management of the Group
Ni Quiaque LAI (黎汝傑)	45	Head of Talent Engagement, Chief Financial Officer and Executive Director	15 December 2014	1 May 2004	Responsible for Talent policies and the day-to-day management of the Group
Roy KUAN (管文浩)	48	Non-executive Director	15 December 2014	3 April 2012	Responsible for the formulation of strategic directions and for the high level oversight of the management and operations of the Group
Stanley CHOW (周鏡華)	51	Independent Non-executive Director	6 February 2015	6 February 2015	Responsible for addressing conflicts and giving strategic advice and guidance on the business and operations of the Group
Quinn Yee Kwan LAW (羅義坤), SBS, JP	62	Independent Non-executive Director	6 February 2015	6 February 2015	Responsible for addressing conflicts and giving strategic advice and guidance on the business and operations of the Group



Stanley CHOW
Independent Non-executive Director

Ni Quiaque LAI
Head of Talent Engagement, Chief Financial Officer and Executive Director

Bradley Jay HORWITZ
Chairman and Independent Non-executive Director

Roy KUAN
Non-executive Director

William YEUNG
Chief Executive Officer and Executive Director

Quinn Yee Kwan LAW, SBS, JP
Independent Non-executive Director

Chairman and Independent Non-executive Director

Bradley Jay HORWITZ, aged 59, was appointed as the Chairman and an Independent Non-executive Director of the Company on 6 February 2015. Mr. Horwitz has over 30 years of experience in the wireless and telecommunication industry. Mr. Horwitz founded Trilogy International Partners in 2005 and has been the president and chief executive officer of the company since it was founded. Trilogy International Partners was established to acquire wireless international assets in Haiti and Bolivia and to develop additional international wireless assets, primarily in South America and the Caribbean. Prior to establishing Trilogy International Partners, Mr. Horwitz served as president of Western Wireless International, having founded the company in 1995 while also serving as an executive vice president of Western Wireless Corporation. Previously, Mr. Horwitz was a founder and chief operating officer of SmarTone Mobile Communications Limited and he worked in various management capacities for McCaw Cellular including serving as vice president of international operations. Mr. Horwitz graduated from San Diego State University, U.S. with a Bachelor of Science Degree in August 1978.

Executive Directors

William YEUNG (楊主光), aged 54, is the Chief Executive Officer of the Group and an Executive Director. Mr. Yeung joined the Group in October 2005 as the Chief Operating Officer, overseeing customer engagement, relationship management and network development. In November 2008, Mr. Yeung was appointed as the Chief Executive Officer with the responsibility of developing corporate strategies and overseeing operations. Mr. Yeung has more than 23 years of experience in the telecommunications industry. Prior to joining the Group, Mr. Yeung was director of customers division at SmarTone Mobile Communications Limited, and served as a police inspector with the Hong Kong Police Force. Mr. Yeung obtained a Bachelor of Arts Degree from Hong Kong Baptist University, Hong Kong in December 1992 and obtained a Master of Business Administration Degree from the University of Strathclyde, U.K. in November 1995 and a Master of Science Degree in Electronic Commerce and Internet Computing from The University of Hong Kong, Hong Kong in November 2001. In 2010, Mr. Yeung was recognised as "Champion of Human Resources" by The Hong Kong HRM Awards 2010. Mr. Yeung is one of 87 Co-Owners of the Company.

Ni Quiaque LAI (黎汝傑), aged 45, is Head of Talent Engagement and Chief Financial Officer of the Group, and an Executive Director. Mr. Lai joined the Group in May 2004 and has over 20 years of experience in the telecommunications, research and finance industries. Prior to joining the Group, Mr. Lai was an analyst and the Director and Head of Asia Telecom Research for Credit Suisse, where he was involved in numerous global fund raising initiatives for a wide range of Asian Telecom carriers. Prior to Credit Suisse, Mr. Lai held positions in HKT, as a strategic planning manager, and Kleinwort Benson Securities (Asia). He graduated from the University of Western Australia, Australia with a Bachelor of Commerce Degree in April 1990 and obtained an Executive Master of Business Administration Degree from Kellogg-HKUST, Hong Kong in June 2009. Mr. Lai is a Fellow member of Hong Kong Institute of Certified Public Accountants (HKICPA) and CPA Australia, and a Member of the Hong Kong Institute of Directors. In 2009, he was recognised as "Champion of Human Resources" by HRM Awards, and was selected by Global Telecom Business Magazine in 2013 as one of the Top 50 CFOs in the industry to watch. Mr. Lai is one of 87 Co-Owners of the Company.

Non-executive Director

Roy KUAN (管文浩), aged 48, was appointed as a Non-executive Director of the Company on 15 December 2014. Prior to his appointment, Mr. Kuan had been a director of certain subsidiaries of the Group. He has been a director of HKBN Group Limited (formerly City Telecom International Limited) and HKBN since 30 May 2012 and a director of Metropolitan Light (HK) Company Limited since 3 April 2012. Mr. Kuan is a managing partner of CVC Asia Pacific Limited. He is a member of CVC Asia private equity board, CVC Asia investment committee of the board of directors of CVC Capital Partners Advisory Company Limited and a member of the CVC Asia Portfolio Committee. Mr. Kuan has more than 18 years of private equity experience in Asia and has led numerous investments for CVC in the PRC, Korea, Japan, and Southeast Asia. Prior to joining CVC, Mr. Kuan worked in Citigroup Inc.'s Asia Private Equity investment team. Mr. Kuan is an alternate director to Mr. Chi Kit HO (何志傑) in Sun Hung Kai & Co. Limited (stock code: 0086) which is listed on the Main Board of the Stock Exchange. Since 1 April 2010, Mr. Kuan is a commissioner of PT Matahari Department Store Tbk. which is listed on the Indonesian Stock Exchange. Mr. Kuan graduated from Georgetown University, U.S. with a Bachelor of Arts Degree in May 1989 and obtained a Master of Business Administration Degree from the Wharton School University of Pennsylvania, U.S. in May 1995.

Independent Non-executive Directors

Stanley CHOW (周鏡華), aged 51, was appointed as an Independent Non-executive Director of the Company on 6 February 2015. Mr. Chow has over 21 years of experience as a corporate lawyer in Hong Kong and Canada, including over 18 years of experience in dealing with the Stock Exchange's Listing Rules during his time in private practice and as a senior manager in the Stock Exchange's Listing Division. Mr. Chow was a partner in the Hong Kong office of Latham & Watkins, an international law firm, from March 2009 to February 2014 where he was the local department chair of the corporate department in Hong Kong. He was also a member of the firm's Initiatives Committee from March 2012 to February 2014. Prior to joining Latham & Watkins, Mr. Chow practised law with Allen & Overy, another international law firm, from November 1996 to January 2009 where he was a partner in its Hong Kong office for over 8 years. As a corporate lawyer in Hong Kong, Mr. Chow has advised on a broad range of corporate finance and mergers and acquisitions transactions, including in the context of the Stock Exchange and the Listing Rules. Prior to Mr. Chow's time in private practice, he was a senior manager in the Stock Exchange's Listing Division from May 1995 to October 1996 and also practised law with Canadian law firms in Hong Kong and Canada. Mr. Chow is a member of The Law Society of Hong Kong's Company Law Committee and was admitted as a solicitor in Hong Kong in 1995 and in England and Wales in 1994. He was also admitted as a barrister and solicitor in British Columbia, Canada in 1994 and in Ontario, Canada in 1991. Mr. Chow graduated from Queen's University, Canada with a Bachelor of Commerce (Honours) Degree in May 1986 and obtained a Juris Doctor with Honour Standing from the University of Toronto, Canada in June 1989.

Quinn Yee Kwan LAW (羅義坤), SBS, JP, aged 62, was appointed as an Independent Non-executive Director of the Company on 6 February 2015. Mr. Law currently serves as a council member cum audit committee chairman at the Hong Kong University of Science and Technology, Hong Kong, a member of Professional Conduct Committee of the Hong Kong Institute of Certified Public Accountants, and a member of the Financial Affairs Expert Working Group of University Grants Committee. Mr. Law is currently one of the independent non-executive directors of National Agricultural

Holdings Limited (stock code: 1236) and ENN Energy Holdings Limited (stock code: 2688), whose shares are listed on the Main Board of the Stock Exchange. From 1 March 2008 to 1 March 2013, Mr. Law was the deputy chairman and managing director of the Urban Renewal Authority, a statutory organisation in Hong Kong. Mr. Law is a fellow of the Hong Kong Institute of Certified Public Accountants and is also a fellow of the Association of Chartered Certified Accountants. Mr. Law was admitted as an associate of the Institute of Chartered Secretaries and Administrators on 11 November 1980. In view of Mr. Law's experience in reviewing or analysing audited financial statements of private and public companies, the Directors believe that Mr. Law has the appropriate accounting or related financial management expertise for the purposes of Rule 3.10 of the Listing Rules.

Save as disclosed above in *"— Board of Directors"* above and *"Appendix VI — Statutory and General Information"*, each Director had not held any other directorships in listed companies during the three years immediately prior to the Latest Practicable Date and there is no other information in respect of the Directors to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there is no other matter that needs to be brought to the attention of the Shareholders.

SENIOR MANAGEMENT OF THE GROUP

The Chief Executive Officer, Head of Talent Engagement and Chief Financial Officer and members of the senior management of the Group are responsible for the day-to-day management of our business. Certain information relating to the Chief Executive Officer and the Head of Talent Engagement and Chief Financial Officer is set out in *"— Directors"* above.

In addition to the Chief Executive Officer and Head of Talent Engagement and Chief Financial Officer, the members of the senior management of the Group include the following:

Name	Age	Position in the Group	Roles and Responsibilities	Date of Appointment as Senior Management	Date of Joining the Group
Sui Lun LO (盧瑞麟)	50	Chief Technology Officer	Responsible for network development and operations, legal, regulatory and carrier relations matters	1 September 1998	1 September 1998
Selina CHONG (鄭潘行端)	52	Chief Marketing Officer	Responsible for brand strategy, marketing leadership, corporate communications, quality management and customer experience	16 January 2012	16 January 2012
Chan Fai HO (何贊輝)	58	Chief Information Officer	Responsible for information technology strategy development and leads the IT Department to optimise business support and processes via IT system development, integration and management	23 July 2012	23 July 2012
William Tak Wa YEUNG (楊德華)	48	Chief Commercial Officer–Enterprise Solutions	Responsible for leading a team of dedicated sales professionals to service enterprise customers	4 January 2013	4 January 2013

Sui Lun LO (盧瑞麟), aged 50, is the Chief Technology Officer of the Group. Mr. Lo joined the Group in September 1998 and is responsible for network development and operations, including broadband networking, IP-TV, wireless applications as well as VoIP networks. He also oversees matters associated with legal, regulatory and carrier relations. Prior to joining the Group, Mr. Lo spent nine years working for Hong Kong Telecom, working on network planning and undersea cable investment. Mr. Lo graduated from The Chinese University of Hong Kong, Hong Kong with a Bachelor's Degree in Sciences (Electronics) in December 1989 and obtained a Master of Business Administration Degree from the University of Strathclyde, U.K. in July 1999. He is one of 87 Co-Owners of the Company.

Selina CHONG (鄭潘行端), aged 52, is the Chief Marketing Officer of the Group. Ms. Chong joined the Group in 2012 and is responsible for brand strategy, marketing leadership, corporate communications, quality management and overall customer experience. Ms. Chong is the Group's Offline2Online (O2O) architect, responsible for driving online transactions and automation to achieve cost efficiency. Prior to joining the Group, Ms. Chong held various senior positions at various multinational and local corporations including Octopus Cards Limited, American Express, Citibank and

Fidelity Investments and brings a wealth of experience in brand management and strategic sales and marketing. Ms. Chong graduated from the University of Toronto, Canada with a Bachelor's Degree in Science in June 1984 and obtained a Master in Business Administration Degree from McMaster University, Canada in May 1986. In 2014, Ms. Chong was recognised as one of the "50 CMOs to Watch" by Global Telecoms Business magazine. Ms. Chong is one of 87 Co-Owners of the Company.

Chan Fai HO (何贊輝), aged 58, is the Chief Information Officer of the Group. Mr. Ho joined the Group in July 2012 and is responsible for the Group's information technology strategy development and leads the IT Department to optimise business support and processes through IT system development, integration and management. Mr. Ho brings over 25 years of IT experience in local and overseas markets, which spans across various industries including telecommunications, banking, property, publishing, entertainment and retailing. Prior to joining the Group, Mr. Ho was Head of IT and Service Platform at SmarTone Mobile Communications Limited. He also held senior IT positions at Huawei Software Technology, Emperor International Holdings, Westpac, CSL and Bank of America. Mr. Ho graduated from the University of Hong Kong, Hong Kong with a Bachelor's Degree in Science in November 1981, and obtained a Master in Business Administration Degree from Oklahoma City University, U.S. in December 1988 and a Master in Accountancy Degree from Charles Sturt University, Australia in October 1999. Mr. Ho is one of 87 Co-Owners of the Company.

William Tak Wa YEUNG (楊德華), aged 48, is the Chief Commercial Officer — Enterprise Solutions of the Group. Mr. Yeung joined the Group in January 2013 and leads a team of sales professionals to service corporates of all sizes and carrier customers. Prior to joining the Group, Mr. Yeung was noted for his diverse experience within the telecom industry which began at Cable & Wireless HKT, where he played an important role in their development of Internet services in 1995. Mr. Yeung later branched out to start his own business, Y5Zone, and steered the company to become one of the largest wholesale Wi-Fi supplier in Hong Kong. Y5Zone was later acquired by HKBN Group Limited in January 2013. He also serves as the Vice Chairman of Hong Kong Wireless Technology Industry Association. Mr. Yeung obtained a Master of Business Administration Degree from the University of Birmingham, U.K. in December 1988 and is one of 87 Co-Owners of the Company.

COMPANY SECRETARY

King Chiu LEUNG (梁景超), aged 49, is the Company Secretary and Financial Controller of the Group. Mr. Leung joined the Group as the Financial Controller in July 2012 and was subsequently appointed as the Company Secretary on 15 December 2014. Prior to joining the Group, Mr. Leung held senior positions at SmarTone Mobile Communications Limited, CITIC Telecom International Holdings Limited and PricewaterhouseCoopers. Mr. Leung is a member of the Hong Kong Institute of Certified Public Accountants (HKICPA) and the Institute of Chartered Accountants in England and Wales (ICAEW). Mr. Leung obtained an Executive Master of Business Administration Degree from The Chinese University of Hong Kong, Hong Kong in December 2000. Mr. Leung oversees matters associated with the Group's company secretarial, corporate finance, risk management, financial reporting, planning and controls, and procurement. Mr. Leung is one of 87 Co-Owners of the Company.

OTHER MANAGEMENT OF THE GROUP

In addition to the members of the senior management of the Group, the other management of the Group include, the following:

Wing Sze CHAN (陳詠詩), Associate Director — Customer Service, Residential Services, joined in 1994. Wing Sze is responsible for steering HKBN's customer service frontline to two straight years of industry awards. Wing Sze is passionate about badminton and receives professional training on a weekly basis. She holds Master of Business Administration Degree from City University of Hong Kong, Hong Kong and a Masters Degree in Strategic Quality Management from the University of Portsmouth, U.K.

Chun Yu CHAN (陳振宇), Associate Director — Sales, Enterprise Solutions, joined in 2011. Chun Yu is responsible for helping the sales team become a true business partner for customers, Chun Yu believes by sharing one's happiness and experiences we can help others reach their full potential. He holds a Masters Degree in Strategic Human Resources Management from Hong Kong Baptist University, Hong Kong and a Masters Degree in Applied Psychology from the City University of Hong Kong, Hong Kong.

Gladys Kit Yan CHENG (鄭潔恩), Associate Director — Corporate & Digital Communications, joined in 2012. Gladys endeavours to make HKBN the preferred telecom service provider in Hong Kong by seeking to win people over with HKBN's uniqueness and excellence. She brings about 20 years of communications experience in the public sector, as well as telecommunications, payment card and hotel industries. Gladys holds a Social Sciences Degree from The Chinese University of Hong Kong, Hong Kong and is undertaking a Master of Business Administration Degree at the University of Strathclyde, U.K.

Christine Oi Wan CHOW (鄒靄雲), Head of Operations — Enterprise Solutions, joined in 2012. Christine aims to establish a compelling eco-system among business partners and she aspires to create a winning state of affairs for company, partners and customers. Beyond the workspace, she is passionate about how social enterprises can help the underprivileged. Christine is a Certified Management Accountant and a Certified Internal Auditor, and holds a Business Administration Degree from the University of Washington U.S. and an Executive Master of Business Administration Degree from The Chinese University of Hong Kong, Hong Kong.

Cindy Shu Yee FAN (范淑儀), Associate Director — Customer Care & Online Services, joined in 2006. Sharing pride in the passion HKBN has towards caring and development of its people, as well as the city of Hong Kong, Cindy is inspired to do good for the community through her own selfless acts of volunteer work. Cindy holds a Master of Business Administration Degree from the University of Management & Technology, Washington D.C., U.S.

Wai Leung FOK (霍偉良), Senior Manager — IT, joined in 2012. Relying on over 20 years of extensive experience in telecommunications, WL helps oversee a revamp of HKBN's IT infrastructure via cloud computing. Outside of work, Mr. Fok is an amateur scientist who spends his free time exploring all manner of technologies. He holds a British Honours Degree from completing the British Computer Society Professional Examination.

Leong Kin HUI (許亮堅), Director — Customer Retention & Retail, Residential Services, joined in 2007. As Director of Customer Retention & Retail, Residential Services, Leong Kin believes through being sincere and fair, customers will be won over by HKBN's services. Leong Kin garners great pleasure from being a source of support to bring family and friends joy and happiness. He holds a Masters of Business Administration Degree from The Open University of Hong Kong, Hong Kong.

Wai Man HUI (許偉文), Associate Director — Product Development & Management, Enterprise Solutions, joined in 2013. Responsible for developing new services such as Wi-Fi and cloud services, Wai Man has 20 years of experience in the telecommunications industry. Wai Man holds a Master of Business Administration Degree from Hong Kong University of Science and Technology, Hong Kong, an Executive Diploma in Marketing from The Chinese University of Hong Kong, Hong Kong, a Master of Philosophy Degree from Hong Kong Polytechnic University, Hong Kong and a Computer Engineering Degree from City University of Hong Kong, Hong Kong.

Kwong Tat IP (葉廣達), Associate Director — Consulting & Project Management, Enterprise Solutions, joined in 1994. Kwong Tat is focused on fusing a variety of technologies and knowledge to create tailored solutions for individual clients. Beyond the workplace, Kwong Tat runs marathons around the world to experience life differently. He holds a Bachelor's Degree in Engineering in Computer Science from Hong Kong University of Science and Technology, Hong Kong, and an Executive Master of Business Administration Degree from The Chinese University of Hong Kong, Hong Kong.

Loretta Ching Yan KO (高靜欣), Associate Director — Sales, Enterprise Solutions, joined in 2013. Embracing her role in the company, Loretta is eager to make HKBN stronger and better and to take on new challenges. Loretta has 19 years of experience in IT and telecommunications and holds a Bachelor of Mathematics Degree from the University of Waterloo and a Bachelor of Administrative Studies Degree from York University, both in Canada.

Tsz Wai KONG (江芷慧), Associate Director — Retail Business; Associate Director — Quality Assurance, Enterprise Solutions, joined in 2011. As Associate Director for both the Retail Business and Quality Assurance of Enterprise Solutions, Tsz Wai believes the best strategy forward is always to challenge the status quo. Outside of work, Tsz Wai pursues a better life through the arcane study of Xuanxue. She holds a Master of Business Administration Degree from The University of Hong Kong, Hong Kong.

Ching Kau KWOK (郭靜郊), Legal Counsel, joined in 2012. Ching Kau believes HKBN is a vibrant, motivated company. Nurtured by HKBN's unique culture, Ching Kau is passionate about overcoming challenging feats such as climbing 2,899 metres to the top of Mt. Aka in Japan with fellow Talents as part of an inspection trek in preparation for HKBN's annual management experiential trip. Ching Kau is a qualified Hong Kong solicitor.

Siu Kei LAM (林肇琪), Associate Director — Marketing, joined in 2011. Siu Kei seeks to make a meaningful impact and she is mindful of the qualitative experience for each customer. Outside of work, Siu Kei enjoys taking long hikes through the countryside and reading. She holds a Bachelor of Arts and an Executive Master of Business Administration Degree from The Chinese University of Hong Kong, Hong Kong, and a Masters Degree in Marketing Communication from the University of Canberra, Australia.

Ka Ling LAM (林嘉玲), Director — Digital Operations, joined in 1999. Ka Ling aims to create customer value and organisational capabilities through the development of digital platforms. She endeavours to analyse business through customer perspectives and change the business landscape by blending digital and physical resources. Outside of work, Ka Ling enjoys learning at international conferences and appreciates contemporary art and writing lyrics. She holds a Master of Business Administration Degree from Southern Illinois University, Carbondale, U.S.

Kin Wah LAU (劉建華), Associate Director — Customer Retention & Retail, Residential Services, joined in 2003. As a leader of both the telesales and sales teams for residential broadband Internet service, Kin Wah is focused on creating opportunities for members of his team to showcase their potential. He believes that by helping HKBN excel, Hong Kong is able to become a better place. Kin Wah holds a degree in marketing from the University of Lethbridge, Canada.

Mei Yin LAU (劉美燕), Director — Talent Engagement, joined in 2011. Mei Yin is proud to drive LIFE-work priority as a principal element of success at HKBN. Outside of work she is an active life mentor to young entrepreneurs and individuals from universities, youth organizations, NGOs and social enterprises. She is a board member of the Fair Trade Hong Kong Foundation and serves on two committees of Hong Kong Management Association. She holds a Bachelor of Business Administration Degree in Human Resources Management from Hong Kong Baptist University, Hong Kong.

Ka Yu LI (李家裕), Associate Director — Customer Acquisition, Residential Service, joined in 1999. Ka Yu has a bounty of experience in sales team management and he enjoys overcoming challenges. Outside of work, Ka Yu upholds HKBN's corporate culture focus on LIFE-work priority through sharing moments of joy with family and his two kids. He holds a Bachelor of Engineering from The Chinese University of Hong Kong.

Stephen Chi Wan LUI (雷志宏), Senior Manager — IT, joined in 2012. Stephen believes that by making the right use of technology, good can be done to improve lives and businesses. He relies on his 20 years of experience in the information technology and telecommunications industry to seek to develop innovative services and promote a learning culture. In his spare time, Stephen is an avid photographer and enjoys reading. He holds a Masters Degree in Electrical Engineering and a Master of Business Administration Degree, both from Hong Kong University of Science and Technology, Hong Kong.

Chi Ho NG (吳志豪), Director — Customer Acquisition, Residential Services; Director — Sales, Enterprise Solutions, joined in 1999. In his role as a sales-focused Director, Chi Ho believes the best way to earn his awareness to market needs is by directly communicating with customers. Outside of work, Chi Ho is fanatical about sports, and names golf, volleyball and marathon running as prime passions. He holds a Master of Business Administration Degree from Hong Kong Baptist University, Hong Kong.

Hei Wa PUN (潘希華), Director — Operations Support, joined in 2005. Sharing HKBN's corporate passion to go beyond industry norms, Hei Wa always strives to overachieve and in doing so he has made many operational support contributions to HKBN. Outside of duties, Hei Wa chases the feeling of rejuvenation that comes from a long, exhaustive marathon run. Graduating with first class honours in history from The Chinese University of Hong Kong, Hong Kong, Hei Wa also holds a Masters Degree in history from the University of Oxford, U.K., a Master of Business Administration Degree from the University of Hull, U.K., and a Masters Degree in e-Commerce and Internet Computing from the University of Hong Kong, Hong Kong.

Yung Yin SHIU (蕭容燕), Associate Director — Marketing, Enterprise Solutions, joined in 2004. In her role, Yung Yin sees every marketing campaign as a competition and is driven by a burning desire to win. Beyond the workplace, she is always on the lookout for opportunities to improve her life and overcome new challenges. Yung Yin holds an Executive Master of Business Administration Degree from The Chinese University of Hong Kong, Hong Kong.

Adrian Chun Man WATT (屈駿文), Director — Sales & Carrier Sales, Enterprise Solutions, joined in 2013. Adrian is responsible for helping HKBN stand out by developing innovative and disruptive services for our enterprise customers. Beyond life in the present, Adrian finds solace through personal studies into ancient civilisations. He holds an Electrical Engineering Degree from the University of Birmingham, U.K. and a Masters Degree in Investment Management from Hong Kong University of Science and Technology, Hong Kong.

Andrew Yue Kit WONG (黃宇傑), Deputy Financial Controller, joined in 2006. In his role as Deputy Financial Controller, Andrew oversees HKBN's budgeting and strategic planning, and believes that you can only add value to a company if you do the right thing with an impact. Andrew is a member of Hong Kong Institute of Certified Public Accountants, and holds an Executive Master of Business Administration Degree from The Chinese University of Hong Kong, Hong Kong.

Ka Ki WONG (黃嘉錡), Associate Director — Business Development, Enterprise Solutions, joined in 2014. Ka Ki helps us to close deals for special projects and others that require additional solutions integration. He believes the key to success is providing support that customers find satisfying. Outside of work, Ka Ki follows a simple approach to life: to try new challenges. He holds a Bachelor's Degree from The Chinese University of Hong Kong, Hong Kong and a Masters Degree from the University of New South Wales, Australia.

Trevor Jun He WONG (王郡龢), Associate Director — Marketing Communications, joined in 2012. Focused on building better brand engagement, Trevor's target is to enhance HKBN's image to very cool. Outside of work, Trevor is passionate about cooking and video gaming. An advertising professional with experience at several top agencies, Trevor holds a Business Administration Degree from HU University of Applied Sciences Utrecht, the Netherlands.

Ka Ming YAU (丘嘉明), Associate Director — Network Operation, joined in 1996. Despite his current role as a leader of Network Operation, Ka Ming was also a prime architect in developing HKBN's leading next generation VoIP network. Outside of work, Ka Ming is a passionate runner and is training diligently to qualify for the illustrious Boston Marathon. He studied Computer Programming and Analysis at Seneca College in Canada and has 18 years of telecom industry experience.

BOARD COMMITTEES

The Board has established the audit committee, the remuneration committee and the nomination committee.

Audit Committee

The Company has established the audit committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to oversee the financial reporting system and internal control procedures of the Company, review the financial information of the Company and consider issues relating to the external auditors and their appointment.

The audit committee consists of four Directors. The members of the Audit Committee are:

Quinn Yee Kwan LAW (羅義坤), SBS, JP (*Chairman*)
Stanley CHOW (周鏡華)
Bradley Jay HORWITZ
Roy KUAN (管文浩)

Remuneration Committee

The Company has established a remuneration committee of the Board in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

The remuneration committee consists of three Directors. The members of the remuneration committee are:

Stanley CHOW (周鏡華) (*Chairman*)
Roy KUAN (管文浩)
Quinn Yee Kwan LAW (羅義坤), SBS, JP

Nomination Committee

The Company has established a nomination committee of the Board as recommended by the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to review the structure, size and composition of the Board, assess the independence of the independent non-executive directors and make recommendations to the Board on the appointment and re-appointment of directors and succession planning for directors.

The nomination committee consists of five Directors. The members of the nomination committee are:

William YEUNG (楊主光) (*Chairman*)
Stanley CHOW (周鏡華)
Bradley Jay HORWITZ
Roy KUAN (管文浩)
Quinn Yee Kwan LAW (羅義坤), SBS, JP

DIRECTORS' REMUNERATION AND REMUNERATION OF FIVE HIGHEST PAID INDIVIDUALS

For the period from 15 March 2012 to 31 August 2012, the years ended 31 August 2013 and 2014 and the three months ended 30 November 2014, the aggregate amount or value of fees, salaries, allowances and benefits in kind, discretionary bonuses and retirement scheme contributions paid to the Directors were approximately HK$4.8 million, HK$14.8 million, HK$18.0 million and HK$3.7 million, respectively.

For the period from 15 March 2012 to 31 August 2012 and the years ended 31 August 2013 and 2014 and the three months ended 30 November 2014, two of the five highest paid individuals were Directors. The aggregate amount or value of fees, salaries, allowances and benefits in kind, discretionary bonuses and retirement scheme contributions paid to the three remaining highest paid individuals were approximately HK$1.9 million, HK$8.7 million, HK$9.8 million and HK$2.8 million, respectively.

During the Track Record Period, no remuneration was paid to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group. No compensation was paid to, or receivable by, the Directors or past directors of the Company or the five highest paid individuals for the loss of office as director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group. None of the Directors had waived any remuneration and/or emoluments during the Track Record Period.

Information on the letters of appointment entered into between the Company and the Directors is set out in *"Appendix VI — Statutory and General Information"*.

COMPLIANCE ADVISER

The Company has appointed Somerley as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules to provide advisory services to the Company. In compliance with Rule 3A.23 of the Listing Rules, the Company must consult with, and if necessary, seek advice from, the compliance adviser on a timely basis in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated;

(c) where the Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the Group's business activities, developments or results of operation deviate from any forecast, estimate or other information in this prospectus; and

(d) where the Stock Exchange makes an inquiry regarding unusual movements in the price or trading volume of the Shares, the possible development of a false market in the Shares or any other matters.

The term of the appointment of the compliance adviser will commence on the Listing Date and will end on the date on which the Company distributes its annual report in respect of its financial results for the first full financial year commencing after the Listing Date.

Future Plans

See "*Business — Strategies*" for a detailed description of our future plans.

Use of Proceeds

As the Offer Shares will be sold by the Selling Shareholders, the Company will not receive any proceeds from the Global Offering.

The net proceeds from the Global Offering which the Selling Shareholders will receive, after deducting the estimated base fee, the incentive fees and the discretionary fees (assuming the full payment of the discretionary fee) payable by the Selling Shareholders, will be:

- approximately HK$5,030 million, assuming an Offer Price of HK$8.00 (being the Minimum Offer Price);
- approximately HK$5,344 million, assuming an Offer Price of HK$8.50 (being the mid-point of the Offer Price Range); or
- approximately HK$5,659 million, assuming an Offer Price of HK$9.00 (being the Maximum Offer Price).

If the Over-allotment Option is exercised in full, the Over-allotment Shareholders will receive additional net proceeds of:

- approximately HK$754 million, assuming an Offer Price of HK$8.00 (being the Minimum Offer Price);
- approximately HK$802 million, assuming an Offer Price of HK$8.50 (being the mid-point of the Offer Price Range); or
- approximately HK$849 million, assuming an Offer Price of HK$9.00 (being the Maximum Offer Price).

In preparation of the Global Offering, the Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

Waiver in relation to the Talent Offering

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 10.04 of the Listing Rules in relation to the participation by the Eligible Co-Owners in the Talent Offering on the basis that, among other things, the Talent Offer Shares are being offered to the Eligible Co-Owners on a preferential basis in their capacity as Eligible Talents (rather than in their capacity as existing shareholders) and that no preferential treatment will be given to the Eligible Co-Owners in the allocation of the Talent Offer Shares under the Talent Offering.

Waiver in relation to the clawback mechanism

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules such that, in the event of over-applications in the Hong Kong Public Offering, the Joint Global Coordinators will apply a clawback mechanism following the closing of the application lists as further described in "*Structure of the Global Offering — The Hong Kong Public Offering — Reallocation*".

HONG KONG UNDERWRITERS
(in alphabetical order)

CLSA Limited
Goldman Sachs (Asia) L.L.C.
J.P. Morgan Securities (Asia Pacific) Limited
The Hongkong and Shanghai Banking Corporation Limited
UBS AG, Hong Kong Branch

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters), MLGHL and the Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 80,608,000 Hong Kong Offer Shares (including the Talent Offering) and the International Offering of initially 564,258,500 International Offer Shares, subject, in each case, to reallocation on the basis as described in *"Structure of the Global Offering"* as well as to the Over-allotment Option (in the case of the International Offering).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on 25 February 2015. Pursuant to the Hong Kong Underwriting Agreement, MLGHL is offering the Hong Kong Offer Shares for sale on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on the Main Board of the Stock Exchange and such approval not having been withdrawn and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to purchase or procure purchasers for their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Hong Kong Underwriters to purchase or procure purchasers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination if, at any time prior to 8:00 a.m. on the Listing Date:

(a) any of the representations or warranties given by the Company or the Selling Shareholders in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, is (or would when repeated be) untrue, incorrect or misleading in any respect, or there has been any breach of such representations or warranties by the Company or the Selling Shareholders;

(b) any statement contained in this prospectus, the Application Forms, the formal notice substantially in the agreed form required under Rule 12.02 of the Listing Rules to be published in connection with the Hong Kong Public Offering (the "**Formal Notice**") or any announcements or documents issued by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was or has become or been discovered to be untrue, incorrect or misleading in any material respect, or any forecasts, expressions of opinion, intention or expectation expressed in this prospectus, the Application Forms or the Formal Notice are not fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions, when taken as a whole;

(c) any of the reporting accountants or any of the counsels or experts has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears;

(d) approval in principle from the Stock Exchange granting the listing of, and permission to deal in, the Shares as described in this prospectus, is refused or not granted, on or before the listing approval date, or if granted, the approval is subsequently withdrawn, qualified or withheld;

(e) the Company withdraws any of this prospectus, the Application Forms, the preliminary offering circular, the final offering circular or the Global Offering;

(f) the Stock Borrowing Agreement is not duly authorised, executed and delivered or is terminated;

(g) any event, act or omission which gives or is likely to give rise to any material liability of the Company pursuant to the indemnities given by them under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;

(h) any material breach of any of the obligations or undertakings of the Company or the Selling Shareholders under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;

(i) the issue or requirement to issue by the Company of a supplementary prospectus, Application Form, preliminary or final offering circular pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules in circumstances where the matter to be disclosed is, in the sole opinion of the Joint Global Coordinators, materially adverse to the marketing for or implementation of the Global Offering;

(j) any material adverse change or development involving a prospective material adverse change in the business, assets, liabilities, conditions, business affairs, prospects, profits, losses or the financial or trading position or performance or management of the Company or of the Group as a whole;

(k) any matter that has arisen or has been discovered which would, had it arisen immediately before the date of this prospectus, not having been disclosed in this prospectus, constitute a material omission therefrom; or

(l) there will have developed, occurred, happened or come into effect:

(i) any change or development involving a prospective change, or any event or series of events, resulting in or representing a change or development involving a prospective change or development in any local, national, regional or international financial, political, economic, legal, military, industrial, fiscal, regulatory, currency or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets and interbank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Hong Kong dollar or the RMB or the Pound Sterling against any foreign currencies) in or affecting Hong Kong, the PRC, the United States or the United Kingdom (the "**Relevant Jurisdictions**");

(ii) any new law or regulation or any change or development involving a prospective change in any existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions;

(iii) (A) any event or series of events in the nature of force majeure (including, without limitation, acts of government, economic sanctions, strikes or lock-outs (whether or not covered by insurance), riots, fire, explosion, flooding, civil commotion, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, epidemic, outbreak of infectious disease, accident or interruption or delay in transportation), or (B) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other declaration of a national or international state of emergency or calamity or crisis, in the case of either (A) or (B), in or affecting any of the Relevant Jurisdictions;

(iv) (A) any suspension or limitation on trading in shares or securities generally on any of the Stock Exchange, the New York Stock Exchange, the NASDAQ National Market, the London Stock Exchange or the Shanghai Stock Exchange or (B) a general moratorium on commercial banking activities in any of the Relevant Jurisdictions, declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services, in the case of either (A) or (B), in or affecting any of the Relevant Jurisdictions;

(v) any change or development involving a prospective change in taxation or any exchange control (or the implementation of any exchange control, currency exchange rates or foreign investment regulations) in any of the Relevant Jurisdictions adversely affecting an investment in the Shares;

(vi) any litigation or claim being threatened or instigated against any member of the Group or any Director, any executive Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or the commencement by any governmental, political or regulatory body of any action against any executive Director in his or her capacity as such or an announcement by any governmental, political or regulatory body that it intends to take any such action; or

(vii) any demand by creditors for repayment of indebtedness or a petition is presented for the winding-up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group;

(viii) any contravention by any member of the Group of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFO or any of the Listing Rules in relation to the Global Offering or the Listing,

and which, with respect to any of clauses (i) through (viii) above, individually or in the aggregate in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

(A) is, will be or likely will be materially adverse to the general affairs, management, business or financial or trading position or prospects of the Company or the Group as a whole or to any present or prospective Shareholders of the Company in its capacity as such; or

(B) has, will have or likely will have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or purchased or the distribution of Offer Shares and/or make it impracticable, inadvisable or inexpedient for any part of the Hong Kong Underwriting Agreement, the International Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or

(C) makes or likely makes it impracticable, inadvisable or inexpedient to proceed with or to market the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus, the Application Forms, the Formal Notice or the offering circulars; or

(D) would have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof,

then the Joint Global Coordinators, in their sole and absolute discretion, may, on behalf of themselves and the Hong Kong Underwriters, after consultation with the Company and MLGHL to the extent reasonably practicable under the circumstances, terminate the Hong Kong Underwriting Agreement with immediate effect.

Hong Kong Underwriters' Interests in the Company

Save for their respective obligations under the Hong Kong Underwriting Agreement and, if applicable, the Stock Borrowing Agreement, as at the Latest Practicable Date, none of the Hong Kong Underwriters was interested, legally or beneficially, directly or indirectly, in any Shares or any securities of any member of the Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any Shares or any securities of any member of the Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, the Selling Shareholders and the Company expect to enter into the International Underwriting Agreement with the International Underwriters on the Price Determination Date. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally to purchase, or procure purchasers for, their respective applicable proportions of the International Offer Shares initially being offered pursuant to the International Offering. See *"Structure of the Global Offering — The International Offering"* for further details.

Over-allotment Option

The Over-allotment Shareholders are expected to grant to the International Underwriters the Over-allotment Option pursuant to which the Over-allotment Shareholders may be required to sell up to an aggregate of 96,729,500 Shares, representing not more than approximately 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price, to, among other things, cover over-allocations in the International Offering, if any. See *"Structure of the Global Offering — Over-allotment Option"* for further details.

Fees and Expenses

The Underwriters and certain Co-Lead Managers will receive a base fee of 1.0% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be sold pursuant to the exercise of the Over-allotment Option, but excluding any Offer Shares sold to purchasers introduced by the Company or MLGHL, provided that such exclusion shall not apply to the extent that the number of Offer Shares that would have been so excluded would exceed 20% of the aggregate number of Offer Shares) (the "**Gross Proceeds**"), inclusive of the aggregate fee payable by the Company to the Joint Sponsors of US$500,000, out of which they will pay any sub-underwriting commissions and other fees.

The Underwriters will receive an incentive fee of 1.0% of the Gross Proceeds (the allocation of which, as between the Underwriters, is at the discretion of MLGHL) and may receive a discretionary fee of up to 0.5% of the Gross Proceeds (the quantum and allocation of which, as between the Underwriters, is at the discretion of MLGHL).

For any Hong Kong Offer Shares reallocated to the International Offering, the base fee will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the relevant International Underwriters.

The aggregate fees payable to the Underwriters, together with the SFC transaction levy and the Stock Exchange trading fee in relation to the Global Offering (assuming an Offer Price of HK$8.50 per Offer Share (which is the mid-point of the Offer Price Range), the full payment of the discretionary fee and the exercise of the Over-allotment Option in full) will be approximately HK$137 million and will be paid by the Selling Shareholders.

The aggregate Stock Exchange listing fees, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to be approximately HK$55.9 million and will be paid by the Company.

Indemnity

The Company and MLGHL have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer or incur, including losses arising from performance of their obligations under the Hong Kong Underwriting Agreement.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of the Company and/or persons and entities with relationships with the Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Group's loans and other debt.

In relation to the Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the Shares (which financing may be secured by the Shares) in the Global Offering, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares, which may have a negative impact on the trading price of the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilising period described in *"Structure of the Global Offering"*. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to the Company and each of its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions. In particular, affiliates of J.P. Morgan Securities (Asia Pacific) Limited are lenders under one or more of the Group's bank loan facilities and will receive fees from the Group in connection therewith. See *"Financial Information — Indebtedness"* for further details.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their purchase of Offer Shares in the Global Offering.

The Bank of East Asia, Limited, BNP Paribas Securities (Asia) Ltd and Sun Hung Kai Investment Services Limited are acting as Co-Lead Managers in relation to the Global Offering. They do not have any underwriting commitment to purchase Offer Shares and will not sell, distribute or purchase any Offer Shares in the Global Offering.

LOCK-UP ARRANGEMENTS

Undertakings by the Company and MLGHL to the Stock Exchange pursuant to the Listing Rules

(A) Undertakings by the Company

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that it will not exercise its power to issue any further Shares, or securities convertible into Shares (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealing), except under any of the circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertakings by MLGHL

Pursuant to Rule 10.07 of the Listing Rules, MLGHL has undertaken to the Stock Exchange and the Company that, except pursuant to (a) any lending of Shares pursuant to the Stock Borrowing Agreement or (b) any sale of Shares pursuant to the Global Offering, it will not and will procure that the relevant registered holder(s) will not in the period commencing on the date by reference to which disclosure of its holding of Shares is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be the beneficial owner, save as permitted under the Listing Rules.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, MLGHL has undertaken to the Stock Exchange and the Company that, within the period commencing on the date by reference to which disclosure of its holding of Shares is made in this prospectus and ending on the date which is six months from the Listing Date, it will:

(1) when it pledges or charges any Shares beneficially owned by it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform the Company of such pledge or charge together with the number of Shares so pledged or charged; and

(2) when it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform the Company of such indications.

Undertakings by the Company pursuant to the Hong Kong Underwriting Agreement

The Company has undertaken to each of the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors and the Hong Kong Underwriters that (except pursuant to the Global Offering, including pursuant to the Over-allotment Option), at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date, the Company shall not, without the prior written consent of the Joint Global Coordinators (on behalf of themselves and the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) offer, pledge, charge, mortgage, hedge, allot, issue, sell, accept subscription for, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of or create any mortgage, charge, pledge, lien or other security interest or any option, restriction, right of first refusal, right of pre-emption or other third party claim, right, interest or preference or any other encumbrance of any kind over, either directly or indirectly, conditionally or unconditionally, or repurchase, any of its share capital or other securities or any interests therein (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for or that represent the right to receive such share capital or other securities or any interests therein);

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein;

(c) enter into any transaction with the same economic effect as any transaction described in paragraphs (a) or (b) above; or

(d) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraphs (a), (b) or (c) above,

in each case, whether any such transaction described in (a), (b) or (c) above is to be settled by delivery of Shares or other securities, in cash or otherwise.

Undertakings pursuant to the Lock-up Deeds

Each of MLGHL, City-Scape Pte. Ltd., AlpInvest Co-Investments 2009 C.V. and AlpInvest Co-Investments 2010 II C.V. (each AlpInvest entity as represented by its general partner, AlpInvest Partners 2009 B.V.), William YEUNG (楊主光), Ni Quiaque LAI (黎汝傑) and the 79 Locked-up Co-Owners (each a "**Lock-up Party**" and together the "**Lock-up Parties**") have entered into a lock-up deed in favour of the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company (the "**Lock-up Deeds**"). Under the terms of the Lock-up Deeds, the Lock-up Parties have each, respectively, undertaken to each of the Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) that, for the respective periods set out as described under “*Duration of Lock-up*” below (in each case, the “**Lock-up Period**”) and unless in compliance with Hong Kong law, each Lock-up Party will not, and will procure that no company controlled by each Lock-up Party or any nominee or trustee holding in trust for the Lock-up Party will:

(a) offer, pledge, charge, sell, offer to sell, offer to pledge, offer to charge, offer to dispose, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, any of the Shares in the Company which are held by such Lock-up Party immediately following completion of the Global Offering, or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, or any warrants or other rights to purchase, any such shares, as applicable) (the “**Lock-up Shares**”);

(b) enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of such Lock-up Shares or any interest therein, whether any of the foregoing transactions is to be settled by delivery of share capital, debt capital or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so;

(c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above, in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Lock-up Shares or such other securities of the Company or shares or other securities of such other member of the Group, as applicable, or in cash or otherwise (whether or not the transfer of Shares or such other securities will be completed within each Lock-up Party’s respective Lock-up Period).

Duration of Lock-up

Each Lock-up Deed was entered into on 25 February 2015 and will terminate in the case of:

(a) MLGHL, City-Scape Pte. Ltd., AlpInvest Co-Investments 2009 C.V. and AlpInvest Co-Investments 2010 II C.V. (each AlpInvest entity as represented by its general partner, AlpInvest Partners 2009 B.V.) and the 79 Locked-up Co-Owners on the date which is six months after the Listing Date; and

(b) William YEUNG (楊主光) and Ni Quiaque LAI (黎汝傑), on the date which is 12 months after the Listing Date in respect of 50% of their holding of Shares immediately following completion of the Global Offering and on the date which is 24 months after the Listing Date in respect of the remaining 50% of their holding of Shares immediately following completion of the Global Offering.

Exceptions to the Lock-up

The restrictions set forth above shall not prevent the Lock-up Parties from transferring any Lock-up Shares:

(a) to purchasers (or the Underwriters) in the Global Offering;

(b) as may be required by applicable law or regulation;

(c) to any affiliate, provided that any such transferee enters into a lock-up agreement with the Joint Global Coordinators and the Company on substantially the same terms as set out in the relevant Lock-up Deed;

(d) in the case of MLGHL, City-Scape Pte. Ltd., AlpInvest Co-Investments 2009 C.V. and AlpInvest Co-Investments 2010 II C.V. (each AlpInvest entity as represented by its general partner, AlpInvest Partners 2009 B.V.) (the "**Financial Investors**") only, with the prior written consent of the Joint Global Coordinators (notwithstanding any release to be granted by the Joint Global Coordinators under the Lock-up Deed, MLGHL shall continue to be subject to the lock up undertakings provided to the Stock Exchange and the Company pursuant to Rule 10.07 of the Listing Rules, as further described in "*Underwriting — Lock-up Arrangements — Undertakings by the Company and MLGHL to the Stock Exchange pursuant to the Listing Rules — (B) Undertakings by MLGHL*");

(e) in the case of the Financial Investors and the 79 Locked-up Co-Owners only, where the Joint Global Coordinators have given prior written consent to release the lock-up in respect of certain of any Financial Investor's Lock-up Shares, up to the same proportion of Lock-up Shares as has been released in respect of such Financial Investor's Lock-up Shares;

(f) in the case of the Financial Investors only, pursuant to any stock lending arrangements in connection with the Global Offering;

(g) in the case of William YEUNG (楊主光), Ni Quiaque LAI (黎汝傑) and the 79 Locked-up Co-Owners only:

  (i) with the prior written consent of (i) the remuneration committee of the Company and (ii) the Joint Global Coordinators (such consent not to be unreasonably withheld). The consent of the Joint Global Coordinators will be deemed to have been given for this purpose if the relevant Co-Owner submits a written request to the Joint Global Coordinators and does not receive responses from all Joint Global Coordinators within 15 days of deemed receipt by them of such request;

  (ii) in the case of death, permanent physical disability or mental disability or illness (as certified by a medical professional), retirement at the relevant age as set out in such Lock-up Party's employment terms, or dismissal without cause; and

(iii) where the proceeds (net of selling expenses and any applicable taxes) of such transfer are wholly applied as an Investment Amount under the Co-Ownership Plan II and provided that no sale of Lock-up Shares may occur prior to receipt by the relevant Co-Owner of confirmation in writing from the Company that the relevant Co-Owner's Purchase Letter has been accepted.

See "*Appendix VI — Statutory and General Information — Co-Ownership Plan II — Purchases of Shares and grant of RSUs — Invitation to Purchase Shares and to be Granted RSUs*" for the definitions of Investment Amount and Purchase Letter.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. Goldman Sachs (Asia) L.L.C., J.P. Morgan Securities (Asia Pacific) Limited and UBS AG, Hong Kong Branch are the Joint Global Coordinators of the Global Offering.

The listing of the Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Joint Sponsors have made an application on behalf of the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus.

644,866,500 Offer Shares will initially be made available under the Global Offering comprising:

(a) the Hong Kong Public Offering of initially 80,608,000 Sale Shares (subject to reallocation) in Hong Kong as described in *"— The Hong Kong Public Offering"* below; and

(b) the International Offering of initially 564,258,500 Sale Shares (subject to reallocation and the Over-allotment Option) (i) in the United States solely to QIBs pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and (ii) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as described in *"— The International Offering"* below.

Of the 80,608,000 Shares initially being offered under the Hong Kong Public Offering, 6,448,500 Shares are available for purchase by the Eligible Talents on a preferential basis under the Talent Offering.

Investors may either:

(a) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or

(b) apply for or indicate an interest for International Offer Shares under the International Offering,

but may not do both.

The Offer Shares will represent approximately 64.12% of the total Shares in issue immediately following the completion of the Reorganisation, the Capitalisation Issue and the Global Offering, assuming (i) the Maximum Offer Price; and (ii) the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full (and assuming the Maximum Offer Price), the Offer Shares will represent approximately 73.74% of the total Shares in issue immediately following the completion of the Reorganisation, the Capitalisation Issue and the Global Offering.

Eligible Co-Owners may apply for the Talent Offer Shares under the Talent Offering but may not apply for Hong Kong Offer Shares as members of the public in the Hong Kong Public Offering or apply for or indicate an interest for International Offer Shares under the International Offering. Eligible Talents who are not Eligible Co-Owners may apply for Talent Offer Shares under the Talent Offering and, in addition, will be entitled to apply for Hong Kong Offer Shares under the Hong Kong Public

Offering, but may not apply for or indicate an interest for International Offer Shares under the International Offering.

References in this prospectus to applications, Application Forms, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

MLGHL is initially offering 80,608,000 Sale Shares for purchase by the public in Hong Kong at the Offer Price, representing 12.5% of the total number of Offer Shares initially available under the Global Offering. The number of Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 8.02% of the total Shares in issue immediately following the completion of the Reorganisation, the Capitalisation Issue and the Global Offering (assuming (i) the Maximum Offer Price; and (ii) the Over-allotment Option is not exercised).

Of the 80,608,000 Shares initially being offered under the Hong Kong Public Offering, 6,448,500 Shares (representing 8% and 1% of the total number of Shares initially being offered under the Hong Kong Public Offering and the Global Offering, respectively) are available for purchase by the Eligible Talents on a preferential basis, subject to the terms and conditions set out in this prospectus and the **PINK** Application Forms.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in *"— Conditions of the Global Offering"* below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below and after deducting the number of Hong Kong Offer Shares validly applied for under the Talent Offering) will be divided equally (to the nearest board lot) into two pools: pool A and pool B. If the Hong Kong Offer

Shares offered to Eligible Talents for purchase on a preferential basis are not fully taken up, any excess Hong Kong Offer Shares will be re-allocated to pool A and pool B in equal proportion. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable).

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unpurchased, such unpurchased Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the "price" for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 37,079,500 Hong Kong Offer Shares are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached. The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules such that in the event of over-applications in the Hong Kong Public Offering, the Joint Global Coordinators will apply a clawback mechanism following the closing of the application lists as described below.

If the number of Offer Shares validly applied for under the Hong Kong Public Offering (including the Talent Offering) represents (a) 10 times or more but less than 38 times, (b) 38 times or more but less than 65 times and (c) 65 times or more of the total number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering (including the Talent Offering) will be increased to 112,851,500 Offer Shares (in the case of (a)), 145,094,500 Offer Shares (in the case of (b)) and 274,068,000 Offer Shares (in the case of (c)), representing 17.5%, 22.5% and 42.5% of the total number of Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate.

In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators.

The number of Talent Offer Shares being offered under the Talent Offering will not be increased as a result of the clawback arrangement between the International Offering and the Hong Kong Public Offering described above.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if he has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the Maximum Offer Price of HK$9.00 per Offer Share in addition to the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK$4,545.35 for one board lot of 500 Shares. If the Offer Price, as finally determined in the manner described in *"— Pricing and Allocation"* below, is less than the Maximum Offer Price of HK$9.00 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in *"How to Apply for Hong Kong Offer Shares and Talent Offer Shares"*.

THE TALENT OFFERING

Of the 80,608,000 Shares initially being offered under the Hong Kong Public Offering, 6,448,500 Shares (representing 8% and 1% of the total number of Shares initially being offered under the Hong Kong Public Offering and the Global Offering, respectively) are available for purchase by the Eligible Talents on a preferential basis, subject to the terms and conditions set out in this prospectus and the **PINK** Application Forms.

The Talent Offer Shares are being offered out of the Hong Kong Offer Shares but will not be subject to the clawback mechanism as set out in "*— The Hong Kong Public Offering — Reallocation*".

As at 31 January 2015, there were a total of 1,352 Talents eligible to apply for the Talent Offer Shares under the Talent Offering.

Eligible Talents will be entitled to purchase Talent Offer Shares at the Offer Price with an Assured Talent Entitlement of 4,000 Talent Offer Shares each and subject to the following caps based on their level of seniority within the Group:

- Senior Management and the other 400 plus Talents by seniority: 230,500 Talent Offer Shares; and

- All other Talents: 115,000 Talent Offer Shares.

Eligible Talents can apply for less than, equal to or more than their Assured Talent Entitlement, but any application made on a **PINK** Application Form for more than the applicable cap of Talent Offer Shares set out above will be treated as if it is an application for the maximum number of Talent Offer Shares applicable to their level. A valid application made on a **PINK** Application Form in respect of a number of Shares less than or equal to an Eligible Talent's Assured Talent Entitlement will be accepted in full, subject to the terms and conditions set out in this prospectus and the **PINK** Application Forms. Eligible Talents who apply for more than their Assured Talent Entitlement may receive such additional Talent Offer Shares depending on the aggregate level of applications made by other Eligible Talents.

Allocation of the Hong Kong Offer Shares under the Talent Offering will be based on the written guidelines distributed to the Eligible Talents, which are consistent with the allocation guidelines contained in Practice Note 20 of the Listing Rules. The allocation of the Talent Offer Shares under the Talent Offering will not be based on the identity, the seniority, the length of service or the work performance of the Eligible Talents. No preferential treatment will be given to the Eligible Talents. Eligible Co-Owners who apply for more than their Assured Talent Entitlement will not be offered Talent Offer Shares on a preferential basis compared to the other Eligible Talents who apply for the same. The allocation basis will be determined by the Share Registrar, Tricor Investor Services Limited, based on the level of valid applications received under the Talent Offering and the number of Talent Offer Shares validly applied for within each application tier. The allocation basis will be consistent with the allocation basis commonly used in the case of over-subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications.

Any Talent Offer Shares not purchased for by the Eligible Talents under the Talent Offering will be available for purchase by the public in Hong Kong under the Hong Kong Public Offering after the reallocation described above in "*— The Hong Kong Public Offering*".

Eligible Co-owners may apply for the Talent Offer Shares under the Talent Offering but may not apply for Hong Kong Offer Shares as members of the public in the Hong Kong Public Offering or apply for or indicate an interest for International Offer Shares under the International Offering. Eligible Talents who are not Eligible Co-Owners may apply for Talent Offer Shares under the Talent Offering and, in addition, will be entitled to apply for Hong Kong Offer Shares under the Hong Kong Public Offering, but may not apply for or indicate an interest for International Offer Shares under the International Offering. Such Eligible Talents will not receive any preference as to entitlement or allocation in respect of such further applications for Hong Kong Offer Shares under the Hong Kong Public Offering.

Eligible Talents will not participate in any decision of the Company in relation to the allocation basis for the Talent Offering.

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 10.04 of the Listing Rules in relation to the participation by the Eligible Co-Owners in the Talent Offering. Further details of the waiver application are set out in "*Waivers from Strict Compliance with the Listing Rules — Waiver in Relation to the Talent Offering*".

THE INTERNATIONAL OFFERING

Number of Offer Shares initially offered

The International Offering will consist of an offering of initially 564,258,500 Sale Shares by the Selling Shareholders and representing 87.5% of the total number of Offer Shares initially available under the Global Offering. The number of Shares initially offered under the International Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 56.11% of the total Shares in issue immediately following the completion of the Reorganisation, the Capitalisation Issue and the Global Offering (assuming (i) the Maximum Offer Price; and (ii) the Over-allotment Option is not exercised).

Allocation

The International Offering will include selective marketing of Offer Shares to QIBs in the United States as well as institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in *"— Pricing and Allocation"* below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Group and the Shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be sold pursuant to the International Offering may change as a result of the clawback arrangement described in *"— The Hong Kong Public Offering — Reallocation"* above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unpurchased Offer Shares originally included in the Hong Kong Public Offering including the Talent Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, the Over-allotment Shareholders are expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require the Over-allotment Shareholders to sell up to an aggregate of 96,729,500 Shares, representing not more than 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to, among other things, cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full (and assuming the Maximum Offer Price), the additional International Offer Shares to be sold pursuant thereto will represent approximately 9.62% of the total Shares in issue immediately following the completion of the Reorganisation, the Capitalisation Issue and the Global Offering. If the Over-allotment Option is exercised, an announcement will be made.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager (or any person acting for it), on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilising Manager (or any person acting for it) to conduct any such stabilising action. Such stabilising action, if taken, (a) will be conducted at the absolute discretion of the Stabilising Manager (or any person acting for it) and in what the Stabilising Manager reasonably regards as the best interest of the Company, (b) may be discontinued at any time and (c) is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering. The Underwriting Agreements provide that the net profits, if any, resulting from stabilising actions shall be shared by the International Underwriters with the Selling Shareholders.

Stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules of the SFO includes (a) over-allocating for the purpose of preventing or minimising any reduction in the market price of the Shares, (b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares, (c) purchasing, or agreeing to purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (a) or (b) above, (d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares, (e) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (f) offering or attempting to do anything as described in paragraph (b), (c), (d) or (e) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

(a) the Stabilising Manager (or any person acting for it) may, in connection with the stabilising action, maintain a long position in the Shares;

(b) there is no certainty as to the extent to which and the time or period for which the Stabilising Manager (or any person acting for it) will maintain such a long position;

(c) liquidation of any such long position by the Stabilising Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of the Shares;

(d) no stabilising action can be taken to support the price of the Shares for longer than the stabilisation period, which will begin on the Listing Date, and is expected to expire on 3 April 2015, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

(e) the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and

(f) stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

The Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

Over-Allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilising Manager (or any person acting for it) may cover such over-allocations by, among other methods, exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilising Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price or through the Stock Borrowing Agreement as detailed below or a combination of these means.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations, if any, in connection with the Global Offering, the Stabilising Manager (or any person acting for it) may choose to borrow up to 96,729,500 Shares (being the maximum number of Shares which may be sold pursuant to the exercise of the Over-allotment Option) from MLGHL pursuant to the Stock Borrowing Agreement, which is expected to be entered into between the Stabilising Manager (or its affiliate) and MLGHL on or about the Price Determination Date.

If the Stock Borrowing Agreement with MLGHL is entered into, the borrowing of Shares will only be effected by the Stabilising Manager (or any person acting for it) for the settlement of over-allocations in the International Offering and such borrowing arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set out in Rule 10.07(3) of the Listing Rules, being that the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Offering, are complied with.

The same number of Shares so borrowed must be returned to MLGHL or its nominees, as the case may be, on or before the third business day following the earlier of (a) the last day for exercising the Over-allotment Option and (b) the day on which the Over-allotment Option is exercised in full.

The stock borrowing arrangement described above will be effected in compliance with all applicable laws, rules and regulatory requirements.

PRICING AND ALLOCATION

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about 5 March 2015 and, in any event, no later than 11 March 2015, by agreement among the Joint Global Coordinators (on behalf of the Hong Kong Underwriters), MLGHL and the Company, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$9.00 per Offer Share and is expected to be not less than HK$8.00 per Offer Share, unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering must pay, on application, the Maximum Offer Price of HK$9.00 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK$4,545.35 for one board lot of 500 Shares. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the Minimum Offer Price stated in this prospectus.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Joint Global Coordinators (on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with the consent of the Company, reduce the number of Offer Shares offered and/or the Offer Price Range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering (for this purpose only, not including the Talent Offering, which has an earlier last day for lodging applications). In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the

Hong Kong Public Offering (for this purpose only, not including the Talent Offering, which has an earlier last day for lodging applications), cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Company and the Stock Exchange at **www.hkbnltd.net** and **www.hkexnews.hk**, respectively, notices of the reduction, followed by the publication of a supplemental prospectus (if required) as soon as possible.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price Range may not be made until the last day for lodging applications under the Hong Kong Public Offering (for this purpose only, not including the Talent Offering, which has an earlier last day for lodging applications). Such notice and/or supplemental prospectus (if required) will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Global Coordinators (on behalf of the Underwriters), MLGHL and the Company, will under no circumstances be set outside the Offer Price Range as stated in this prospectus.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the Talent Offer Shares and the results of allocations in the Hong Kong Public Offering and the Talent Offering are expected to be made available through a variety of channels in the manner described in *"How to Apply for Hong Kong Offer Shares and Talent Offer Shares — Publication of Results"*.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters subject to the terms and conditions of the Hong Kong Underwriting Agreement and is subject to the Joint Global Coordinators (on behalf of the Hong Kong Underwriters), MLGHL and the Company agreeing on the Offer Price.

The Company expects to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarised in *"Underwriting"*.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

(a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on the Main Board of the Stock Exchange and such approval not having been withdrawn;

(b) the Offer Price having been agreed between the Joint Global Coordinators (on behalf of the Underwriters), MLGHL and the Company;

(c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Hong Kong Underwriters), MLGHL and the Company on or before 11 March 2015, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Company and the Stock Exchange at **www.hkbnltd.net** and **www.hkexnews.hk**, respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in *"How to Apply for Hong Kong Offer Shares and Talent Offer Shares — Despatch/Collection of Share Certificates/e-Auto Refund Payment Instructions/Refund Cheques"*. In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid at 8:00 a.m. on 12 March 2015, provided that the Global Offering has become unconditional in all respects at or before that time.

DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on 12 March 2015, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on 12 March 2015.

The Shares will be traded in board lots of 500 Shares each and the stock code of the Shares will be 1310.

IMPORTANT

The Company will be relying on Section 9A of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) and will be issuing the **WHITE**, **YELLOW** and **PINK** Application Forms without them being accompanied by a printed prospectus. The contents of the printed prospectus are identical to the electronic version of the prospectus which can be accessed and downloaded from the websites of the Company at **www.hkbnltd.net** and the Stock Exchange at **www.hkexnews.hk** under the "*HKExnews > Listed Company Information > Latest Listed Company Information*" section, respectively.

Members of the public may obtain a copy of the printed prospectus, free of charge, upon request during normal business hours from 9:00 a.m. on Friday, 27 February 2015 until 12:00 noon on Wednesday, 4 March 2015 at the following locations:

1. any of the following branches of the receiving banks for the Hong Kong Public Offering:

   (a) **The Bank of East Asia, Limited**

District	Branch Name	Address
Hong Kong Island	Main Branch	10 Des Voeux Road Central, Central
	Wanchai Branch	Shop A-C, G/F, Easey Commercial Building, 253-261 Hennessy Road, Wanchai
	North Point Branch	326-328 King's Road, North Point
	Taikoo Shing Branch	Shop G1010-1011, Yiu Sing Mansion, Taikoo Shing
Kowloon	Tsim Sha Tsui Branch	Shop A & B, Milton Mansion, 96 Nathan Road, Tsim Sha Tsui
	Mei Foo Sun Chuen Branch	Shop N57, G/F, Mount Sterling Mall, Mei Foo
New Territories	Metro City Plaza Branch	Shop 243, Level 2, Metro City Plaza I, 1 Wan Hang Road, Tseung Kwan O
	Tsuen Wan Branch	239-243 Sha Tsui Road, Tsuen Wan

(b) **Standard Chartered Bank (Hong Kong) Limited**

District	Branch Name	Address
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	Causeway Bay Branch	G/F to 2/F, Yee Wah Mansion, 38-40A Yee Wo Street, Causeway Bay
Kowloon	Kwun Tong Branch	G/F, 414 Kwun Tong Road, Kowloon
	Telford Gardens Branch	Shop P9-12, Telford Centre, Telford Gardens, Tai Yip Street, Kwun Tong
	Lok Fu Shopping Centre Branch	Shop G201, G/F., Lok Fu Shopping Centre
New Territories	Metroplaza Branch	Shop No. 175 - 176, Level 1, Metroplaza, 223 Hing Fong Road, Kwai Chung
	Shatin Plaza Branch	Shop No. 8, Shatin Plaza, 21-27 Shatin Centre Street, Shatin, New Territories, Hong Kong
	Maritime Square Branch	Shop 308E, Level 3, Maritime Square, Tsing Yi

2. any of the following offices of the Joint Global Coordinators:

   (a) **Goldman Sachs (Asia) L.L.C.**, at 68th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong;

   (b) **J.P. Morgan Securities (Asia Pacific) Limited**, at 28th Floor, Chater House, 8 Connaught Road Central, Hong Kong; and

   (c) **UBS AG, Hong Kong Branch**, at 52nd Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong; and

3. the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

Details of where printed prospectuses may be obtained will be displayed prominently at every branch of The Bank of East Asia, Limited and Standard Chartered Bank (Hong Kong) Limited where WHITE Application Forms are distributed.

During normal business hours from 9:00 a.m. on Friday, 27 February 2015 until 12:00 noon on Wednesday, 4 March 2015, at least three copies of the printed prospectus will be available for inspection at every location where the **WHITE** and **YELLOW** Application Forms are distributed as set out below.

A. APPLICATIONS FOR HONG KONG OFFER SHARES

1. How to Apply

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online through the **HK eIPO White Form** service at **www.hkeipo.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

In addition, if you are an Eligible Talent (including an Eligible Co-Owner), you may also apply for Talent Offer Shares by using a **PINK** Application Form. However, Eligible Co-Owners may not apply for Hong Kong Offer Shares as members of the public in the Hong Kong Public Offering and Eligible Talents (including Eligible Co-Owners) may not apply for or indicate an interest for International Offer Shares under the International Offering.

The Company, the Joint Global Coordinators, the HK eIPO White Form Service Provider and their respective agents may reject or accept any application, in full or in part, for any reason at their discretion.

2. Who Can Apply

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

You can also or alternatively, as applicable, apply for Talent Offer Shares if you satisfy the above criteria and you are also an Eligible Talent.

If you apply for Hong Kong Offer Shares online through the **HK eIPO White Form** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Company and the Joint Global Coordinators, as the Company's agents, may accept it at their discretion, and on any conditions they think fit, including requiring evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if:

- you are an existing beneficial owner of Shares or an associate of any such owner (except for Eligible Co-Owners who may apply for the Talent Offer Shares);
- you are a Director of the Company, or an associate of any such Director;
- you are a connected person of the Company, or a person who will become a connected person of the Company immediately upon the completion of the Global Offering; or
- you have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. Applying for Hong Kong Offer Shares

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply only through the **HK eIPO White Form** service at **www.hkeipo.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

If you are an Eligible Talent applying for the Talent Offer Shares under the Talent Offering by using a **PINK** Application Form, you may apply on an assured basis for a number of Talent Offer Shares for less than, equal to or more than your Assured Talent Entitlement of 4,000 Talent Offer Shares, but any application made on a **PINK** Application Form for more than 230,500 Shares will be treated as if it is an application for 230,500 Shares in relation to Senior Management and the other 400 plus Talents by seniority, and any application made on a **PINK** Application Form for more than 115,000 Shares will be treated as if it is an application for 115,000 Shares in relation to all other Talents.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 27 February 2015 until 12:00 noon on Wednesday, 4 March 2015 from:

(a) any of the following offices of the Joint Global Coordinators:

Goldman Sachs (Asia) L.L.C. 68th Floor Cheung Kong Centre 2 Queen's Road Central Hong Kong	**J.P. Morgan Securities (Asia Pacific) Limited** 28th Floor, Chater House 8 Connaught Road Central Hong Kong	**UBS AG, Hong Kong Branch** 52nd Floor, Two International Finance Centre 8 Finance Street Central, Hong Kong

(b) any of the following branches of the receiving banks for the Hong Kong Public Offering:

(i) **The Bank of East Asia, Limited**

District	Branch Name	Address
Hong Kong Island	Main Branch	10 Des Voeux Road Central, Central
	Wanchai Branch	Shop A-C, G/F, Easey Commercial Building, 253-261 Hennessy Road, Wanchai
	North Point Branch	326-328 King's Road, North Point
	Taikoo Shing Branch	Shop G1010-1011, Yiu Sing Mansion, Taikoo Shing
Kowloon	Tsim Sha Tsui Branch	Shop A & B, Milton Mansion, 96 Nathan Road, Tsim Sha Tsui
	Mei Foo Sun Chuen Branch	Shop N57, G/F, Mount Sterling Mall, Mei Foo
New Territories	Metro City Plaza Branch	Shop 243, Level 2, Metro City Plaza I, 1 Wan Hang Road, Tseung Kwan O
	Tsuen Wan Branch	239-243 Sha Tsui Road, Tsuen Wan

(ii) **Standard Chartered Bank (Hong Kong) Limited**

District	Branch Name	Address
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	Causeway Bay Branch	G/F to 2/F, Yee Wah Mansion, 38-40A Yee Wo Street, Causeway Bay
Kowloon	Kwun Tong Branch	G/F, 414 Kwun Tong Road, Kowloon
	Telford Gardens Branch	Shop P9-12, Telford Centre, Telford Gardens, Tai Yip Street, Kwun Tong
	Lok Fu Shopping Centre Branch	Shop G201, G/F., Lok Fu Shopping Centre
New Territories	Metroplaza Branch	Shop No. 175 - 176, Level 1, Metroplaza, 223 Hing Fong Road, Kwai Chung
	Shatin Plaza Branch	Shop No. 8, Shatin Plaza, 21-27 Shatin Centre Street, Shatin, New Territories, Hong Kong
	Maritime Square Branch	Shop 308E, Level 3, Maritime Square, Tsing Yi

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 27 February 2015 until 12:00 noon on Wednesday, 4 March 2015 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or

- your stockbroker.

A **PINK** Application Form together with this prospectus can be collected by the Eligible Talents from the Company's head office at 12th Floor, Trans Asia Centre, 18 Kin Hong Street, Kwai Chung, New Territories, Hong Kong during the normal business hours from 9:00 a.m. on Friday, 27 February 2015 until 12:00 noon on Tuesday, 3 March 2015. Electronic copies of the **PINK** Application Form and this prospectus can be viewed on the websites of the Company and the Stock Exchange at **www.hkbnltd.net** and **www.hkexnews.hk**, respectively.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Horsford Nominees Limited — HKBN Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above at the following times:

Friday, 27 February 2015	**—**	**9:00 a.m. to 5:00 p.m.**
Saturday, 28 February 2015	**—**	**9:00 a.m. to 1:00 p.m.**
Monday, 2 March 2015	**—**	**9:00 a.m. to 5:00 p.m.**
Tuesday, 3 March 2015	**—**	**9:00 a.m. to 5:00 p.m.**
Wednesday, 4 March 2015	**—**	**9:00 a.m. to 12:00 noon**

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 4 March 2015, the last day for applications, or such later time as described in "— *Effect of Bad Weather on the Opening and Closing of the Application Lists*" below.

Your completed **PINK** Application form, together with a cheque attached and marked payable to "Horsford Nominees Limited — HKBN Talent Offering" for the payment must be deposited in the collection box located at the Company's head office at 12th Floor, Trans Asia Centre, 18 Kin Hong Street, Kwai Chung, New Territories, Hong Kong by 12:00 noon on Tuesday, 3 March 2015, being the last day for the submission of **PINK** Application Forms, or such later time as described in "— *Effect of Bad Weather on the Opening and Closing of Application Lists*" below.

4. Terms and Conditions of an Application

Follow the detailed instructions in the Application Form carefully, otherwise your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

(a) undertake to execute all relevant documents and instruct and authorise the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles;

(b) agree to comply with the Memorandum and Articles of Association of the Company, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and Companies Law;

(c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(d) confirm that you have received and read this prospectus and have relied only on the information and representations in this prospectus in making your application and will not rely on any other information or representations, except those in any supplement to this prospectus;

(e) confirm that you are aware of the restrictions on the Global Offering set out in this prospectus;

(f) agree that none of the Company, the Relevant Persons and the **HK eIPO White Form** Service Provider is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);

(g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;

(h) agree to disclose to the Company, the Share Registrar, the receiving banks and the Relevant Persons any personal data which any of them may require about you and the person(s) for whose benefit you have made the application;

(i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and neither the Company nor the Relevant Persons will breach any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions in this prospectus and the Application Form;

(j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(k) agree that your application will be governed by the laws of Hong Kong;

(l) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(m) warrant that the information you have provided is true and accurate;

(n) agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;

(o) authorise (i) the Company to place your name(s) or the name of HKSCC Nominees on the register of members of the Company as the holder(s) of any Hong Kong Offer Shares allocated to you and such other registers as required under the Memorandum and Articles of Association of the Company and (ii) the Company and/or its agents to send any Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint applications by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the Share certificate(s) and/or refund cheque(s) in person;

(p) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(q) understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through the **HK eIPO White Form** service or by any one as your agent or by any other person; and

(s) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC (except that an Eligible Talent (who is not an Eligible Co-Owner) may also make an additional application for the Talent Offer Shares by using a **PINK** Application Form) and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as its agent.

Additional Instructions for YELLOW Application Forms

You should refer to the **YELLOW** Application Form for details of additional instructions that apply only to **YELLOW** Application Form.

5. Applying Through the HK eIPO White Form Service

General

Individuals who meet the criteria in *"— Who Can Apply"* above may apply through the **HK eIPO White Form** service for the Offer Shares to be allocated and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are set out on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the HK eIPO White Form Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the HK eIPO White Form Service Provider.

Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application through the **HK eIPO White Form** service through the designated website at **www.hkeipo.hk** (24 hours daily, except on the last day for applications) from 9:00 a.m. on Friday, 27 February 2015 until 11:30 a.m. on Wednesday, 4 March 2015 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 4 March 2015, the last day for applications, or such later time as described in *"— Effect of Bad Weather on the Opening and Closing of the Application Lists"* below.

No Multiple Applications

If you apply by means of the **HK eIPO White Form** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application will be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under the **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. Applying By Giving Electronic Application Instructions to HKSCC via CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre 1/F,
One & Two Exchange Square,
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from the above address.

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and the Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus; and

(b) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;

- declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as its agent;

- confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

- authorise the Company to place HKSCC Nominees' name on the register of members of the Company as the holder of the Hong Kong Offer Shares allocated to you and such other registers as required under the Articles, and despatch Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between the Company and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made and will not rely on any other information or representations, except those in any supplement to this prospectus;

- agree that neither the Company nor the Relevant Persons is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);

- agree to disclose to the Company, the Share Registrar, the receiving banks and the Relevant Persons any personal data which they may require about you;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with the Company, and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with the Company and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for the Company and on behalf of each Shareholder, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Memorandum and Articles of Association of the Company, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and Cayman Islands law; and

- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the Maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the Maximum Offer Price initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 500 Hong Kong Offer Shares. Instructions for more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, 27 February 2015	—	**9:00 a.m. to 8:30 p.m.(1)**
Saturday, 28 February 2015	—	**8:00 a.m. to 1:00 p.m.(1)**
Monday, 2 March 2015	—	**8:00 a.m. to 8:30 p.m.(1)**
Tuesday, 3 March 2015	—	**8:00 a.m. to 8:30 p.m.(1)**
Wednesday, 4 March 2015	—	**8:00 a.m.(1) to 12:00 noon**

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 27 February 2015 until 12:00 noon on Wednesday, 4 March 2015 (24 hours daily, except on the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, 4 March 2015, the last day for applications, or such later time as described in "— *Effect of Bad Weather on the Opening and Closing of the Application Lists*" below.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the Share Registrar, the receiving banks and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. Warning for Electronic Applications

The application for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day for applications to make your electronic application. The Company, the Relevant Persons and the HK eIPO White Form Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System for submission of their **electronic application instructions**, they should either (a) submit a **WHITE** or **YELLOW** Application Form or (b) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 4 March 2015, the last day for applications, or such later time as described in *"— Effect of Bad Weather on the Opening and Closing of the Application Lists"* below.

8. How Many Applications Can You Make

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees", you must include:

- an account number; or
- some other identification code.

for **each** beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

In addition, if you are an Eligible Talent (who is not an Eligible Co-Owner), you may also make an additional application for the Talent Offer Shares by using a **PINK** Application Form. Only one application for the Talent Offer Shares is permitted per Eligible Talent under the Talent Offering. Multiple applications by any Eligible Talent are liable to be rejected.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**).

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

B. HOW MUCH ARE THE HONG KONG OFFER SHARES (INCLUDING THE TALENT OFFER SHARES)

The Maximum Offer Price is HK$9.00 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. This means that for one board lot of 500 Hong Kong Offer Shares, you will pay HK$4,545.35.

You must pay the Maximum Offer Price, together with brokerage, SFC transaction levy and Stock Exchange trading fee, in full upon application for Hong Kong Offer Shares under the terms and conditions set out in the Application Forms.

The Application Forms have tables showing the exact amount payable for the numbers of Offer Shares that may be applied for.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 500 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee will be paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see "*Structure of the Global Offering — Pricing and Allocation*".

C. EFFECT OF BAD WEATHER ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open or close if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 4 March 2015. Instead, they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, 4 March 2015 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in *"Expected Timetable"*, an announcement will be made.

D. PUBLICATION OF RESULTS

The Company expects to announce the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares on Wednesday, 11 March 2015 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Company at **www.hkbnltd.net** and the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and dates and in the manner set out below:

- in the announcement to be posted on the websites of the Company and the Stock Exchange at **www.hkbnltd.net** and **www.hkexnews.hk**, respectively, by no later than Wednesday, 11 March 2015;

- from the designated results of allocations website at **http://www.tricor.com.hk/ipo/result** with a "search by ID function" on a 24 hour basis from 8:00 a.m. on Wednesday, 11 March 2015 to 12:00 midnight on Tuesday, 17 March 2015;

- from the allocation results telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, 11 March 2015 to Monday, 16 March 2015, excluding Saturday, Sunday and Public Holiday; and

- in the special allocation results booklets which will be available for inspection during the opening hours of the individual receiving bank branches and sub-branches referred to above from Wednesday, 11 March 2015 to Friday, 13 March 2015.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are set out in "*Structure of the Global Offering*".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

E. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES (INCLUDING THE TALENT OFFER SHARES)

You should note the following situations in which the Hong Kong Offer Shares will not be allocated to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

(b) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the HK eIPO White Form Service Provider and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(c) If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the applications lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(d) If:

- you make multiple applications or are suspected of making multiple applications;
- you or the person for whose benefit you apply for, have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website at **www.hkeipo.hk**;
- you apply for more than 37,079,500 Hong Kong Offer Shares;
- the Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- the Underwriting Agreements do not become unconditional or are terminated.

F. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the Maximum Offer Price per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable thereon) paid on application, or if the conditions of the Global Offering as set out in "*Structure of the Global Offering — Conditions of the Global Offering*" are not satisfied or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Wednesday, 11 March 2015.

G. DESPATCH/COLLECTION OF SHARE CERTIFICATES/e-AUTO REFUND PAYMENT INSTRUCTIONS/REFUND CHEQUES

You will receive one Share certificate for all Hong Kong Offer Shares allocated to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below) and one share certificate for all of the Talent Offer Shares allocated to you under the Talent Offering.

No temporary document of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application.

If you apply by **WHITE**, **YELLOW** or **PINK** Application Form(s), subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

(a) Share certificate(s) for all the Hong Kong Offer Shares or the Talent Offer Shares allocated to you (for applicants on **YELLOW** Application Forms, Share certificate(s) for the Hong Kong Offer Shares allocated to you will be deposited into CCASS as described below); and

(b) refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares or the Talent Offer Shares, wholly or partially unsuccessfully applied for and/or (ii) the difference between the Offer Price and the Maximum Offer Price paid on application in the event that the Offer Price is less than the Maximum Offer Price paid on application (including brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% but without interest).

Part of the Hong Kong identity card number/passport number provided by you or the first-named applicant (if you are joint applicants) may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque.

Subject to arrangement on despatch/collection of Share certificates and refund cheques as mentioned below, any refund cheques and Share certificate(s) are expected to be posted on or before Wednesday, 11 March 2015. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, 12 March 2015, provided that the Global Offering has become unconditional in all respects at or before that time. Investors who trade Share on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

Personal Collection

(a) *If you apply using a WHITE and/or PINK Application Form:*

- If you apply for 1,000,000 Hong Kong Offer Shares or more and/or 100,000 Talent Offer Shares or more and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) (where applicable) from the Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 11 March 2015, or any other place or date notified by the Company in the newspapers.

- If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant who is eligible for personal collection, your authorised representative must provide a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Share Registrar.

- If you do not personally collect your refund cheque(s) and/or Share certificate(s) (where applicable) within the time specified for collection, they will be despatched promptly to you to the address specified in your Application Form by ordinary post and at your own risk.

- If you apply for less than 1,000,000 Hong Kong Offer Shares and/or less than 100,000 Talent Offer Shares, your refund cheque(s) and/or Share certificate(s) (where applicable) will be sent to the address specified in your Application Form on Wednesday, 11 March 2015 by ordinary post and at your own risk.

(b) ***If you apply using a YELLOW Application Form:***

- If you apply for 1,000,000 Hong Kong Offer Shares or more and have provided all information required by your Application Form, follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address specified in the Application Form on Wednesday, 11 March 2015 by ordinary post and at your own risk.

- If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or your designated CCASS Participant's stock account as stated in your Application Form on Wednesday, 11 March 2015 or, in the event of a contingency, on any other date determined by HKSCC or HKSCC Nominees.

- If you apply through a designated CCASS Participant (other than a CCASS Investor Participant), for Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

- If you apply as a CCASS Investor Participant, the Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering on Wednesday, 11 March 2015 in the manner as described in *"— Publication of Results"* above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 11 March 2015 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System. HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account.

(c) *If you apply through HK eIPO White Form service:*

- If you apply for 1,000,000 Hong Kong Offer Shares or more through the **HK eIPO White Form** service and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from the Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 11 March 2015, or any other place or date notified by the Company in the newspapers.

- If you do not personally collect your Share certificate(s) within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.

- If you apply for less than 1,000,000 Hong Kong Offer Shares through the **HK eIPO White Form** service, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Wednesday, 11 March 2015 by ordinary post and at your own risk.

- If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address specified in your application instructions in the form of refund cheque(s) by ordinary post and at your own risk.

(d) *If you apply by giving electronic application instructions to HKSCC via CCASS:*

Allocation of Hong Kong Offer Shares

- For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, 11 March 2015 or on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card /passport/Hong Kong business registration number or other identification code (Hong Kong business registration number for corporations) and the basis of allocations of the Hong Kong Offer Shares in the manner as described in *"— Publication of Results"* above on Wednesday, 11 March 2015. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 11 March 2015 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System on Wednesday, 11 March 2015. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the Maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 11 March 2015.

H. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

KPMG

8th Floor
Prince's Building
10 Chater Road
Hong Kong

27 February 2015

The Directors
HKBN Ltd.

Goldman Sachs (Asia) L.L.C.
J.P. Morgan Securities (Far East) Limited
UBS Securities Hong Kong Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to HKBN Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the combined balance sheets of the Group as at 31 August 2012, 2013 and 2014 and 30 November 2014 and the combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements of the Group, for the period from 15 March 2012 (date of inception) to 31 August 2012, the years ended 31 August 2013 and 2014 and the three months ended 30 November 2014 (the "Relevant Periods"), together with the explanatory notes thereto (the "Financial Information"), for inclusion in the prospectus of the Company dated 27 February 2015 (the "Prospectus").

The Company was incorporated in the Cayman Islands on 26 November 2014 as an exempted company with limited liability under the Companies Law, Chapter 22 (2013 Revision) of the Cayman Islands. As part of a group reorganisation (the "Reorganisation") as detailed in the section headed "History and Reorganisation" in the Prospectus, the Company became the holding company of the companies comprising the Group on 17 February 2015, details of which are set out in note 1(b) of Section B below. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganisation.

During the Relevant Periods and as at the date of this report, no audited financial statements have been prepared for the Company, Credibility Holdings Limited, Automedia Holdings Limited, City Telecom (U.S.A.) Inc., City Telecom (Vancouver) Inc., City Telecom (Toronto) Inc., 963673 Ontario Ltd, CTI International Limited and BBTV Company Limited as they either have not carried on any business since the date of incorporation or are investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

All companies comprising the Group have adopted 31 August as their financial year end date, except for Guangzhou City Telecom Customer Services Co. Ltd., which has adopted 31 December as its financial year end date. Details of the subsidiaries of the Group that are subject to audit during the Relevant Periods and the names of the respective auditors are set out in note 33 of Section B. The financial statements of these companies were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") or the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated and/or established.

The directors of the Company have prepared the combined financial statements of the Group for the Relevant Periods (the "Underlying Financial Statements") on the same basis as used in the preparation of the Financial Information set out in Section B below. The Underlying Financial Statements for the period from 15 March 2012 (date of inception) to 31 August 2012, the years ended 31 August 2013 and 2014 and the three months ended 30 November 2014 were audited by us under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Financial Information has been prepared by the directors of the Company for inclusion in the Prospectus in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited based on the Underlying Financial Statements, with no adjustments made thereon, and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 30 November 2014.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report and on the basis of preparation set out in note 1(b) of Section B below, a true and fair view of the state of affairs of the Group as at 31 August 2012, 2013 and 2014 and 30 November 2014 and the Group's combined results and cash flows for the Relevant Periods then ended.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Group comprising the combined income statement, the combined statement of comprehensive income, the combined statement of changes in equity and the combined cash flows statement for the three months ended 30 November 2013, together with the notes thereon (the "Corresponding Financial Information"), for which the directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A FINANCIAL INFORMATION

1 Combined income statements

	Section B Note	Period from 15 March 2012 (date of inception) to 31 August 2012	Years ended 31 August		Three months ended 30 November	
			2013	2014	2013	2014
		HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Turnover	2	553,874	1,949,434	2,131,581	497,436	553,780
Other net income	3(b)	4,071	7,265	12,925	6,763	5,043
Network costs and costs of sales		(151,617)	(305,167)	(287,121)	(60,645)	(67,234)
Other operating expenses	3(a)	(384,096)	(1,460,091)	(1,560,777)	(377,443)	(389,543)
Finance costs	3(c)	(47,207)	(301,401)	(191,570)	(46,632)	(43,578)
(Loss)/profit before taxation	3	(24,975)	(109,960)	105,038	19,479	58,468
Income tax	4	(6,252)	(29,038)	(51,488)	(10,672)	(19,301)
(Loss)/profit for the period/ year		(31,227)	(138,998)	53,550	8,807	39,167

The accompanying notes form part of the Financial Information.

2 Combined statements of comprehensive income

	Period from 15 March 2012 (date of inception) to 31 August 2012	Years ended 31 August		Three months ended 30 November	
	2012	2013	2014	2013	2014
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
(Loss)/profit for the period/year	(31,227)	(138,998)	53,550	8,807	39,167
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	306	2,392	(383)	323	(12)
Total comprehensive income for the period/year	(30,921)	(136,606)	53,167	9,130	39,155

The accompanying notes form part of the Financial Information.

3 Combined balance sheets

	Section B Note	At 31 August 2012	At 31 August 2013	At 31 August 2014	At 30 November 2014
		HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets					
Goodwill	9	1,553,696	1,594,110	1,594,110	1,594,110
Intangible assets	10	1,912,309	1,665,960	1,440,668	1,413,127
Fixed assets	11	1,906,063	1,943,420	1,957,006	1,937,161
Long term receivable and prepayment		5,059	7,085	4,680	3,326
Deferred expenditure		23,167	2,106	4,572	642
Deferred tax assets	21(b)	—	279	—	—
		5,400,294	5,212,960	5,001,036	4,948,366
Current assets					
Inventories	12	31,064	13,586	21,680	23,850
Accounts receivable	13	62,413	74,887	79,995	87,753
Other receivables, deposits and prepayments	13	172,782	195,241	180,262	170,541
Deferred expenditure		7,223	3,638	822	1,032
Bank deposits		—	45,000	—	—
Cash and cash equivalents	14	139,283	310,029	435,630	453,837
		412,765	642,381	718,389	737,013
Current liabilities					
Bank loans - current portion	17	119,654	—	—	—
Accounts payable	15	29,865	14,492	11,611	9,468
Other payables and accrued charges	15	177,190	257,675	306,625	295,700
Deposits received		26,477	34,034	32,021	30,601
Amount due to Metropolitan Light Holdings Limited ("MLHL")	18	421	14,718	—	—
Deferred services revenue - current portion		82,833	68,121	84,399	88,193
Obligations under granting of rights - current portion	22	9,024	9,024	9,024	9,024
Obligations under finance leases - current portion	19	20	—	—	—
Contingent consideration - current portion	23	—	2,426	6,145	5,380
Tax payable	21(a)	1,191	56,954	102,523	53,246
		446,675	457,444	552,348	491,612
Net current (liabilities)/assets		(33,910)	184,937	166,041	245,401
Total assets less current liabilities		5,366,384	5,397,897	5,167,077	5,193,767

	Section B Note	At 31 August 2012	At 31 August 2013	At 31 August 2014	At 30 November 2014
		HK$'000	HK$'000	HK$'000	HK$'000
Non-current liabilities					
Derivative financial instruments	20	6,866	—	—	—
Deferred services revenue - long-term portion		105	2,344	7,932	12,520
Obligations under granting of rights - long-term portion	22	78,963	69,939	60,915	58,659
Obligations under finance leases - long-term portion	19	24	—	—	—
Deferred tax liabilities	21(b)	523,275	495,066	457,897	443,350
Contingent consideration - long-term portion	23	—	10,239	3,430	—
Senior notes	16	—	3,230,631	2,994,058	2,997,238
Bank loans - long-term portion	17	2,254,867	—	—	—
		2,864,100	3,808,219	3,524,232	3,511,767
NET ASSETS		2,502,284	1,589,678	1,642,845	1,682,000
CAPITAL AND RESERVES	24				
Share capital		8	8	8	8
Reserves		2,502,276	1,589,670	1,642,837	1,681,992
TOTAL EQUITY		2,502,284	1,589,678	1,642,845	1,682,000

The accompanying notes form part of the Financial Information.

4 Combined statements of changes in equity

	Attributable to equity shareholders of the Group				
	Share capital	Share premium	Accumulated losses	Exchange reserve	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 15 March 2012 (date of inception)	—	—	—	—	—
Changes in equity for the period from 15 March 2012 (date of inception) to 31 August 2012:					
Issuance of share capital	8	2,533,197	—	—	2,533,205
Loss for the period	—	—	(31,227)	—	(31,227)
Other comprehensive income	—	—	—	306	306
Total comprehensive income	—	—	(31,227)	306	(30,921)
Balance at 31 August 2012 and 1 September 2012	8	2,533,197	(31,227)	306	2,502,284
Changes in equity for the year ended 31 August 2013:					
Loss for the year	—	—	(138,998)	—	(138,998)
Other comprehensive income	—	—	—	2,392	2,392
Total comprehensive income	—	—	(138,998)	2,392	(136,606)
Dividend declared and paid (note 24(b))	—	(776,000)	—	—	(776,000)
Balance at 31 August 2013 and 1 September 2013	8	1,757,197	(170,225)	2,698	1,589,678
Changes in equity for the year ended 31 August 2014:					
Profit for the year	—	—	53,550	—	53,550
Other comprehensive income	—	—	—	(383)	(383)
Total comprehensive income	—	—	53,550	(383)	53,167
Balance at 31 August 2014 and 1 September 2014	8	1,757,197	(116,675)	2,315	1,642,845
Changes in equity for the three months ended 30 November 2014:					
Profit for the period	—	—	39,167	—	39,167
Other comprehensive income	—	—	—	(12)	(12)
Total comprehensive income	—	—	39,167	(12)	39,155
Balance at 30 November 2014	8	1,757,197	(77,508)	2,303	1,682,000

	Attributable to equity shareholders of the Group				
	Share capital	Share premium	Accumulated losses	Exchange reserve	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Unaudited Balance at 1 September 2013	8	1,757,197	(170,225)	2,698	1,589,678
Changes in equity for the three months ended 30 November 2013:					
Profit for the period	—	—	8,807	—	8,807
Other comprehensive income	—	—	—	323	323
Total comprehensive income	—	—	8,807	323	9,130
Balance at 30 November 2013	8	1,757,197	(161,418)	3,021	1,598,808

The accompanying notes form part of the Financial Information.

5 Combined cash flow statements

	Section B Note	Period from 15 March 2012 (date of inception) to 31 August 2012	Years ended 31 August		Three months ended 30 November	
			2013	2014	2013	2014
		HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Operating activities						
Cash generated from operations	14(b)	183,993	769,084	917,502	198,605	173,586
Hong Kong Profits Tax paid		—	—	(38,569)	(38,569)	(81,968)
Tax paid outside Hong Kong		(1,440)	(4,079)	(4,276)	(758)	(1,157)
Net cash generated from operating activities		182,553	765,005	874,657	159,278	90,461
Investing activities						
Payment for purchase of fixed assets		(79,308)	(324,238)	(345,601)	(60,158)	(70,008)
Proceeds from sale of fixed assets		7,291	9,207	661	235	698
(Increase)/decrease in bank deposits		—	(45,000)	45,000	(5,000)	—
Decrease in amount due to MLHL		—	—	(14,718)	—	—
Payment for acquisition of subsidiaries	25	(4,838,821)	(29,297)	—	—	—
Payment for contingent consideration	23	—	—	(3,090)	—	(4,195)
Net cash outflow in respect of disposal of interests in subsidiaries	26	—	—	(10,038)	—	—
Interest received		27	753	3,714	352	1,248
Net cash used in investing activities		(4,910,811)	(388,575)	(324,072)	(64,571)	(72,257)
Financing activities						
Proceeds from issue of senior notes, net of transaction costs		—	3,415,357	—	—	—
Payment for repurchases of senior notes		—	(198,219)	(255,267)	—	—
Payment of transaction costs on repurchases of senior notes		—	(1,968)	(946)	—	—
Proceeds from issue of new shares		2,533,205	—	—	—	—

	Section B Note	Period from 15 March 2012 (date of inception) to 31 August 2012	Years ended 31 August 2013	Years ended 31 August 2014	Three months ended 30 November 2013	Three months ended 30 November 2014
		HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Proceeds from bank loans, net of transaction costs		2,366,981	—	—	—	—
Repayment of bank loans		—	(2,500,000)	—	—	—
Dividend paid	24(b)	—	(776,000)	—	—	—
Capital and interest elements of finance leases		(7)	(49)	—	—	—
Interest paid on bank loans		(32,800)	(46,742)	—	—	—
Interest paid on senior notes		—	(91,665)	(168,834)	—	—
Settlement of interest-rate swap		—	(7,372)	—	—	—
Other interests paid		—	(1,300)	—	—	—
Net cash generated from/ (used in) financing activities		4,867,379	(207,958)	(425,047)	—	—
Net increase in cash and cash equivalents		139,121	168,472	125,538	94,707	18,204
Cash and cash equivalents at the beginning of the period/ year	14(a)	—	139,283	310,029	310,029	435,630
Effect of foreign exchange rate changes		162	2,274	63	(55)	3
Cash and cash equivalents at the end of the period/year	14(a)	139,283	310,029	435,630	404,681	453,837

The accompanying notes form part of the Financial Information.

B NOTES TO THE FINANCIAL INFORMATION

1 Significant accounting policies

(a) *Statement of compliance*

The Financial Information set out in this report has been prepared in accordance with Hong Kong Financial Reporting Standards, which collective term includes Hong Kong Accounting Standards and related interpretations, promulgated by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The HKICPA issued a number of new and revised HKFRSs. For the purpose of preparing this Financial Information, the Group has adopted all applicable new and revised HKFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period beginning 1 September 2014. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning 1 September 2014 are set out in note 36.

The Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

(b) *Basis of preparation and presentation*

The Financial Information comprises the Company and its subsidiaries (the "Group").

The Company was incorporated in the Cayman Islands on 26 November 2014. As part of a group reorganisation (the "Reorganisation") as detailed in the section headed "History and Reorganisation" in the Prospectus, the entire issued share capital of Metropolitan Light Company Limited ("MLCL") was transferred to the Company in consideration for an issue of the Company's shares to Metropolitan Light Holdings Limited ("MLHL") (the "Share Transfer") on 17 February 2015. MLHL was the immediate holding company of MLCL during the Relevant Periods and prior to the Share Transfer. Upon the completion of the Share Transfer, the Company became the parent company of MLCL and its subsidiaries, and the holding company of the Group.

MLCL was incorporated in the Cayman Islands on 15 March 2012. On 30 May 2012, MLCL acquired the telecommunication business from Hong Kong Television Network Limited ("HKTV", formerly known as "City Telecom (H.K.) Limited").

The companies that took part in the Share Transfer were controlled by the same ultimate equity shareholders before and after the Share Transfer and there were no changes in the business and operations of MLCL and its subsidiaries. The Share Transfer only involved incorporating the Company with no prior substantive operations as the holding company of MLCL and the Group. Accordingly, the Share Transfer has been accounted for using a principle similar to that for a reverse acquisition with MLCL treated as the acquirer for accounting purposes. The Financial Information has been prepared and presented as a continuation of the consolidated financial statements of MLCL and its subsidiaries, with the assets and liabilities of the Group recognised and measured at their historical carrying amounts prior to the Share Transfer, and as if the group structure upon completion of the Share Transfer had been in existence since 15 March 2012, the date of incorporation of MLCL, and throughout the entire Relevant Periods.

During the Relevant Periods and as at the date of this report, the Group has interests in the following subsidiaries:

Name of company	Place of incorporation/ establishment	Particulars of issued and paid up share capital	Percentage of ownership interest held as of				Principal activities and place of operation
			31 August 2012	31 August 2013	31 August and 30 November 2014	the date of this report	
Automedia Holdings Limited	British Virgin Islands	Ordinary US$1	*100	*100	—	—	Investment holding in Hong Kong
BBTV Company Limited	Hong Kong	Ordinary HK$1	100	100	—	—	Inactive
Credibility Holdings Limited	British Virgin Islands	Ordinary US$1	*100	*100	*100	*100	Investment holding in Hong Kong
Guangzhou City Telecom Customer Services Co. Ltd. ("CTI Guangzhou", translated from the registered name in Chinese)	The People's Republic of China (the "PRC")	Paid in capital of HK$8,000,000	100	100	100	100	Provision of administrative support services in the PRC
City Telecom Inc.	Canada	Common CAD1,000	100	100	—	—	Provision of international telecommunications and dial-up internet access services in Canada
City Telecom (B.C) Inc.	Canada	Common CAD501,000	100	100	—	—	Provision of international telecommunications and dial-up internet access services in Canada
City Telecom (Canada) Inc.	Canada	Common CAD100	100	100	—	—	Leasing and maintenance of switching equipment and provision of operational services in Canada
City Telecom (Toronto) Inc.	Canada	Common CAD100	100	100	—	—	Inactive
City Telecom (U.S.A.) Inc.	USA	Ordinary US$1	100	—	—	—	Inactive

Name of company	Place of incorporation/ establishment	Particulars of issued and paid up share capital	Percentage of ownership interest held as of				Principal activities and place of operation
			31 August 2012	31 August 2013	30 November 2014	31 August and the date of this report	
City Telecom (Vancouver) Inc.	Canada	Common CAD100	100	100	—	—	Inactive
CTI International Limited	Hong Kong	Ordinary HK$10,000,000	100	100	—	—	Inactive
CTI Marketing Company Limited	Hong Kong	Ordinary HK$10,000	100	100	—	—	Inactive
Hong Kong Broadband Network Limited ("HKBN")	Hong Kong	Ordinary HK$383,049	100	100	100	100	Provision of fixed telecommunications network services and international telecommunications services in Hong Kong
HKBN Group Limited (formerly known as City Telecom International Limited)	British Virgin Islands	Ordinary US$5,294	*100	*100	*100	*100	Investment holding in Hong Kong
IDD 1600 Company Limited	Hong Kong	Ordinary HK$2	100	100	—	—	Provision of international telecommunications services in Hong Kong
Metropolitan Light Company Limited	Cayman Islands	Paid in capital of US$1,000	100	100	100	#100	Investment holding in Hong Kong
Metropolitan Light (HK) Company Limited	Hong Kong	Ordinary HK$400,000	*100	100	100	100	Investment holding in Hong Kong
Metropolitan Light International Limited	Cayman Islands	Ordinary US$1	N/A	100	100	100	Debt securities issuance in Singapore
Y5Zone Limited	Hong Kong	Ordinary HK$2	—	100	100	100	Provision of Wi-Fi connectivity in Hong Kong
963673 Ontario Limited	Canada	Common CAD502,000	100	100	—	—	Inactive

* Shares held directly by MLCL.

\# Shares held directly by the Company subsequent to the Share Transfer.

(c) ***Basis of measurement***

The Financial Information is presented in Hong Kong dollars ("HK$") rounded to the nearest thousand. It is prepared on the historical cost basis except that contingent consideration and derivative financial instruments are stated at their fair values as explained in the accounting policies set out below in note 1(f) and note 1(l).

(d) ***Use of estimates and judgment***

The preparation of Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 31.

(e) ***Subsidiaries***

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary with a resulting gain or loss being recognised in profit or loss.

(f) ***Business combination and goodwill***

The Group applies the acquisition method to account for business combination. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(k)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) ***Deferred expenditure***

Deferred expenditure represents customer acquisition costs incurred for successful acquisition or origination of a service subscription agreement with a customer. Such costs are deferred and amortised on a straight-line basis over the period of the underlying service subscription agreements.

(h) ***Fixed assets***

Fixed assets are stated at cost less accumulated depreciation and impairment losses (note 1(k)).

Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of fixed assets, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

— Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion

— Leasehold improvements are depreciated over the shorter of the unexpired term of the lease and their estimated useful lives

— Leasehold land classified as held under finance leases is depreciated over the unexpired term of lease

— Cable	5 years
— Furniture, fixtures and fittings	4 years
— Telecommunications, computer and office equipment	4 - 20 years
— Motor vehicles	4 years

Where parts of an item of fixed assets have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Major costs incurred in restoring fixed assets to their normal working condition are charged to profit or loss. Major improvements are capitalised and depreciated over their expected useful lives to the Group.

(i) ***Intangible assets (other than goodwill)***

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(k)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date of acquisition and their estimated useful lives are as follows:

— Backlog of fixed telecommunications network services ("FTNS") business	2 years
— Customer relationship - FTNS business	14 years
— Customer relationship - International telecommunications services ("IDD") business	14 years

— Customer relationship - broadband wireless ("Wi-Fi") connectivity business	18 years
— Brand and trademark - "HKBN" for FTNS business	20 years
— Brand and trademark - "IDD0030" & "IDD1666" for IDD business	14 years
— Brand and trademark - "Y5Zone" for Wi-Fi business	20 years

Both the period and method of amortisation are reviewed annually.

(j) ***Leased assets***

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) *Classification of assets leased to the Group*

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous leasee.

(ii) *Assets acquired under finance leases*

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments of such assets, are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(h). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(k). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(iii) *Operating lease charges*

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

(iv) *Sale and leaseback transactions*

A sale and leaseback transaction involves the sale of an asset by the Group and the leasing of the same asset back to the Group. The lease payments and the sale price are usually interdependent as they are negotiated as a package. Sale and leaseback arrangements that result in substantially all of the risks and rewards of ownership of assets being transferred to the lessor are accounted for as operating leases. Any excess of sales proceeds over the carrying amount is recognised in profit or loss as gain on disposal, if the sales prices and lease back arrangements for these transactions are determined based on the prevailing market prices. Payments made under operating leases are charged to profit or loss on a straight-line basis over the lease periods.

(k) ***Impairment of assets***

(i) *Impairment of other receivables*

Other current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) *Impairment of other assets*

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— fixed assets;

— intangible assets; and

— goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(l) ***Derivative financial instruments***

Derivative financial instruments are recognised initially at fair value. At each balance sheet date, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(m) ***Inventories***

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first in, first out cost formula and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(n) ***Trade and other receivables***

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(k)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(o) ***Interest-bearing borrowings***

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(p) ***Trade and other payables***

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(u), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) ***Obligations under granting of rights***

The obligations under granting of rights to use the Group's services on a free of charge basis as part and parcel of a business combination are recognised initially at fair value. The obligations are amortised over the period which the rights are granted, as follows:

— Rights to use of telecommunications services 10 years

(r) ***Cash and cash equivalents***

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the combined cash flow statement.

(s) ***Talent benefits***

(i) *Short term talents benefits*

Salaries, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by talents. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) *Profit sharing and bonus plans*

Provisions for profit sharing and bonus plans are recognised when the Group has a present legal or constructive obligation as a result of services rendered by talents and a reliable estimate of the obligation can be made.

(iii) *Retirement benefit costs*

The Group contributes to defined contribution retirement schemes which are available to certain talents. Contributions to the schemes by the Group are calculated as a percentage of talents' basic salaries and charged to profit or loss. The Group's contributions are reduced by contributions forfeited by those talents who leave the scheme prior to vesting fully in the contributions.

The assets of the scheme are held in an independently administered fund that is separated from the Group's assets.

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to business combination, or items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either;

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(u) ***Financial guarantees issued, provisions and contingent liabilities***

(i) *Financial guarantees issued*

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(u)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) *Contingent liabilities assumed in business combinations*

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 1(u)(iii).

(iii) *Other provisions and contingent liabilities*

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) ***Revenue recognition***

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) *Revenue for the provision of international telecommunications and fixed telecommunications network service*

Revenue is recognised when an arrangement exists, service is rendered, the fee is fixed or determinable, and collectability is probable. Tariff-free period granted to subscribers of fixed telecommunications network services are recognised in profit or loss rateably over the term of the service subscription agreement. Amount received in advance for the provision of fixed telecommunications network services is deferred and included under deferred services income and subsequently recognised as revenue on a straight-line basis over the related service period.

(ii) *Sale of goods*

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership.

(iii) *Rental income from operating leases*

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

(iv) *Interest income*

Interest income is recognised as it accrues using the effective interest method.

(w) ***Research and development costs***

Research and development costs of new services and enhancements to existing services are charged to the profit and loss as incurred.

(x) ***Translation of foreign currencies***

The Group's functional currency is Hong Kong dollars. Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill and fair value adjustments arising from acquisition, are translated into Hong Kong dollars at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(y) ***Borrowing costs***

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(z) ***Related parties***

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(aa) ***Segment reporting***

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Group's management assesses the performance and allocates the resources of the Group as a whole, as all of the Group's activities are considered to be primarily the operation of fixed telecommunications network services. Therefore, management considers there is only one operating segment under the requirements of HKFRS 8, *Operating Segments*. In this regard, no segment information is presented.

No geographic information is shown as the turnover and profit from operations of the Group are primarily derived from its activities in Hong Kong.

2 Turnover

The principal activities of the Group are provision of fixed telecommunications network services and international telecommunications services to residential and enterprise customers in Hong Kong and product sales.

Turnover represents revenue from fixed telecommunications network services and international telecommunications services to residential and enterprise customers in Hong Kong and product sales. The amount of each category of revenue recognised in turnover during the Relevant Periods is as follows:

	Period from 15 March 2012 (date of inception) to 31 August	Years ended 31 August		Three months ended 30 November	
	2012	2013	2014	2013	2014
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Residential revenue	368,137	1,489,829	1,630,472	392,997	425,500
Enterprise revenue	87,463	370,763	422,975	99,270	111,663
Product revenue	98,274	88,842	78,134	5,169	16,617
	553,874	1,949,434	2,131,581	497,436	553,780

3 (Loss)/profit before taxation

(Loss)/profit before taxation is arrived at after charging/(crediting):

	Period from 15 March 2012 (date of inception) to 31 August	Years ended 31 August		Three months ended 30 November	
	2012	2013	2014	2013	2014
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
(a) Other operating expenses					
Advertising and marketing expenses	96,340	380,204	377,975	83,832	96,697
Amortisation of intangible assets (note 10)	65,691	263,366	225,292	65,917	27,541
Depreciation (note 11)	70,664	286,535	327,095	79,679	89,315
(Gain)/loss on disposal of fixed assets, net	(876)	(5,035)	1,377	362	(160)
Transaction costs in connection with business combination (note 25)	24,161	1,073	—	—	—
Impairment losses on accounts receivable (note 13(b))	3,472	14,437	15,417	3,738	3,861
Talent costs (note 3(d))	71,539	311,921	369,404	86,413	98,228
Listing expenses	—	—	—	—	17,917
Others	53,105	207,590	244,217	57,502	56,144
	384,096	1,460,091	1,560,777	377,443	389,543
(b) Other net income					
Interest income	(27)	(753)	(3,714)	(352)	(1,248)
Net exchange loss/(gain)	56	6,757	(437)	(3,526)	(749)
Other (income)/loss	(1,844)	(4,245)	250	(629)	(790)
Amortisation of obligations under granting of rights (note 22)	(2,256)	(9,024)	(9,024)	(2,256)	(2,256)
	(4,071)	(7,265)	(12,925)	(6,763)	(5,043)
(c) Finance costs					
Interest on bank loans	40,340	58,259	—	—	—
Interest on interest-rate swap, net	—	647	—	—	—
Interest on senior notes	—	122,206	182,937	46,632	43,578
Loss on extinguishment of senior notes (note 16)	—	5,163	8,633	—	—
Write-off of unamortised bank loan originating fee	—	113,962	—	—	—
Finance charges on obligations under finance leases	1	5	—	—	—
Fair value loss on interest-rate swaps	6,866	506	—	—	—
Other finance costs	—	653	—	—	—
	47,207	301,401	191,570	46,632	43,578

	Period from 15 March 2012 (date of inception) to 31 August 2012	Years ended 31 August		Three months ended 30 November	
		2013	2014	2013	2014
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
(d) Talent costs					
Salaries, wages and other benefits	123,112	527,572	591,236	137,603	155,300
Contributions to defined contribution retirement plan	11,352	49,582	46,429	12,501	12,340
	134,464	577,154	637,665	150,104	167,640
Less: Talent costs capitalised as fixed assets	(4,454)	(17,906)	(20,961)	(4,806)	(5,964)
Talent costs included in network costs and costs of sales	(37)	—	—	—	—
Talent costs included in advertising and marketing expenses	(58,434)	(247,327)	(247,300)	(58,885)	(63,448)
	71,539	311,921	369,404	86,413	98,228

Talent costs include all compensation and benefits paid to and accrued for all individuals employed by the Group, including directors.

	Period from 15 March 2012 (date of inception) to 31 August	Years ended 31 August		Three months ended 30 November	
	2012	2013	2014	2013	2014
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
(e) Other items					
Amortisation of deferred expenditure	8,022	22,472	5,915	2,046	639
Depreciation of fixed assets	70,664	286,535	327,095	79,679	89,315
Operating lease charges in respect of land and buildings: minimum lease payments	11,387	40,686	39,471	9,923	9,248
Operating lease charges in respect of telecommunications facilities and computer equipment: minimum lease payments	26,833	112,546	125,056	30,505	32,631
Net foreign exchange loss/(gain)	56	6,757	(437)	(3,526)	(749)
Auditors' remuneration					
- audit services	804	984	878	288	254
- review services	—	350	190	—	—
- tax services	196	196	202	27	27
Research and development costs	2,858	13,357	18,746	4,029	4,663
Cost of inventories	91,400	75,813	60,025	4,056	13,403
Loss on disposal of interests in subsidiaries (note 26)	—	—	3,638	—	—

4 Income tax in the combined income statements

(a) ***Taxation in the combined income statements represents:***

	Period from 15 March 2012 (date of inception) to 31 August 2012	Years ended 31 August		Three months ended 30 November	
	2012	2013	2014	2013	2014
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Current tax - Hong Kong Profits Tax					
Provision for the period/year	—	(55,746)	(83,548)	(28,746)	(32,769)
Current tax - Outside Hong Kong					
Provision for the period/year	(910)	(4,096)	(4,830)	(1,199)	(1,079)
Deferred tax					
Origination and reversal of temporary differences (note 21(b))	(5,342)	30,804	36,890	19,273	14,547
	(6,252)	(29,038)	(51,488)	(10,672)	(19,301)

The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the Relevant Periods.

The statutory income tax rate in PRC is 25%. CTI Guangzhou, being a recognised Advanced Technology Service Enterprise, was subject to income tax at a reduced rate of 15% up to 31 December 2012. Starting from 1 January 2013, the provision for PRC income tax is calculated at 25%. Income tax expense for the current taxation outside Hong Kong is mainly related to the PRC income tax.

(b) ***Reconciliation between tax expense and accounting (loss)/profit at applicable tax rate:***

	Period from 15 March 2012 (date of inception) to 31 August 2012	Years ended 31 August		Three months ended 30 November	
	2012	2013	2014	2013	2014
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
(Loss)/profit before taxation	(24,975)	(109,960)	105,038	19,479	58,468
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to (losses)/profits in the tax jurisdictions concerned	3,721	16,530	(18,843)	(3,427)	(9,992)
Tax effect of non-deductible expenses	(10,610)	(49,433)	(29,264)	(7,444)	(10,273)
Tax effect of non-taxable income	145	713	251	28	173
PRC income tax concession	421	896	—	—	—
Tax effect of tax loss utilised during the period/year	—	490	—	—	—
Others	71	1,766	(3,632)	171	791
Actual tax expense	(6,252)	(29,038)	(51,488)	(10,672)	(19,301)

5 Directors' remuneration

Directors' remuneration during the Relevant Periods is as follows:

Period from 15 March 2012 (date of inception) to 31 August 2012

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Name of directors					
Mr. William YEUNG	—	3,248	—	183	3,431
Mr. Ni Quiaque LAI	—	1,218	—	122	1,340
Mr. Roy KUAN	—	—	—	—	—
	—	4,466	—	305	4,771

Year ended 31 August 2013

Name of directors	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Mr. William YEUNG	—	7,529	610	747	8,886
Mr. Ni Quiaque LAI	—	4,974	406	497	5,877
Mr. Roy KUAN	—	—	—	—	—
	—	12,503	1,016	1,244	14,763

Year ended 31 August 2014

Name of directors	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Mr. William YEUNG	—	7,848	2,242	784	10,874
Mr. Ni Quiaque LAI	—	5,122	1,492	523	7,137
Mr. Roy KUAN	—	—	—	—	—
	—	12,970	3,734	1,307	18,011

Three months ended 30 November 2013 (unaudited)

Name of directors	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Mr. William YEUNG	—	1,921	—	192	2,113
Mr. Ni Quiaque LAI	—	1,245	—	128	1,373
Mr. Roy KUAN	—	—	—	—	—
	—	3,166	—	320	3,486

Three months ended 30 November 2014

Name of directors	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Mr. William YEUNG	—	2,017	—	202	2,219
Mr. Ni Quiaque LAI	—	1,329	—	134	1,463
Mr. Roy KUAN	—	—	—	—	—
	—	3,346	—	336	3,682

During the Relevant Periods, there were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in note 6 below as an inducement to join or upon joining the Group or as a compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

6 Individuals with highest emoluments

Of the five individuals with the highest emoluments, 2 are directors for the period from 15 March 2012 (date of inception) to 31 August 2012, the years ended 31 August 2013 and 2014 and the three months ended 30 November 2013 and 2014, whose emoluments are disclosed in note 5. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	Period from 15 March 2012 (date of inception) to 31 August 2012	Years ended 31 August		Three months ended 30 November	
	2012	2013	2014	2013	2014
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Salaries and other emoluments	1,719	7,413	7,584	2,472	2,660
Discretionary bonuses	—	654	1,504	—	—
Retirement scheme contributions	150	630	700	136	95
	1,869	8,697	9,788	2,608	2,755

The above individual emoluments are within the following band:

	Period from 15 March 2012 (date of inception) to 31 August 2012	Years ended 31 August		Three months ended 30 November	
	2012	2013	2014	2013	2014
	Number of individuals	Number of individuals	Number of individuals	Number of individuals (unaudited)	Number of individuals
Nil to HK$1,000,000	3	—	—	2	2
HK$1,000,001 - HK$1,500,000	—	—	—	1	1
HK$1,500,001 - HK$2,000,000	—	—	—	—	—
HK$2,000,001 - HK$2,500,000	—	—	—	—	—
HK$2,500,001 - HK$3,000,000	—	3	—	—	—
HK$3,000,001 - HK$3,500,000	—	—	3	—	—

7 Earnings per share

Earnings per share information is not presented as its inclusion for the purpose of this report is not considered meaningful due to the Reorganisation and the preparation of the results of the Group for the Relevant Periods on the basis as disclosed in note 1(b).

8 Retirement benefit costs

The Group contributes to an Occupational Retirement Scheme (the "ORSO Scheme"), a defined contribution retirement scheme, which is available to some of its Talents in Hong Kong. Under the ORSO Scheme, the Talents are required to contribute 5% of their monthly salaries, while the Group's contributions are calculated at 10% and 5% of the monthly salaries of senior management Talents and all other Talents respectively. The Talents are entitled to 100% of the employer's contributions after 10 years of completed service, or at a reduced scale after completion of 3 to 9 years' service. Contributions to the ORSO Scheme are reduced by contributions forfeited by those Talents who leave the ORSO Scheme prior to vesting fully in the Group's contributions.

A mandatory provident fund scheme (the "MPF Scheme") has been established under the Hong Kong Mandatory Provident Fund Scheme Ordinance in December 2000. The then existing Talents of the Group in Hong Kong could elect to join the MPF Scheme, while all new Talents joining the Group in Hong Kong from then onwards are required to join the MPF Scheme. Both the Group and the Talents are required to contribute 5% of each individual's relevant income with a maximum amount of HK$1,000 per month before 1 June 2012, HK$1,250 per month between 1 June 2012 and 1 June 2014, and commenced from 1 June 2014, the amount has been increased to HK$1,500, as a mandatory contribution. Employer's mandatory contributions are 100% vested in the Talents as soon as they are paid to the MPF Scheme. Senior Talents may also elect to join a Mutual Voluntary Plan (the "Mutual Plan") in which both the Group and the Talent, on top of the MPF Scheme mandatory contributions, make a voluntary contribution to the extent of contributions that would have been made under the ORSO Scheme.

During the Relevant Periods, pursuant to the relevant regulations in the PRC, the Group contributes to a defined contribution retirement scheme organised by the local social security bureau for each Talent of the subsidiary in the PRC at the rate of 20% of a standard salary base as determined by the local social security bureau. The Group has no other obligation to make payments in respect of retirement benefits of these Talents.

The retirement schemes for Talents of the Group in other countries follow the local statutory requirements of the respective countries during the Relevant Periods.

9 Goodwill

	The Group
	HK$'000
Cost:	
At 15 March 2012 (date of inception)	—
Acquisition of subsidiaries (note 25(a))	1,553,696
At 31 August 2012	1,553,696
At 1 September 2012	1,553,696
Acquisition of a subsidiary (note 25(b))	40,414
At 31 August 2013, 1 September 2013, 31 August 2014, 1 September 2014 and 30 November 2014	1,594,110
Accumulated impairment losses:	
At 15 March 2012 (date of inception), 31 August 2012, 1 September 2012, 31 August 2013, 1 September 2013, 31 August 2014, 1 September 2014 and 30 November 2014	—
Carrying amount:	
At 31 August 2012	1,553,696
At 31 August 2013, 31 August 2014 and 30 November 2014	1,594,110

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating unit ("CGU") identified as follows:

	At 31 August			At 30 November
	2012	2013	2014	2014
	HK$'000	HK$'000	HK$'000	HK$'000
Fixed telecommunications network services segment	1,553,696	1,594,110	1,594,110	1,594,110

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows for the five-year period are estimated based on an average annual growth rate of turnover of 8%, 6%, 10% and 10% and a pre-tax discount rate of 16%, 8%, 8% and 8% for the period ended 31 August 2012, the years ended 31 August 2013 and 2014 and the three months ended 30 November 2014, respectively. Cash flows beyond the five-year period, matching with the useful lives of the assets employed, are assumed to remain constant. The estimated growth rates used are comparable to the growth rate for the industry.

The key assumption used in the value in use calculation is the average annual growth rate of turnover of the fixed telecommunications network services (including Wi-Fi connectivity services), which is determined based on the past performance and management's expectation for market development. The discount rate used is pre-tax and reflects specific risks relating to the fixed telecommunications network services segment. Any adverse change in the key assumptions could reduce the recoverable amount below carrying amount.

10 Intangible assets

		Customer relationship			Brand and trademark			
	Backlog of FTNS business	For FTNS business	For IDD business	For Wi-Fi business	For FTNS business	For IDD business	For Wi-Fi business	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost:								
At 15 March 2012 (date of inception)	—	—	—	—	—	—	—	—
Acquisition of subsidiaries (note 25(a))	307,000	1,028,000	164,000	—	471,000	8,000	—	1,978,000
At 31 August 2012	307,000	1,028,000	164,000	—	471,000	8,000	—	1,978,000
At 1 September 2012	307,000	1,028,000	164,000	—	471,000	8,000	—	1,978,000
Acquisition of a subsidiary (note 25(b))	—	—	—	9,296	—	—	7,721	17,017
At 31 August 2013, 1 September 2013, 31 August 2014, 1 September 2014 and 30 November 2014	307,000	1,028,000	164,000	9,296	471,000	8,000	7,721	1,995,017
Accumulated amortisation:								
At 15 March 2012 (date of inception)	—	—	—	—	—	—	—	—
Charge for the period	38,375	18,357	2,928	—	5,888	143	—	65,691
At 31 August 2012	38,375	18,357	2,928	—	5,888	143	—	65,691
At 1 September 2012	38,375	18,357	2,928	—	5,888	143	—	65,691
Charge for the year	153,500	73,429	11,714	344	23,550	572	257	263,366
At 31 August 2013	191,875	91,786	14,642	344	29,438	715	257	329,057
At 1 September 2013	191,875	91,786	14,642	344	29,438	715	257	329,057
Charge for the year	115,125	73,429	11,714	516	23,550	572	386	225,292
At 31 August 2014	307,000	165,215	26,356	860	52,988	1,287	643	554,349
At 1 September 2014	307,000	165,215	26,356	860	52,988	1,287	643	554,349
Charge for the period	—	18,356	2,930	130	5,887	141	97	27,541
At 30 November 2014	307,000	183,571	29,286	990	58,875	1,428	740	581,890
Net book value:								
At 31 August 2012	268,625	1,009,643	161,072	—	465,112	7,857	—	1,912,309
At 31 August 2013	115,125	936,214	149,358	8,952	441,562	7,285	7,464	1,665,960
At 31 August 2014	—	862,785	137,644	8,436	418,012	6,713	7,078	1,440,668
At 30 November 2014	—	844,429	134,714	8,306	412,125	6,572	6,981	1,413,127

The identifiable intangible assets recognised by the Group upon the business combinations completed on 30 May 2012 and 4 January 2013 include:

— Backlog of FTNS contracts with residential and corporate customers

— Customer relationship of FTNS and IDD business

— Brand and trademark of FTNS and IDD business, including "HKBN", "IDD1666" and "IDD0030"

— Customer relationship of Wi-Fi business

— Brand and trademark of Wi-Fi business

The fair value of the intangible assets at the date of completion of the business combinations were appraised by independent valuers.

11 Fixed assets

	Cable	Leasehold land and buildings	Leasehold improvements	Furniture, fixtures and fittings	Telecommunications, computer and office equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost:							
At 15 March 2012 (date of inception)	—	—	—	—	—	—	—
Exchange adjustments	—	—	85	47	1,208	—	1,340
Additions	—	—	2,146	86	77,076	—	79,308
Acquisition of subsidiaries (note 25(a))	45,350	15,470	8,648	1,647	1,830,729	1,845	1,903,689
Disposals	—	—	—	(33)	(11,813)	—	(11,846)
At 31 August 2012	45,350	15,470	10,879	1,747	1,897,200	1,845	1,972,491
At 1 September 2012	45,350	15,470	10,879	1,747	1,897,200	1,845	1,972,491
Exchange adjustments	—	—	(33)	(9)	(1,002)	—	(1,044)
Additions	5	—	9,408	437	314,102	286	324,238
Acquisition of a subsidiary (note 25(b))	—	—	144	10	3,554	—	3,708
Disposals	—	—	(10,015)	(202)	(33,740)	(284)	(44,241)
At 31 August 2013	45,355	15,470	10,383	1,983	2,180,114	1,847	2,255,152
At 1 September 2013	45,355	15,470	10,383	1,983	2,180,114	1,847	2,255,152
Exchange adjustments	—	—	(8)	(8)	(150)	—	(166)
Additions	61	9,890	12,613	146	321,875	1,016	345,601
Disposal of subsidiaries (note 26)	—	—	—	(160)	(3,809)	—	(3,969)
Disposals	—	—	(1,306)	—	(12,726)	(19)	(14,051)
At 31 August 2014	45,416	25,360	21,682	1,961	2,485,304	2,844	2,582,567
At 1 September 2014	45,416	25,360	21,682	1,961	2,485,304	2,844	2,582,567
Exchange adjustments	—	—	—	—	(1)	—	(1)
Additions	—	—	3,067	252	66,481	208	70,008
Disposals	—	—	—	(52)	(1,431)	—	(1,483)
At 30 November 2014	45,416	25,360	24,749	2,161	2,550,353	3,052	2,651,091
Accumulated depreciation:							
At 15 March 2012 (date of inception)	—	—	—	—	—	—	—
Exchange adjustments	—	—	84	42	1,069	—	1,195
Charge for the period	2,055	83	2,119	155	66,080	172	70,664
Written back on disposals	—	—	—	(33)	(5,398)	—	(5,431)
At 31 August 2012	2,055	83	2,203	164	61,751	172	66,428

	Cable	Leasehold land and buildings	Leasehold improvements	Furniture, fixtures and fittings	Tele-communications, computer and office equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 September 2012	2,055	83	2,203	164	61,751	172	66,428
Exchange adjustments	—	—	(51)	(35)	(1,075)	—	(1,161)
Charge for the year	8,044	328	7,199	635	269,751	578	286,535
Written back on disposals	—	—	(7,959)	(64)	(31,923)	(124)	(40,070)
At 31 August 2013	10,099	411	1,392	700	298,504	626	311,732
At 1 September 2013	10,099	411	1,392	700	298,504	626	311,732
Exchange adjustments	—	—	(7)	(2)	(27)	—	(36)
Charge for the year	8,067	444	3,724	517	313,709	634	327,095
Written back on disposal of subsidiaries (note 26)	—	—	—	(41)	(1,176)	—	(1,217)
Written back on disposals	—	—	(261)	—	(11,733)	(19)	(12,013)
At 31 August 2014	18,166	855	4,848	1,174	599,277	1,241	625,561
At 1 September 2014	18,166	855	4,848	1,174	599,277	1,241	625,561
Exchange adjustments	—	—	—	—	(1)	—	(1)
Charge for the period	2,011	133	867	127	85,976	201	89,315
Written back on disposals	—	—	—	(52)	(893)	—	(945)
At 30 November 2014	20,177	988	5,715	1,249	684,359	1,442	713,930
Net book value:							
At 31 August 2012	43,295	15,387	8,676	1,583	1,835,449	1,673	1,906,063
At 31 August 2013	35,256	15,059	8,991	1,283	1,881,610	1,221	1,943,420
At 31 August 2014	27,250	24,505	16,834	787	1,886,027	1,603	1,957,006
At 30 November 2014	25,239	24,372	19,034	912	1,865,994	1,610	1,937,161

(a) ***The analysis of net book value of leasehold land and buildings of the Group is as follows:***

	At 31 August			At 30 November
	2012	2013	2014	2014
	HK$'000	HK$'000	HK$'000	HK$'000
In Hong Kong				
- medium-term lease	12,429	12,165	21,675	21,558
- long-term lease	2,958	2,894	2,830	2,814
	15,387	15,059	24,505	24,372

(b) The net book value of telecommunications, computer and office equipment held under finance leases is HK$28,000, HK$Nil, HK$Nil and HK$Nil at 31 August 2012, 2013 and 2014 and 30 November 2014, respectively.

12 Inventories

Inventories in the combined balance sheets comprise finished goods. The amount of inventories recognised as an expense and included in profit or loss represents carrying amount of inventories sold (see note 3(e)).

13 Accounts receivable, other receivables, deposits and prepayments

	At 31 August			At 30 November
	2012	2013	2014	2014
	HK$'000	HK$'000	HK$'000	HK$'000
Accounts receivable	65,885	80,425	82,528	89,210
Less: Allowance for doubtful debts	(3,472)	(5,538)	(2,533)	(1,457)
	62,413	74,887	79,995	87,753
Other receivables, deposits and prepayments	172,782	195,241	180,262	170,541
	235,195	270,128	260,257	258,294

At 31 August 2012, 2013 and 2014 and 30 November 2014, the amount of the Group's other receivables, deposits and prepayments expected to be recovered or recognised as expense after more than one year is HK$9,550,000, HK$10,765,000, HK$10,940,000 and HK$10,726,000, respectively. All of the Group's other receivables, deposits and prepayments are expected to be recovered within one year.

(a) *Aging analysis*

The majority of the Group's accounts receivable is due within 30 days from the date of billings. Subscribers with receivable that are more than 3 months overdue are requested to settle all outstanding balances before further credit is granted.

At the balance sheet dates, the aging analysis of accounts receivable (which are included in accounts receivable, other receivables, deposits and prepayments), based on the invoice date and net of allowance for doubtful debts, is as follows:

	At 31 August			At 30 November
	2012	2013	2014	2014
	HK$'000	HK$'000	HK$'000	HK$'000
Within 30 days	46,750	54,858	55,506	64,708
31 to 60 days	9,373	10,464	13,229	11,494
61 to 90 days	2,809	4,461	4,032	3,530
Over 90 days	3,481	5,104	7,228	8,021
	62,413	74,887	79,995	87,753

(b) ***Impairment of accounts receivable***

Impairment losses in respect of accounts receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against accounts receivable directly (see note 1(k)(i)).

The movement in the allowance for doubtful debts during the Relevant Periods, including both specific and collective loss components, is as follows:

	Period from 15 March 2012 (date of inception) to 31 August 2012	Years ended 31 August		Three months ended 30 November	
		2013	2014	2013	2014
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
At the beginning of the period/year	—	3,472	5,538	5,538	2,533
Impairment loss recognised (note 3(a))	3,472	14,437	15,417	3,738	3,861
Uncollectible amounts written off	—	(12,371)	(18,422)	(4,497)	(4,937)
At the end of the period/year	3,472	5,538	2,533	4,779	1,457

(c) ***Accounts receivable that are not impaired***

The aging analysis of accounts receivable that are neither individually nor collectively considered to be impaired are as follows:

	At 31 August			At 30 November
	2012	2013	2014	2014
	HK$'000	HK$'000	HK$'000	HK$'000
Neither past due nor impaired	46,750	54,858	55,506	64,708
Less than 30 days past due	9,373	10,464	13,229	11,494
31 to 60 days past due	2,809	4,461	4,032	3,530
Over 60 days past due	3,481	5,104	7,228	8,021
	62,413	74,887	79,995	87,753

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience and historical payment pattern, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

14 Cash and cash equivalents

(a) ***Cash and cash equivalents comprise:***

	At 31 August			At 30 November
	2012	2013	2014	2014
	HK$'000	HK$'000	HK$'000	HK$'000
Cash at bank and in hand	139,283	310,029	435,630	453,837

(b) ***Reconciliation of (loss)/profit before taxation to cash generated from operations:***

	Note	Period from 15 March 2012 (date of inception) to 31 August 2012	Years ended 31 August 2013	Years ended 31 August 2014	Three months ended 30 November 2013	Three months ended 30 November 2014
		HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Operating activities						
(Loss)/profit before taxation		(24,975)	(109,960)	105,038	19,479	58,468
Adjustments for:						
Amortisation of intangible assets	3(a)	65,691	263,366	225,292	65,917	27,541
Depreciation	3(a)	70,664	286,535	327,095	79,679	89,315
Amortisation of deferred expenditure	3(e)	8,022	22,472	5,915	2,046	639
Amortisation of obligations under granting of rights	3(b)	(2,256)	(9,024)	(9,024)	(2,256)	(2,256)
Interest income	3(b)	(27)	(753)	(3,714)	(352)	(1,248)
Finance costs	3(c)	47,207	301,401	191,570	46,632	43,578
(Gain)/loss on disposal of fixed assets	3(a)	(876)	(5,035)	1,377	362	(160)
Loss on disposal of interests in subsidiaries	3(e)	—	—	3,638	—	—
Transaction costs on repurchases of senior notes		—	1,968	946	—	—
Change in fair value of contingent consideration		—	(3,563)	—	—	—
Foreign exchange gain		—	—	(4,477)	(4,063)	(479)
Changes in working capital:						
(Increase)/decrease in inventories		(6,700)	17,478	(8,110)	1,128	(2,170)
(Increase)/decrease in long term receivable and prepayment		(526)	(2,026)	2,405	1,044	1,354
Decrease/(increase) in accounts receivable		13,068	(9,668)	(6,094)	(5,460)	(7,758)
(Increase)/decrease in other receivables, deposits and prepayments		(31,985)	(17,231)	14,730	43,322	9,721
(Increase)/decrease in deferred expenditure		(1,434)	2,174	(5,565)	(830)	3,081
Increase/(decrease) in accounts payable		10,644	(15,946)	(2,836)	(1,787)	(2,143)
Increase/(decrease) in other payables and accrued charges		29,826	51,945	49,361	(48,046)	(50,859)
Increase/(decrease) in deposits received		5,531	7,557	1,627	(323)	(1,420)
Increase in amount due to MLHL		421	—	—	—	—
Increase/(decrease) in deferred services revenue		1,698	(12,606)	28,328	2,113	8,382
Cash generated from operations		183,993	769,084	917,502	198,605	173,586

15 Accounts payable, other payables and accrued charges

	At 31 August			At 30 November
	2012	2013	2014	2014
	HK$'000	HK$'000	HK$'000	HK$'000
Accounts payable	29,865	14,492	11,611	9,468
Other payables and accrued charges	177,190	257,675	306,625	295,700
	207,055	272,167	318,236	305,168

All accounts payable, other payables and accrued charges are expected to be settled within one year.

At the balance sheet dates, the aging analysis of trade creditors (which are included in accounts payable, other payables and accrued charges), based on the invoice date, is as follows:

	At 31 August			At 30 November
	2012	2013	2014	2014
	HK$'000	HK$'000	HK$'000	HK$'000
Within 30 days	23,815	10,772	4,503	1,375
31 to 60 days	3,331	659	3,237	3,635
61 to 90 days	523	986	12	596
Over 90 days	2,196	2,075	3,859	3,862
	29,865	14,492	11,611	9,468

16 Senior notes

On 17 January 2013 (the "Issue Date"), the Group issued five-year US$450,000,000 (equivalent to HK$3,492,000,000) notes that will mature on 17 January 2018 (the "Notes"). The Notes are denominated and settled in USD, and bear coupon at 5.25% per annum payable semi-annually on 17 July and 17 January in each year, commencing on 17 July 2013. The Notes are irrevocably and unconditionally guaranteed by MLCL and its wholly-owned subsidiary, HKBN.

In the event of certain changes affecting taxes of the Cayman Islands or Hong Kong, the Group may at any time redeem all but may not partially redeem the Notes at 100% of their principal amount plus accrued and unpaid interest. At any time prior to the second anniversary of the Issue Date, the Group may redeem all or part of the Notes at 100% of their principal amount plus a "make-whole" premium, and accrued and unpaid interest. At any time on or after the second anniversary of the Issue Date, the Group may redeem all or part of the Notes at 101.75%, 100% and 100% of their principal amount during the twelve-month period beginning on 17 January of 2015, 2016 and 2017 respectively, plus accrued and unpaid interest. In addition, at any time prior to the second anniversary of the Issue Date, the Group may redeem up to 35% of the Notes with the net cash proceeds of certain equity offerings.

The Notes are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, the Notes are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the Notes, together with any interest and fees payable, using the effective interest method.

During the years ended 31 August 2013 and 2014, the Group repurchased a portion of the Notes with aggregate principal value of US$25,375,000 (equivalent to HK$196,910,000) and US$32,205,000 (equivalent to HK$249,911,000) in the open market, respectively. The total consideration paid was approximately US$25,544,000 (equivalent to HK$198,219,000) and US$32,922,000 (equivalent to HK$255,267,000) during the years ended 31 August 2013 and 2014, respectively. The loss on extinguishment of the Notes was US$665,000 (equivalent to HK$5,163,000) and US$1,114,000 (equivalent to HK$8,633,000) which has been recorded within finance costs in the combined income statements during the years ended 31 August 2013 and 2014, respectively. The loss on extinguishment of the Notes represented the difference between the consideration paid and carrying value of the repurchased portion, including the unamortised transaction costs written off.

At 31 August 2013 and 2014 and 30 November 2014, the remaining principal amount of the Notes in issue after the repurchase was US$424,625,000 (equivalent to HK$3,295,090,000), US$392,420,000 (equivalent to HK$3,041,255,000) and US$392,420,000 (equivalent to HK$3,041,255,000), respectively. The amortised cost of the Notes was US$416,318,000 (equivalent to HK$3,230,631,000), US$386,330,000 (equivalent to HK$2,994,058,000) and US$386,740,000 (equivalent to HK$2,997,238,000) at 31 August 2013 and 2014 and 30 November 2014, respectively. The effective interest rate of the senior notes for the years ended 31 August 2013 and 2014 and the three months ended 30 November 2014 is 5.9% per annum.

17 Bank loans

At 31 August 2012, 2013 and 2014 and 30 November 2014, the bank loans were repayable as follows:

	At 31 August			At 30 November
	2012	**2013**	**2014**	**2014**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Within 1 year	119,654	—	—	—
After 1 year but within 2 years	195,338	—	—	—
After 2 years but within 5 years	2,059,529	—	—	—
	2,254,867	—	—	—
	2,374,521	—	—	—

At 31 August 2012, the Group had bank loans with principal amount of HK$2,500,000,000 were drawn under a banking facility of HK$2,950,000,000 granted to MLCL and its subsidiary. The transactions costs in connection with the bank loans amounted to HK$133,019,000. The bank loans were interest-bearing at Hong Kong Inter-bank Offered Rate ("HIBOR") plus a margin of 4.5% per annum in the first 12 months since the initial drawdown date on 30 May 2012. Subsequent to the first

12 months, the margin would vary within a range of 2.5% to 4.5% per annum, depending on the total leverage ratio as calculated from the financial statements of MLCL.

The bank loans were covered by a cross guarantee arrangement issued by MLCL and its subsidiaries to a bank in respect of the banking facility granted to MLCL and its subsidiaries. Under the guarantee, MLCL and its subsidiaries were jointly and severally liable for all and any of the borrowings of the Group from the bank which is the beneficiary of the guarantee. The bank loans were repayable by instalments on a quarterly basis and maturing on 30 May 2017, and were early repaid in full on 18 January 2013. All expenses associated with the bank loans were charged to profit or loss upon early repayment of the bank loans.

18 Amount due to Metropolitan Light Holdings Limited ("MLHL")

The amount due to MLHL is unsecured, interest free and has no fixed terms of repayment.

19 Obligations under finance leases

At 31 August 2012, 2013 and 2014 and 30 November 2014, the Group had obligations under finance leases repayable as follows:

	At 31 August						At 30 November	
	2012		2013		2014		2014	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Within 1 year	20	23	—	—	—	—	—	—
After 1 year but within 2 years	22	24	—	—	—	—	—	—
After 2 years but within 5 years	2	2	—	—	—	—	—	—
	44	49	—	—	—	—	—	—
Less: total future interest expenses		(5)		—		—		—
Present value of lease obligations		44		—		—		—

20 Derivative financial instruments

	At 31 August			At 30 November
	2012	2013	2014	2014
	HK$'000	HK$'000	HK$'000	HK$'000
Interest-rate swaps, at fair value through profit or loss	6,866	—	—	—

At 31 August 2012, the Group had two interest rate swap contracts with notional amounts of HK$1,781,250,000 and HK$593,750,000, both with maturity date on 31 May 2015, to hedge against the interest rate risk. Under these arrangements, the Group would pay a fixed rate interest on the notional amounts on a quarterly basis and receive a floating interest rate at HIBOR rate.

These contracts are recognised initially at fair value and are remeasured at each balance sheet date. The interest rate swaps do not qualify for hedge accounting under HKAS 39, *Financial instruments: Recognition and measurement* and, therefore, changes in their fair values are recognised immediately in profit or loss.

Due to the early repayment of bank loan (see note 17), the Group had terminated the interest-rate swap arrangement with the counterparty on 18 January 2013. At 31 August 2013 and 2014 and 30 November 2014, there was no outstanding derivative financial instrument.

21 Income tax in the combined balance sheets

(a) ***Current taxation in the combined balance sheets represents:***

	At 31 August			At 30 November
	2012	2013	2014	2014
	HK$'000	HK$'000	HK$'000	HK$'000
Provision for Hong Kong Profits Tax for the period/year	—	55,746	83,548	32,769
Balance of Profits Tax provision relating to prior years	—	—	17,177	18,757
	—	55,746	100,725	51,526
Provision for tax outside Hong Kong	1,191	1,208	1,798	1,720
	1,191	56,954	102,523	53,246

(b) ***Deferred tax liabilities and assets recognised:***

(i) The components of deferred tax (liabilities)/assets recognised in the combined balance sheets and the movements, during the Relevant Periods are as follows:

	Depreciation allowances in excess of the related depreciation	Tax losses carried forward	Amortisation of intangible assets	Amortisation of obligations under granting of rights	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Deferred tax arising from:					
At 15 March 2012 (date of inception)	—	—	—	—	—
Acquisition of subsidiaries (note 25(a))	(231,048)	24,595	(326,370)	14,890	(517,933)
Credited/(charged) to profit or loss	1,566	(17,375)	10,839	(372)	(5,342)
Exchange differences	6	(6)	—	—	—
At 31 August 2012	(229,476)	7,214	(315,531)	14,518	(523,275)
At 1 September 2012	(229,476)	7,214	(315,531)	14,518	(523,275)
Acquisition of a subsidiary (note 25(b))	—	492	(2,808)	—	(2,316)
(Charged)/credited to profit or loss	(3,986)	(7,177)	43,456	(1,489)	30,804
Exchange differences	(3)	3	—	—	—
At 31 August 2013	(233,465)	532	(274,883)	13,029	(494,787)
At 1 September 2013	(233,465)	532	(274,883)	13,029	(494,787)
Disposal of subsidiaries (note 26)	254	(254)	—	—	—
Credited/(charged) to profit or loss	1,097	109	37,173	(1,489)	36,890
At 31 August 2014	(232,114)	387	(237,710)	11,540	(457,897)
At 1 September 2014	(232,114)	387	(237,710)	11,540	(457,897)
Credited/(charged) to profit or loss	10,375	—	4,544	(372)	14,547
At 30 November 2014	(221,739)	387	(233,166)	11,168	(443,350)

(ii) Reconciliation to the combined balance sheets

	At 31 August			At 30 November
	2012	2013	2014	2014
	HK$'000	HK$'000	HK$'000	HK$'000
Net deferred tax assets recognised in the combined balance sheets	—	279	—	—
Net deferred tax liabilities recognised in the combined balance sheets	(523,275)	(495,066)	(457,897)	(443,350)
	(523,275)	(494,787)	(457,897)	(443,350)

(c) ***Deferred tax assets not recognised***

In accordance with the accounting policy set out in note 1(t), the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$4,626,000, HK$4,630,000, HK$51,000 and HK$51,000 at 31 August 2012, 2013 and 2014 and 30 November 2014, respectively, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

(d) ***Deferred tax liabilities not recognised***

At 31 August 2012, 2013 and 2014 and 30 November 2014, respectively, temporary differences relating to the undistributed profits of its PRC subsidiary amounted to RMB42,158,000 (equivalent to HK$49,686,000), RMB52,617,000 (equivalent to HK$63,151,000), RMB63,136,000 (equivalent to HK$76,420,000) and RMB65,681,000 (equivalent to HK$79,644,000). Deferred tax liabilities amounted to 10% (or 5% if tax treaty is available) of the undistributed profits have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as MLCL controls the dividend policy of the subsidiary and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

22 Obligations under granting of rights

	At 31 August			At 30 November
	2012	2013	2014	2014
	HK$'000	HK$'000	HK$'000	HK$'000
At the beginning of the period/year	—	87,987	78,963	69,939
Granted upon acquisition of subsidiaries	90,243	—	—	—
Amortisation for the period/year	(2,256)	(9,024)	(9,024)	(2,256)
At the end of the period/year	87,987	78,963	69,939	67,683
Less: Current portion	(9,024)	(9,024)	(9,024)	(9,024)
Non-current portion	78,963	69,939	60,915	58,659

As part and parcel of the business combination on 30 May 2012 as set out in note 25(a), the Group granted HKTV the telecommunication business rights to use of telecommunications services from the Group for a term of 10 years from 30 May 2012 to 30 May 2022. The Group recognised the obligations in connection with the granting of such rights at fair value at the date of business combination. The amortisation of the obligations is charged to profit or loss on a straight-line basis over 10 years.

23 Contingent consideration

The contingent consideration in respect of the acquisition of Y5Zone Limited ("Y5Zone") was measured at fair value at acquisition date and was accounted for as part of the consideration transferred in the business combination as set out in note 25(b). The fair value of the contingent consideration was determined by the discounted cash flow valuation method. The expected payment was determined by considering the possible scenarios of (i) forecast cumulative number of access points added after the acquisition of Y5Zone, (ii) forecast number of active users of Y5Zone and (iii) forecast EBITDA as defined in the agreement, the amount to be paid under each scenario, and the probability of each scenario.

During the year ended 31 August 2014, the Group agreed with Y5Zone Asia Limited ("Y5Zone Asia"), seller of Y5Zone, and changed the performance indicators used to determine the expected payment. The expected payment is determined by considering the possible scenarios of (i) forecast total contract sum of the Group's Enterprise business, (ii) forecast total revenue of the Group's Enterprise business and (iii) forecast EBITDA of the Group's Enterprise business as defined in the agreement, the amount to be paid under each scenario, and the probability of each scenario.

The contingent consideration will be settled in cash within 4 months after each of the financial years ended 31 August 2013, 31 August 2014 and 31 August 2015, determined based on the performance indicators of Y5Zone and the Group's Enterprise business for the respective years. The contingent consideration payable is classified as a financial liability and its fair value is re-measured at each balance sheet date. Any changes in fair value are recognised in profit or loss.

Based on the performance indicators of Y5Zone for the year ended 31 August 2013, the contingent consideration payable within one year from 31 August 2013 amounted to HK$2,426,000. The fair value of contingent consideration for the financial years ending 31 August 2014 and 2015 has been remeasured at 31 August 2013 and aggregated to HK$10,239,000. Decrease in fair value of HK$3,563,000 was recognised in profit or loss during the year ended 31 August 2013. The contingent consideration of HK$3,090,000 was paid in December 2013.

Based on the performance indicators of the Group's Enterprise business for the year ended 31 August 2014, the contingent consideration payable within one year from 31 August 2014 amounted to HK$6,145,000. The fair value of contingent consideration for the financial year ending 31 August 2015 has been remeasured at 31 August 2014 to HK$3,430,000. No change in fair value was recognised in profit or loss during the year ended 31 August 2014.

Based on the performance indicators of the Group's Enterprise business for the three months ended 30 November 2014, the contingent consideration payable within one year from 30 November 2014 amounted to HK$5,380,000. No change in fair value was recognised in profit or loss during the three months ended 30 November 2014. The contingent consideration of HK$4,195,000 was paid in October 2014.

The fair value as at 31 August 2013 and 2014 and 30 November 2014 is determined considering the expected payment, discounted to present value using a risk-adjusted discount rate of 18%, 18% and 18%, respectively.

24 Capital, reserves and dividend

(a) ***Movements in components of equity***

The reconciliation between the opening and closing balances of each component of the Group's combined equity is set out in the combined statements of changes in equity.

(b) ***Dividend***

Dividend for the Relevant Periods represents an interim dividend declared and paid by the Company's subsidiary, MLCL, out of its share premium to the equity shareholders of MLCL. The rate of dividend and the number of shares ranking for dividend is not presented as such information is not meaningful having regard to the basis of preparation of the Financial Information as described in note 1(b).

(c) ***Share capital***

The Company was incorporated on 26 November 2014 with an authorised share capital of HK$380,000 divided into 3,800,000,000 shares of HK$0.0001 each. On the same date, one share of HK$0.0001 was allocated and issued at par. Upon completion of the Share Transfer, the Company became the holding company of the Group.

The share capital in the combined balance sheets at 31 August 2012, 2013 and 2014 and 30 November 2014 represented the paid-in capital of MLCL.

(d) ***Nature and purpose of reserves***

(i) *Share premium*

The application of the share premium account is governed by Section 34(2) of the Companies Law (2013 Revision) of the Cayman Islands.

(ii) *Exchange reserve*

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 1(x).

(iii) *Distributable reserves*

At 30 November 2014, the Company does not have reserves available for distribution.

(e) ***Capital management***

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for sole shareholder and benefits for other stakeholders, by pricing services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group defines "capital" as including all components of equity plus senior notes and any loans from holding companies with no fixed terms of repayment, less unaccrued proposed dividends. Trading balances that arise as a result of trading transactions with other group companies are not regarded by the Group as capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group is not subject to externally imposed capital requirements during the Relevant Periods.

25 Business combination

(a) ***Acquisition of Telecom Group***

On 31 March 2012, MLCL entered into a conditional sales and purchase agreement with HKTV to acquire 100% equity interest in HKBN Group Limited (formerly known as City Telecom International Limited), Credibility Holdings Limited and Automedia Holdings Limited and their respective wholly-owned subsidiaries ("Telecom Group"). The Telecom Group primarily engages in the provision of integrated FTNS services in Hong Kong and IDD services in Hong Kong and Canada. The principal operating company in the Telecom Group is HKBN. HKBN is one of the main suppliers of FTNS services in Hong Kong. The FTNS business involves the provision of fixed telecommunications network services and international telecommunications services. On 19 April 2012, Metropolitan Light (HK) Company Limited, a subsidiary of MLCL, entered into a conditional sales and purchase agreement with HKTV to acquire 100% equity interest in CTI Guangzhou. CTI Guangzhou provides internal administrative customer support services and call-centre services to the entire Telecom Group.

The condition precedent set out in the conditional sales and purchase agreements described above had been fulfilled and the acquisition was completed on 30 May 2012 (the "Acquisition").

The total consideration for acquiring the Telecom Group and CTI Guangzhou amounting to HK$4,873,649,000 was settled by cash. As part of the acquisition, the Group granted to HKTV rights to use of telecommunications services for a term of 10 years. The obligations under granting of rights to use telecommunications services were recognised by the Group as liabilities upon the Acquisition (see note 22). In addition, the Group also granted HKTV indefeasible rights of use ("IRU") of certain telecommunications capacity for a term of 20 years. The determination of fair value of fixed assets at the date of the Acquisition has taken into account the granting of IRU.

The transaction costs in connection with the Acquisition amounted to HK$43,599,000, of which HK$24,161,000 (note 3(a)) was borne by MLCL while the remaining HK$19,438,000 was borne by MLHL, MLCL's immediate holding company at the time of the acquisition and prior to the completion of the Share Transfer.

The Acquisition had the following effect on the Group's assets and liabilities on 30 May 2012, the date of acquisition:

	Note	HK$'000
Intangible assets	10	1,978,000
Fixed assets	11	1,903,689
Long term receivable and prepayment		4,533
Deferred expenditure		36,977
Inventories		24,364
Accounts receivable		75,481
Other receivables, deposits and prepayments		140,797
Cash and cash equivalents, net		34,828
Accounts payable		(19,221)
Other payables and accrued charges		(147,364)
Tax payable		(1,721)
Deposits received		(20,946)
Deferred services revenue		(81,240)
Deferred tax liabilities	21	(517,933)
Obligations under granting of rights	22	(90,243)
Obligations under finance leases		(48)
Fair value of net assets acquired		3,319,953
Goodwill	9	1,553,696
Total consideration		4,873,649
Consideration paid, satisfied in cash		4,873,649
Less: Net cash and cash equivalents acquired		(34,828)
Payment for acquisition of subsidiaries, net		4,838,821

The goodwill is attributable mainly to the benefit of stable cash flow generated from the fixed telecommunications network services acquired. None of the goodwill recognised is expected to be deductible for income tax purposes.

The pre-acquisition financial information of Telecom Group from 1 September 2011 to the date of acquisition of 30 May 2012 is set out in note 34.

(b) ***Acquisition of Y5Zone Limited***

On 4 January 2013, HKBN Group Limited, a subsidiary of MLCL, entered into a sales and purchase agreement with Y5Zone Asia to acquire 100% equity interest in Y5Zone. Y5Zone primarily engaged in provision of Broadband Wireless ("Wi-Fi") connectivity in Hong Kong.

The total consideration for acquiring Y5Zone amounting to HK$62,748,000 was comprised of cash due upon completion, ordinary and preference shares of MLHL deferred consideration and contingent consideration. MLHL had charged MLCL an amount of HK$14,297,000, which represented the fair value of the ordinary and preference shares that formed part of the total consideration at the date of acquisition of Y5Zone. The transaction cost in connection with the acquisition of Y5Zone amounted to HK$1,073,000 (note 3(a)).

The acquisition of Y5Zone had the following effect on the Group's assets and liabilities on 4 January 2013, the date of acquisition:

	Note	HK$'000
Intangible assets	10	17,017
Fixed assets	11	3,708
Accounts receivable		2,806
Other receivables, deposits and prepayments		5,228
Cash and cash equivalents, net		2,926
Accounts payable		(573)
Other payables and accrued charges		(6,329)
Deferred services revenue		(133)
Deferred tax liabilities	21	(2,316)
Fair value of net assets acquired		22,334
Goodwill	9 and (i)	40,414
Total consideration		62,748
Cash consideration		24,518
Share consideration		14,297
Deferred consideration	(ii)	7,705
Contingent consideration	23	16,228
Total consideration		62,748

Notes:

(i) The goodwill is mainly attributable to the synergies from the integration of the acquired Wi-Fi business into the Group's fixed telecommunications network services segment. None of the goodwill recognised is expected to be deductible for income tax purposes.

(ii) The deferred consideration was paid in July 2013.

(iii) The total turnover and profit after taxation contributed by the acquisition of Y5Zone for the period from the date of acquisition on 4 January 2013 to 31 August 2013 were HK$10,729,000 and HK$2,862,000 respectively.

(iv) The movement of cash and cash equivalents was as follows:

	HK$'000
Cash consideration paid	24,518
Deferred consideration paid	7,705
Cash and cash equivalents acquired	(2,926)
Net cash outflow in respect of the acquisition of Y5Zone during the year ended 31 August 2013	29,297

26 Disposal of interests in subsidiaries

On 3 April 2014, the Group disposed of 100% equity interest in Automedia Holdings Limited together with its subsidiaries (collectively "Automedia Group") to a related party, which is a key management personnel of the Group, at a cash consideration of CAD370,000 (equivalent to HK$2,597,000) realising a net loss on disposal of HK$3,638,000. The principal activities of Automedia Group were the provision of international telecommunications and dial-up internet access services, leasing and maintenance of switching equipment and provision of operational services in Canada.

The disposal of Automedia Group had the following effect on the Group's assets and liabilities:

	HK$'000
Fixed assets	2,752
Inventories	16
Accounts receivable	986
Other receivables, deposits and prepayments	249
Cash and cash equivalents	12,635
Tax payable	36
Accounts payable	(45)
Other payables and accrued charges	(292)
Deposits received	(3,640)
Deferred services revenue	(6,462)
Net assets	6,235
Consideration received, satisfied in cash	2,597
Cash and cash equivalents disposed of	(12,635)
Net cash outflow in respect of the disposal of interests in subsidiaries	(10,038)

27 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) ***Credit risk***

The Group's credit risk is primarily attributable to accounts receivable and other receivables. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

In respect of accounts receivable and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay. These receivables are due within 30 days from the date of billing. Subscribers with receivables that are more than 3 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Concentrations of credit risk with respect to accounts receivable are limited due to the Group's customer base being large and unrelated. As such, management does not expect any significant losses of accounts receivable that have not been provided for by way of allowances as disclosed in note 13.

Except for the financial guarantee given by the Group as disclosed in note 29, the Group does not provide any other guarantees which expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in note 29.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from accounts receivable and other receivables are set out in note 13.

(b) ***Liquidity risk***

The Group has a cash management policy, which includes the short term investment of cash surpluses and the raising of loans and other borrowings to cover expected cash demands. The Group's policy is to regularly monitor its current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table shows the remaining contractual maturities at the balance sheet dates of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group is required to pay.

	At 31 August 2012			
	Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000
Bank loan	269,746	2,685,322	2,955,068	2,374,521
Accounts payable	29,865	—	29,865	29,865
Other payables and accrued charges	177,190	—	177,190	177,190
Amount due to MLHL	421	—	421	421
Obligations under finance leases	23	26	49	44
Interest rate swaps	3,534	3,361	6,895	6,866
	480,779	2,688,709	3,169,488	2,588,907

	At 31 August 2013			
	Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000
Accounts payable	14,492	—	14,492	14,492
Other payables and accrued charges	257,675	—	257,675	257,675
Amount due to MLHL	14,718	—	14,718	14,718
Contingent consideration	2,426	13,024	15,450	12,665
Senior notes	172,992	3,879,946	4,052,938	3,230,631
	462,303	3,892,970	4,355,273	3,530,181

	At 31 August 2014			
	Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000
Accounts payable	11,611	—	11,611	11,611
Other payables and accrued charges	306,625	—	306,625	306,625
Contingent consideration	6,145	3,789	9,934	9,575
Senior notes	159,666	3,421,391	3,581,057	2,994,058
	484,047	3,425,180	3,909,227	3,321,869

	At 30 November 2014			
	Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000
Accounts payable	9,468	—	9,468	9,468
Other payables and accrued charges	295,700	—	295,700	295,700
Contingent consideration	5,380	—	5,380	5,380
Senior notes	159,666	3,421,391	3,581,057	2,997,238
	470,214	3,421,391	3,891,605	3,307,786

(c) ***Interest rate risk***

At 31 August 2012, the Group's interest rate risk arose mainly from its bank loans bearing interest at HIBOR plus a margin of 4.5% per annum. Borrowings issued at variable rates exposed the Group to cash flow interest rate risk. The Group manages the interest rate risk through entering into floating-to-fixed interest rate swaps and after taking into account the effect of interest rate swaps, the directors consider the cash flow interest rate risk is insignificant.

(d) ***Currency risk***

All the Group's monetary assets and liabilities are primarily denominated in either Hong Kong dollars ("HKD") or United States dollars ("USD"). Given the exchange rate of the HKD to the USD has remained close to the current pegged rate of HKD7.80 = USD1.00 since 1983, management does not expect significant foreign exchange gains or losses between the two currencies.

The Group is also exposed to a certain amount of foreign exchange risk based on fluctuations between the HKD and the Renminbi ("RMB") arising from its operations in the People's Republic of China. In order to limit this foreign currency risk exposure, the Group ensures that the net exposure is kept to an acceptable level of buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

(i) *Exposure to currency risk*

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the Group's functional currency of HKD. For presentation purpose, the amounts of the exposure are expressed in HKD, translated using the spot rate at the year end date.

	At 31 August						At 30 November	
	2012		2013		2014		2014	
	USD	RMB	USD	RMB	USD	RMB	USD	RMB
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cash and cash equivalents	23,981	—	34,363	—	60,716	50,651	53,630	51,556
Accounts payable	(11,113)	—	(5,792)	—	(4,607)	—	(15,992)	—
Other payables and accrued charges	(17,281)	(63,672)	(5,093)	(64,724)	(17,556)	(59,356)	(22,297)	(47,869)
Amount due to MLHL	—	—	(14,718)	—	—	—	—	—
Net exposure to currency risk	(4,413)	(63,672)	8,760	(64,724)	38,553	(8,705)	15,341	3,687

(ii) *Sensitivity analysis*

The Group's foreign currency risk is mainly concentrated on the fluctuation of the RMB against the HKD. It is assumed that the pegged rate between the HKD and the USD would be materially unaffected by any changes in movement in value of the USD against other currencies. The following table details the Group's sensitivity to a 5% increase or decrease in the HKD against the RMB. The sensitivity analysis includes only outstanding foreign currency denominated monetary items including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower, and adjusts their translation at the year end for a 5% change in foreign currency rates. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency.

	At 31 August							At 30 November		
	2012		2013		2014			2014		
	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in loss after tax and accumulated losses	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in loss after tax and accumulated losses	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax	(Decrease)/ increase in accumulated losses	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax	(Decrease)/ increase in accumulated losses
		HK$'000		HK$'000		HK$'000	HK$'000		HK$'000	HK$'000
RMB	5%	2,658	5%	2,702	5%	54	(54)	5%	577	(577)
	(5%)	(2,658)	(5%)	(2,702)	(5%)	(54)	54	(5%)	(577)	577

(e) ***Fair value measurements***

(i) *Financial assets and liabilities measured at fair value*

Fair value hierarchy

HKFRS 13, *Fair value measurement* categorises fair value measurements into a three-level hierarchy. The level into which fair value is classified is determined with reference to the observability and significance of the inputs used in the valuation techniques as follows:

— Level 1 valuations: Fair values measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

— Level 2 valuations: Fair values measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

— Level 3 valuations: Fair values measured using significant unobservable inputs

At 31 August 2012, the only financial instrument of the Group carried at fair value was interest rate swap contract. The instrument was under Level 2 of the fair value hierarchy described above.

At 31 August 2013 and 2014 and 30 November 2014, the only financial liabilities of the Group carried at fair value were contingent consideration of HK$12,665,000, HK$9,575,000 and HK$5,380,000, respectively. These instruments are measured at fair value on a recurring basis and their fair value measurements fall into Level 3 of the fair value hierarchy described above.

During the Relevant Periods, there were no transfers between Level 1 and Level 2, or transfers into or out Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the balance sheet date in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of interest rate swap was the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet dates, taking into account current interest rate and the current creditworthiness of the swap counterparty.

Information about Level 3 fair value measurements

The fair value of the contingent consideration is determined considering the expected payment, discounted to present value using a risk-adjusted discount rate as disclosed in note 23.

The movements during the Relevant Periods in the balance of Level 3 fair value measurement is as follows:

	At 31 August			At 30 November
	2012	2013	2014	2014
	HK$'000	HK$'000	HK$'000	HK$'000
Contingent consideration				
At the beginning of the period/year	—	—	12,665	9,575
Acquisition of a subsidiary (note 25(b))	—	16,228	—	—
Change in fair value during the period/year	—	(3,563)	—	—
Payment for settlement of contingent consideration for the years ended 31 August 2013 and 2014	—	—	(3,090)	(4,195)
At the end of the period/year	—	12,665	9,575	5,380
Contingent consideration	—	2,426	6,145	5,380
Contingent consideration - long-term portion	—	10,239	3,430	—
Total contingent consideration	**—**	12,665	9,575	5,380

(ii) The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 August 2012, 2013 and 2014 and 30 November 2014, except for the amount due to MLHL which is unsecured, interest free and has no fixed terms of repayment. Given these terms, it is not meaningful to disclose its fair value.

28 Commitments

(a) *Capital commitments*

At 31 August 2012, 2013 and 2014 and 30 November 2014, the Group had the following capital commitments:

	At 31 August			At 30 November
	2012	2013	2014	2014
	HK$'000	HK$'000	HK$'000	HK$'000
Purchase of telecommunications, computer and office equipment				
Contracted but not provided for	178,417	121,753	67,992	98,035

(b) ***Commitment under operating leases***

(i) At 31 August 2012, 2013 and 2014 and 30 November 2014, the Group's total future minimum lease payments under non-cancellable operating leases are receivables as follows:

	At 31 August			At 30 November
	2012	2013	2014	2014
	HK$'000	HK$'000	HK$'000	HK$'000
Leases in respect of telecommunications facilities which are receivables:				
Within 1 year	4,215	9,425	17,321	22,779
After 1 year but within 5 years	3,256	13,675	30,321	42,105
After 5 years	—	—	14,795	15,000
	7,471	23,100	62,437	79,884

(ii) At 31 August 2012, 2013 and 2014 and 30 November 2014, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 August			At 30 November
	2012	2013	2014	2014
	HK$'000	HK$'000	HK$'000	HK$'000
Leases in respect of land and buildings which are payable:				
Within 1 year	40,465	36,989	33,911	34,301
After 1 year but within 5 years	74,327	44,553	31,438	28,783
	114,792	81,542	65,349	63,084
Leases in respect of telecommunications facilities and computer equipment which are payable:				
Within 1 year	60,484	71,912	67,498	77,488
After 1 year but within 5 years	15,380	20,473	13,559	12,068
After 5 years	2,087	944	50	35
	77,951	93,329	81,107	89,591

The Group leases a number of land and buildings and telecommunications facilities and computer equipment under operating lease. The leases typically run for an initial period of six months to fifteen years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually increased annually to reflect market rentals. None of these leases include contingent rentals.

In connection with the Acquisition, the Group leases certain workshop and offices from HKTV at prevailing market rent of HK$903,000 per month for five years until 31 March 2017. The Group was granted an option to purchase these properties at the prevailing market value exercisable in a seven day period between 1 April 2014 and 7 April 2014. In addition, the Group has a right of first refusal to purchase these properties on the same terms and price as offered by a third party bona fide purchaser, if any, to HKTV during the period until 7 April 2014.

(c) ***Program fee commitments***

The Group entered into several long-term agreements with program content providers for the rights to use certain program contents in the Group's pay-TV services. Minimum amounts of program fees to be paid by the Group are analysed as follows:

	At 31 August			At 30 November
	2012	2013	2014	2014
	HK$'000	HK$'000	HK$'000	HK$'000
Program fee in respect of program rights which are payable:				
Within 1 year	36,189	10,152	2,853	1,640
After 1 year but within 5 years	6,793	482	—	—
	42,982	10,634	2,853	1,640

29 Contingent liabilities

	At 31 August			At 30 November
	2012	2013	2014	2014
	HK$'000	HK$'000	HK$'000	HK$'000
Bank guarantee provided to suppliers	1,820	1,850	1,820	1,800
Bank guarantee in lieu of payment of utility deposits	3,622	3,622	3,622	3,622
	5,442	5,472	5,442	5,422

At 31 August 2012, 2013 and 2014 and 30 November 2014, the directors do not consider it is probable that a claim will be made against the Group under any guarantees. The Group has not recognised any deferred income in respect of the guarantees issued as their fair value cannot be reliably measured and their transaction price was HK$Nil during the Relevant Periods.

30 Material related party transactions

During the Relevant Periods, transactions with the following parties are considered to be related party transactions:

Name of related party	Relationship with the Group
Mr. William YEUNG	Director
Mr. Ni Quiaque LAI	Director
Mr. Roy KUAN	Director
Mr. Sui Lun LO	Key management personnel of the Group
Mr. William Tak WA YEUNG	Key management personnel of the Group
Mr. Chan Fai HO	Key management personnel of the Group
Mrs. Selina CHONG	Key management personnel of the Group
Mr. Kin Chun CHONG	Former key management personnel of the Group
MLHL	Immediate holding company of MLCL during the Relevant Periods and prior to the Share Transfer

In addition to the transactions and balances disclosed elsewhere in the Financial Information, the Group entered into the following material related party transactions:

(a) Remuneration for key management personnel of the Group, including amounts paid to the directors of the Company as disclosed in note 5 and certain of the highest paid employees as disclosed in note 6, is as follows:

	Period from 15 March 2012 (date of inception) to 31 August 2012	Years ended 31 August		Three months ended 30 November	
		2013	2014	2013	2014
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Short-term employee benefits	6,405	24,494	29,888	6,389	5,887
Post-employment benefits	458	2,095	2,298	558	570
	6,863	26,589	32,186	6,947	6,457

(b) During the year ended 31 August 2014, the Group disposed of 100% equity interest in Automedia Group to a key management personnel and the details are set out in note 26.

31 Accounting judgement and estimates

Sources of estimation uncertainty

Note 27 contains information about the assumptions and their risk factors relating to financial instruments. Other key sources of estimation uncertainty are as follows:

Impairment loss for doubtful debts

The Group maintains impairment loss for doubtful debts based upon evaluation of the recoverability of the accounts receivable and other receivables which takes into account the historical write-off experience and recovery rates. If the financial condition of the customers were to deteriorate, additional impairment may be required.

Depreciation

Depreciation is calculated to write off the cost of items of fixed assets less their estimated residual value, if any, using the straight-line method over their estimated useful lives. The Group reviews the estimated useful lives annually in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

Useful lives of fixed assets and intangible assets (other than goodwill)

The Group has significant fixed assets and intangible assets (other than goodwill). The Group is required to estimate the useful lives of fixed assets and intangible assets (other than goodwill) in order to ascertain the amount of depreciation and amortisation charges for each reporting period.

The useful lives are estimated at the time of purchase of these assets after considering future technology changes, business developments and the Group's strategies. The Group performs annual reviews to assess the appropriateness of the estimated useful lives. Such review takes into account any unexpected adverse changes in circumstances or events, including declines in projected operating results, negative industry or economic trends and rapid advancement in technology. The Group extends or shortens the useful lives and/or makes impairment provisions according to the results of the review.

Fair value of assets acquired and liabilities assumed upon acquisition

In connection with acquisition of subsidiaries, the assets acquired and liabilities assumed were adjusted to their estimated fair values on the date of acquisition. The determination of the values of assets acquired and liabilities assumed involves management's judgements and assumptions. The values of assets acquired and liabilities assumed were based on valuation report from independent professional qualified valuer. Such valuations were based on certain assumptions, which were subject to uncertainty and might materially differ from the actual results. Any change in such judgements and assumptions would affect the fair value of assets acquired and liabilities assumed.

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy set out in note 1(k)(ii).

The recoverable amount of an asset or a cash-generating unit has been determined based on its value-in-use. These calculations require the use of estimates. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the expected operating margin, growth rates and selection of discount rates, to reflect the risks-involved and the earnings multiple that can be realised for the estimated terminal value.

Management prepared the financial budgets reflecting actual performance and market development expectations. Judgement is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the result of the impairment reviews.

Income tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions and interpretation of tax rules. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation and practices.

32 Immediate and ultimate controlling party

At 30 November 2014, the directors consider the Group's immediate parent to be Metropolitan Light Holdings Limited, which is incorporated in the Cayman Islands, and ultimate controlling party to be CVC Capital Partners Asia Pacific III L.P., which is established in the Cayman Islands. These entities do not produce financial statements available for public use.

33 Subsidiaries

The financial statements of the Group's subsidiaries during the Relevant Periods were audited by the following auditors:

Name of Company	Financial year/period	Name of auditors
Guangzhou City Telecom Customer Services Co. Ltd. (translated from the registered name in Chinese)	Year ended 31 December 2011	GP Certified Public Accountants
	Years ended 31 December 2012 and 2013	KPMG Huazhen (SGP)
City Telecom (B.C) Inc. (Note i)	Years ended 31 August 2012 and 2013	KPMG LLP (Canada)
City Telecom (Canada) Incorporated (Note i)	Years ended 31 August 2012 and 2013	KPMG LLP (Canada)
City Telecom Inc. (Note i)	Years ended 31 August 2012 and 2013	KPMG LLP (Canada)
CTI Marketing Company Limited (Note ii)	Year ended 31 August 2012	KPMG
HKBN Group Limited	Years ended 31 August 2012, 2013 and 2014	KPMG
Hong Kong Broadband Network Limited	Years ended 31 August 2012, 2013 and 2014	KPMG
IDD 1600 Company Limited (Note ii)	Year ended 31 August 2012	KPMG
Metropolitan Light Company Limited	Period from 15 March 2012 (date of incorporation) to 31 August 2012 and years ended 31 August 2013 and 2014	KPMG
Metropolitan Light (HK) Company Limited	Period from 3 April 2012 (date of incorporation) to 31 August 2012 and years ended 31 August 2013 and 2014	KPMG
Metropolitan Light International Limited	Period from 20 November 2012 (date of incorporation) to 31 August 2013 and year ended 31 August 2014	KPMG
Y5Zone Limited (Note iii)	Year ended 31 March 2012	Normsum & Co.
	Year ended 31 March 2013, period from 1 April 2013 to 31 August 2013	KPMG

Notes:

(i) The companies as subsidiaries of Automedia Holdings Limited were disposed by the Group on 3 April 2014 as set out in note 26.

(ii) The companies were under voluntary liquidation and thus not subject to audit requirements for the year ended 31 August 2013, and they were then dissolved on 9 August 2014.

(iii) The financial statements for the year ended 31 August 2014 were not available as of the date of this report.

34 Pre-acquisition financial information of Telecom Group

The pre-acquisition financial information of Telecom Group from 1 September 2012 to 30 May 2012 (date of acquisition) is provided below. The accounting policies adopted in the preparation of the pre-acquisition financial information are consistent with those adopted in the preparation of the Financial Information.

(a) *Combined income statement*

	Note	Period form 1 September 2011 to 30 May 2012
		HK$'000
Turnover	(1)	1,441,234
Other net income	(2)(ii)	6,578
Network costs and costs of sales		(297,024)
Other operating expenses	(2)(i)	(825,415)
Gain on transfer of properties to HKTV	(4)	187,371
Finance costs	(2)(iii)	(32,889)
Profit before taxation	(2)	479,855
Income tax	(3)	(54,143)
Profit for the period		425,712

(b) *Combined statement of comprehensive income*

	Period form 1 September 2011 to 30 May 2012
	HK$'000
Profit for the period	425,712
Other comprehensive income for the period	
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	(54)
Total comprehensive income for the period	425,658

(c) ***Combined balance sheet***

	Note	At 30 May 2012
		HK$'000
Non-current assets		
Fixed assets	(5)	1,601,528
Long term receivable and prepayment		4,533
Deferred expenditure		14,187
		1,620,248
Current assets		
Inventories	(6)	24,364
Accounts receivable	(7)	75,481
Other receivables, deposits and prepayments	(7)	140,797
Deferred expenditure		22,790
Cash and cash equivalents	(8)(i)	42,357
		305,789
Current liabilities		
Bank overdrafts - unsecured	(8)(i)	7,529
Accounts payable	(9)	19,221
Other payables and accrued charges	(9)	147,364
Amount due to HKTV	(10)	286,243
Loan from HKTV	(10)	375,860
Deposits received		20,946
Deferred services revenue - current portion		81,084
Obligations under finance leases - current portion	(11)	19
Tax payable	(12)(i)	1,721
		939,987
Net current liabilities		(634,198)
Total assets less current liabilities		986,050
Non-current liabilities		
Deferred services revenue - long-term portion		156
Obligations under finance leases - long-term portion	(11)	29
Deferred tax liabilities	(12)(ii)	156,597
		156,782
NET ASSETS		829,268
CAPITAL AND RESERVES		
Share capital		8,173
Reserves		821,095
TOTAL EQUITY		829,268

(d) ***Combined statement of changes in equity***

	Share capital	Share premium	Capital contribution reserve	Other reserves	PRC reserves	Exchange reserve	Retained profits	Total
	HK$'000	HK$'000	HK$'000 (Note i)	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 September 2011	8,173	36,250	—	(18,899)	3,628	4,373	456,696	490,221
Changes in equity for the period from 1 September 2011 to 30 May 2012								
Profit for the period	—	—	—	—	—	—	425,712	425,712
Other comprehensive income	—	—	—	—	—	(54)	—	(54)
Total comprehensive income	—	—	—	—	—	(54)	425,712	425,658
Appropriation to PRC reserves	—	—	—	—	1,978	—	(1,978)	—
Contribution from/(distribution to) HKTV	—	—	84,195	18,899	—	—	(6,781)	96,313
Dividend declared and paid	—	—	—	—	—	—	(182,924)	(182,924)
Balance at 30 May 2012	8,173	36,250	84,195	—	5,606	4,319	690,725	829,268

Note:

(i) On 30 May 2012, HKTV disposed of the Telecom Group to MLCL and that the vesting period of all outstanding share options held by the directors of HKBN be amended such that they became vested and exercisable on even date. Other than the directors of HKBN, none of the grantees of the Telecom Group hold any share options of HKTV which have not been vested on 30 May 2012. Under the modified vesting condition, the unamortised grant date fair value of the share options held by the directors of HKBN amounted to HK$6,637,000 is recognised to profit or loss as share-based payment expenses. HKTV did not recharge the Telecom Group the full amount on acceleration of the vesting condition of share options held by the directors of HKBN. Accordingly, an amount of HK$5,314,000 was recognised as capital contribution from HKTV.

In connection with the disposal, HKTV also waived the amount of HK$78,881,000 due by the Telecom Group to HKTV. The Telecom Group treated this as equity transaction and accordingly the amount was recognised as capital contribution from HKTV.

(e) ***Combined cash flow statement***

	Note	Period form 1 September 2011 to 30 May 2012
		HK$'000
Operating activities		
Cash generated from operations	(8)(ii)	376,339
Tax paid outside Hong Kong		(3,003)
Net cash generated from operating activities		373,336
Investing activities		
Interest received	(2)(ii)	1,074
Payment for purchase of fixed assets		(281,552)
Proceeds from sale of fixed assets		25,150
Net cash used in investing activities		(255,328)
Financing activities		
Dividend paid		(182,924)
Interest element of finance lease paid		(5)
Repayment of capital element of finance lease		(13)
Interest paid to HKTV	(2)(iii)	(32,884)
Decrease in amount due to HKTV		(21,320)
Net cash used in financing activities		(237,146)
Net decrease in cash and cash equivalents		(119,138)
Cash and cash equivalents at the beginning of the period		154,040
Effect of foreign exchange rates changes		(74)
Cash and cash equivalents at the end of the period	(8)(i)	34,828

Notes:

(1) Turnover

	Period form 1 September 2011 to 30 May 2012
	HK$'000
Residential revenue	1,066,605
Enterprise revenue	256,984
Product revenue	117,645
	1,441,234

(2) Profits before taxation

Profit before taxation is arrived at after charging/(crediting):

	Period form 1 September 2011 to 30 May 2012
	HK$'000
(i) Other operating expenses	
Advertising and marketing expenses	298,381
Depreciation	176,319
Gain on disposal of fixed assets, net	(2,674)
Impairment losses on accounts receivable	9,375
Talent costs (note (2(iv)))	219,866
Others	124,148
	825,415
(ii) Other net income	
Interest income	(1,074)
Exchange gain	(329)
Other income	(5,175)
	(6,578)
(iii) Finance costs	
Finance charges on obligations under finance leases	5
Interest on loan from HKTV	32,884
	32,889
(iv) Talent costs	
Salaries, wages and other benefits	388,792
Equity settled share-based transaction	6,637
Contributions to defined contribution plan	35,186
	430,615
Less: Talent costs capitalised as fixed assets	(17,671)
Talent costs included in network costs and costs of sales	(6,248)
Talent costs included in advertising and marketing expenses	(186,830)
	219,866
(v) Other items	
Amortisation of deferred expenditure	27,277
Auditors' remuneration	
- audit services	603
- tax services	147
Depreciation of owned fixed assets	176,302
Depreciation of fixed assets held under finance leases	17
Operating lease charges in respect of land and buildings: minimum lease payments	26,910
Operating lease charges in respect of telecommunications facilities and computer equipment: minimum lease payments	80,326
Research and development costs	8,652
Cost of inventories	100,572

(3) Income tax in the combined income statement

Taxation charged to profit or loss:

	Period form 1 September 2011 to 30 May 2012
	HK$'000
Current tax - Hong Kong Profits Tax	
Provision for the period	—
Current tax - outside Hong Kong	
Provision for the period	(2,443)
Deferred tax	
Origination and reversal of temporary differences	(51,700)
	(54,143)

The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the period.

The statutory income tax rate in PRC is 25%. CTI Guangzhou, being a recognised Advanced Technology Service Enterprise, was subject to income tax at a reduced rate of 15% up to 31 December 2012. Income tax expense for the current taxation outside Hong Kong is mainly related to the PRC income tax.

(4) Gain on transfer of properties to HKTV

On 31 March 2012, the Telecom Group transferred properties including certain workshops and offices with net book value of HK$62,629,000 to HKTV at a fair market consideration of HK$250,000,000, resulting in a gain of HK$187,371,000. Under the relevant agreements, the Telecom Group will lease back certain of these properties from HKTV at prevailing market rent of HK$903,000 per month for five years. The Telecom Group was also granted an option to purchase these properties at the prevailing market value exercisable in the seven day period commencing on the date which is two calendar years after the transfer. In addition, the Telecom Group has a right of first refusal to purchase these properties on the same terms and price as offered by a third party bona fide purchaser, if any, to HKTV during the period of two years and seven days after the transfer.

(5) Fixed assets

	Cable	Leasehold land and buildings	Leasehold improvements	Furniture, fixtures and fittings	Tele-communications, computer and office equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost:							
At 1 September 2011	—	92,486	111,417	11,049	3,149,314	8,510	3,372,776
Transfer in	46,698	—	—	—	315	—	47,013
Additions	—	2,911	14,217	508	261,589	2,327	281,552
Disposals	—	—	—	(46)	(74,002)	(1,856)	(75,904)
Transfer out	—	(78,972)	—	(7)	(3,409)	(4,073)	(86,461)
Exchange adjustments	—	—	(118)	(68)	(1,774)	—	(1,960)
At 30 May 2012	46,698	16,425	125,516	11,436	3,332,033	4,908	3,537,016
Accumulated depreciation:							
At 1 September 2011	—	16,135	82,900	9,463	1,721,424	6,921	1,836,843
Charge for the period	1,348	1,163	8,983	439	163,240	1,146	176,319
Written back on disposals	—	—	—	(46)	(51,635)	(1,747)	(53,428)
Transfer out	—	(16,343)	—	(7)	(2,900)	(3,257)	(22,507)
Exchange adjustments	—	—	(119)	(59)	(1,561)	—	(1,739)
At 30 May 2012	1,348	955	91,764	9,790	1,828,568	3,063	1,935,488
Net book value:							
At 30 May 2012	45,350	15,470	33,752	1,646	1,503,465	1,845	1,601,528

(6) Inventories

Inventories in the combined balance sheet comprise finished goods. The amount of inventories recognised as an expense and included in profit or loss represents carrying amount of inventories sold (see note (2)(v)).

(7) Accounts receivable, other receivables, deposits and prepayments

	At 30 May 2012
	HK$'000
Accounts receivable	80,011
Less: Allowance for doubtful debts	(4,530)
	75,481
Other receivables, deposits and prepayments	140,797
	216,278

The amount of the Telecom Group's other receivables, deposits and prepayments expected to be recovered or recognised as expense after more than one year is HK$10,677,000. All of the other receivables, deposits and prepayments are expected to be recovered or recognised as expense within one year.

The aging analysis of accounts receivable that are neither individually nor collectively considered to be impaired are as follows:

	At 30 May 2012
	HK$'000
Neither past due nor impaired	62,065
Less than 30 days past due	9,743
31 to 60 days past due	3,115
Over 60 days past due	558
	75,481

(8) Cash and cash equivalents

(i) *Cash and cash equivalents comprise:*

	At 30 May 2012
	HK$'000
Cash and cash equivalents in the combined balance sheet	42,357
Bank overdrafts - unsecured	(7,529)
Cash and cash equivalents in the combined cash flow statement	34,828

(ii) *Reconciliation of profit before taxation to cash generated from operations:*

	Note	Period form 1 September 2011 to 30 May 2012
		HK$'000
Operating activities		
Profit before taxation		479,855
Adjustments for:		
Depreciation	(2)(i)	176,319
Amortisation of deferred expenditure	(2)(v)	27,277
Interest income	(2)(ii)	(1,074)
Finance costs	(2)(iii)	32,889
Gain on disposal of fixed assets, net	(2)(i)	(2,674)
Gain on transfer of properties to HKTV	(4)	(187,371)
Equity settled share-based transaction		5,314
Foreign exchange loss		241

	Period form 1 September 2011 to 30 May 2012
	HK$'000
Changes in working capital:	
Increase in long term receivable and prepayment	(432)
Increase in inventories	(24,364)
Increase in accounts receivable	(3,482)
Increase in other receivables, deposits and prepayments	(53,319)
Increase in deferred expenditure	(19,619)
Increase in accounts payable	3,373
Decrease in other payables and accrued charges	(44,924)
Increase in deposits received	(6,023)
Decrease in deferred services revenue	(5,647)
Cash generated from operations	376,339

(9) Accounts payable, other payables and accrued charges

	At 30 May 2012
	HK$'000
Accounts payable	19,221
Other payables and accrued charges	147,364
	166,585

All accounts payable, other payables and accrued charges are expected to be settled within one year.

The aging analysis of trade creditors (which are included in accounts payable, other payables and accrued charges), based on the invoice date, is as follows:

	At 30 May 2012
	HK$'000
Within 30 days	13,203
31 to 60 days	4,735
61 to 90 days	209
Over 90 days	1,074
	19,221

(10) Amount due to and loan from HKTV

As part of the conditional sales and purchases agreement, the rights to collect the amounts under these liabilities of the Telecom Group were assigned by HKTV to MLCL upon the completion of the Acquisition, and therefore did not constitute part of the liabilities assumed by MLCL at the date of acquisition.

(11) Obligations under finance leases

At 30 May 2012, the Telecom Group had obligations under finance leases repayable as follows:

	At 30 May 2012	
	Present value of minimum lease payments	**Total minimum lease payments**
	HK$'000	**HK$'000**
Within 1 year	19	23
After 1 year but within 2 years	21	23
After 2 years but within 5 years	8	8
	48	54
Less: total future interest expenses		(6)
Present value of lease obligations		48

(12) Income tax in the combined balance sheet

(i) *Current taxation in the combined balance sheet represents:*

	At 30 May 2012
	HK$'000
Provision for Hong Kong Profits Tax for the period	356
Provision for tax outside Hong Kong	1,365
	1,721

(ii) *Deferred tax liabilities and assets recognised:*

The components of deferred tax (liabilities)/assets recognised in the combined balance sheet and the movements during the period are as follows:

	Depreciation allowances in excess of the related depreciation	**Tax losses carried forward**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
Deferred tax arising from:			
At 1 September 2011	(161,487)	56,590	(104,897)
Charged to profit or loss	(19,505)	(32,195)	(51,700)
At 30 May 2012	(180,992)	24,395	(156,597)

35 Financial Information of the Company

The Company was incorporated in the Cayman Islands on 26 November 2014 and has not carried on any business since the date of incorporation to 30 November 2014. The issued share capital as at the date of incorporation was HK$0.0001. As at 30 November 2014, 1 share was issued and fully paid.

36 Possible impact of amendments, new standards and interpretations issued but not yet effective for the Relevant Periods

Up to the date of this Financial Information, the HKICPA has issued a number of amendments and new standards which are not yet effective for the Relevant Periods and which have not been adopted in the Financial Information. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
HKFRS 15, *Revenue from contracts with customers*	1 January 2017
HKFRS 9, *Financial instruments*	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the year of initial application. So far the Group is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

C SUBSEQUENT EVENTS

The following significant events took place subsequent to 30 November 2014:

(a) On 11 December 2014 (as amended and restated on 22 December 2014), MLCL, HKBN Group Limited and HKBN entered into a term and revolving credit facilities agreement of HK$4,460 million with JPMorgan Chase Bank, N.A. acting through its Hong Kong Branch as mandated lead arranger and bookrunner (as may be amended and restated from time to time) (the "New Credit Facilities").

Under the New Credit Facilities, a new bank loan of HK$3,100 million, bearing interest rate at HIBOR plus 2.06% per annum, was drawn down on 19 January 2015.

On 22 January 2015, the Group called and redeemed all the outstanding amounts under the Notes amounting to HK$3,045 million, paid a premium of HK$53 million and wrote off the unamortised cost of originating fee of HK$43 million for early redemption of the Notes.

(b) The Share Transfer set out in note 1(b) of Section B was completed on 17 February 2015.

(c) On 18 February 2015, the Group declared and will distribute on or before 9 March 2015 a dividend in an amount of HK$230 million to its equity shareholders. Such dividend will be fully funded by cash on hand, by way of dividend from HKBN, and has not been accounted for in the Financial Information during the Relevant Periods.

D SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to 30 November 2014.

Yours faithfully,

KPMG
Certified Public Accountants
Hong Kong

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

KPMG

8th Floor
Prince's Building
10 Chater Road
Hong Kong

27 February 2015

The Directors
HKBN Ltd.

Goldman Sachs (Asia) L.L.C.
J.P. Morgan Securities (Far East) Limited
UBS Securities Hong Kong Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Hong Kong Broadband Network Limited (the "**HKBN**") including the balance sheet of HKBN as at 31 August 2012, 2013 and 2014 and the statements of comprehensive income, the statements of changes in equity and the cash flow statements for the years ended 31 August 2012, 2013 and 2014 (the "**Relevant Periods**"), together with the explanatory notes thereto (the "Financial Information"), for inclusion in the prospectus of HKBN Ltd. (the "**Company**") dated 27 February 2015 (the "**Prospectus**").

HKBN was incorporated in Hong Kong on 23 August 1999 under the Hong Kong Companies Ordinance. Prior to 30 May 2012, HKBN was an indirectly wholly-owned subsidiary of Hong Kong Television Network Limited ("**HKTV**", formerly known as "**City Telecom (H.K.) Limited**"). On 30 May 2012, HKBN became an indirect wholly-owned subsidiary of Metropolitan Light Company Limited ("**MLCL**") as part of MLCL's acquisition of the telecommunications business from HKTV. In connection with a group reorganisation as detailed in the section headed "History and Reorganisation" in the Prospectus, HKBN became an indirectly wholly-owned subsidiary of the Company on 17 February 2015.

HKBN has adopted 31 August as its financial year end date. The statutory financial statements of HKBN were prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the Hong Kong Companies Ordinance.

For the purpose of this report, the directors of HKBN have prepared the non-statutory financial statements of HKBN for the Relevant Periods (the "**Underlying Financial Statements**") in accordance with HKFRSs issued by HKICPA. The Underlying Financial Statements for each of the years ended

31 August 2012, 2013 and 2014 were audited by us under the separate terms of engagement with HKBN in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared by the directors of the Company for inclusion in the Prospectus in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited based on the Underlying Financial Statements, with no adjustments made thereon, and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline "**Prospectuses and the Reporting Accountant**" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of HKBN in respect of any period subsequent to 31 August 2014.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of HKBN as at 31 August 2012, 2013 and 2014 and HKBN's results and cash flows for the Relevant Periods then ended.

A FINANCIAL INFORMATION

1 Statements of comprehensive income

	Section B Note	Years ended 31 August		
		2012	2013	2014
		HK$'000	HK$'000	HK$'000
Turnover	2	1,939,683	1,922,477	2,112,248
Other net income/(loss)	3(b)	6,148	450	(383)
Network costs and costs of sales		(418,519)	(295,910)	(281,807)
Other operating expenses	3(a)	(1,110,057)	(1,160,116)	(1,303,512)
Gain on transfer of properties to HKTV	24(c)(ii)	187,371	—	—
Finance costs	3(c)	(42,383)	(35,559)	(10,983)
Profit before taxation	3	562,243	431,342	515,563
Income tax	4	(67,077)	(72,573)	(87,543)
Profit and total comprehensive income for the year		495,166	358,769	428,020

The accompanying notes form part of the Financial Information.

2 Balance sheets

	Section B Note	At 31 August 2012	2013	2014
		HK$'000	HK$'000	HK$'000
Non-current assets				
Fixed assets	7	1,601,262	1,669,945	1,723,277
Long term receivable and prepayment		5,059	7,085	4,680
Deferred expenditure		23,167	2,106	4,572
		1,629,488	1,679,136	1,732,529
Current assets				
Inventories	8	31,033	12,683	21,507
Accounts receivable	9	61,399	72,311	76,881
Other receivables, deposits and prepayments	9	167,784	188,167	174,655
Deferred expenditure		7,223	3,637	822
Amount due from HKBN Group Limited	13	—	33,664	36,754
Amount due from MLCL	13	98,432	—	96,547
Amount due from City Telecom (B.C.) Inc.	13	1,021	870	—
Amount due from City Telecom Inc.	13	1,404	1,249	—
Amount due from Metropolitan Light (HK) Company Limited	13	—	—	12
Bank deposits		—	45,000	—
Cash and cash equivalents	10	104,964	207,874	365,348
		473,260	565,455	772,526
Current liabilities				
Bank loan - current portion	12	37,827	—	—
Accounts payable	11	29,774	12,931	11,030
Other payables and accrued charges	11	152,798	221,411	272,278
Deposits received		22,352	30,216	32,021
Amount due to City Telecom (Canada) Inc.	13	197	657	—
Amount due to IDD1600 Company Limited	13	4	—	—
Amount due to Guangzhou City Telecom Customer Services Co. Ltd. ("CTI Guangzhou")	13	63,672	64,724	59,356
Amount due to City Telecom (USA) Inc.	13	—	182	—
Amount due to Y5Zone Limited	13	—	2,658	2,909
Amount due to Credibility Holdings Limited	13	—	55	823
Deferred services revenue - current portion		75,619	60,797	84,358
Obligations under finance leases - current portion	15	20	—	—
Loan from MLCL	14	—	291,261	—
Tax payable	18(a)	—	55,746	100,699
		382,263	740,638	563,474
Net current assets/(liabilities)		90,997	(175,183)	209,052
Total assets less current liabilities		1,720,485	1,503,953	1,941,581

	Section B Note	At 31 August		
		2012	2013	2014
		HK$'000	HK$'000	HK$'000
Non-current liabilities				
Derivative financial instruments	17	1,716	—	—
Deferred services revenue - long-term portion		105	2,345	7,932
Obligations under finance leases - long-term portion	15	24	—	—
Deferred tax liabilities	18(b)	173,875	190,702	194,723
Bank loan - long-term portion	12	592,628	—	—
		768,348	193,047	202,655
NET ASSETS		952,137	1,310,906	1,738,926
CAPITAL AND RESERVES	19			
Share capital: nominal value		383	383	—
Other statutory capital reserves		430,706	430,706	—
Share capital and other statutory capital reserves		431,089	431,089	431,089
Other reserves		521,048	879,817	1,307,837
TOTAL EQUITY		952,137	1,310,906	1,738,926

The accompanying notes form part of the Financial Information.

3 Statements of changes in equity

	Attributable to the equity shareholder of HKBN				
	Share capital	Share premium	Capital contribution reserve	Retained profits	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 September 2011	383	430,706	—	199,555	630,644
Changes in equity for the year ended 31 August 2012:					
Profit and total comprehensive income	—	—	—	495,166	495,166
Equity settled share-based transactions (note 16)	—	—	5,314	—	5,314
Dividend declared and paid in respect of the current year (note 19(b))	—	—	—	(178,987)	(178,987)
Balance at 31 August 2012 and 1 September 2012	383	430,706	5,314	515,734	952,137
Changes in equity for the year ended 31 August 2013:					
Profit and total comprehensive income	—	—	—	358,769	358,769
Balance at 31 August 2013 and 1 September 2013	383	430,706	5,314	874,503	1,310,906
Changes in equity for the year ended 31 August 2014:					
Profit and total comprehensive income	—	—	—	428,020	428,020
Transition to no-par value regime on 3 March 2014	430,706	(430,706)	—	—	—
Balance at 31 August 2014	431,089	—	5,314	1,302,523	1,738,926

The accompanying notes form part of the Financial Information.

4 Cash flow statements

	Section B Note	Years ended 31 August 2012	2013	2014
		HK$'000	HK$'000	HK$'000
Operating activities				
Cash generated from operations	10(b)	463,005	767,758	894,941
Hong Kong Profits Tax paid		—	—	(38,569)
Net cash generated from operating activities		463,005	767,758	856,372
Investing activities				
Interest received	3(b)	427	416	921
Payment for purchase of fixed assets		(357,219)	(317,572)	(343,574)
Proceeds from sale of fixed assets		31,313	9,054	636
(Increase)/decrease in bank deposits		—	(45,000)	45,000
Advance to MLCL		—	—	(96,547)
Advance to HKBN Group Limited		—	(33,664)	(3,090)
Net cash used in investing activities		(325,479)	(386,766)	(396,654)
Financing activities				
Other interest paid		(7,763)	(12,223)	—
Dividend paid to the equity shareholder of HKBN	19(b)	(178,987)	—	—
Repayment of capital element of finance lease		(18)	(44)	—
Interest paid to HKTV	3(c)	(33,462)	—	—
Interest paid to MLCL	3(c)	—	(23,336)	(10,983)
Proceeds from bank loan		630,455	—	—
Repayment of bank loan		—	(630,455)	—
Settlement of interest-rate swap		—	(1,716)	—
Increase in amount due to HKTV		87,932	—	—
Decrease in amount due to MLCL		(655,478)	—	—
Proceeds from loan from MLCL		—	625,081	—
Repayment of loan from MLCL		—	(235,389)	(291,261)
Net cash used in financing activities		(157,321)	(278,082)	(302,244)
Net (decrease)/increase in cash and cash equivalents		(19,795)	102,910	157,474
Cash and cash equivalents at the beginning of the year	10(a)	124,759	104,964	207,874
Cash and cash equivalents at the end of the year	10(a)	104,964	207,874	365,348

Material non-cash transactions:

(i) During the year ended 31 August 2012, HKBN has entered into non-cash transactions as set out in note 24(c)(v).

(ii) During the year ended 31 August 2013, an amount due from MLCL of HK$98,432,000 was offset against the loan from MLCL.

The accompanying notes form part of the Financial Information.

B NOTES TO THE FINANCIAL INFORMATION

1 Significant accounting policies

(a) *Statement of compliance*

The Financial Information set out in this report have been prepared in accordance with Hong Kong Financial Reporting Standards, which collective term includes Hong Kong Accounting Standards and related interpretations, promulgated by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The HKICPA issued a number of new and revised HKFRSs. For the purpose of preparing this Financial Information, HKBN has adopted all applicable new and revised HKFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period beginning 1 September 2013. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning 1 September 2013 are set out in note 27.

The Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

(b) *Basis of preparation and presentation*

The measurement basis used in the preparation of the Financial Information is the historical cost basis except that derivative financial instruments are stated at their fair values as explained in the accounting policies set out below in note 1(i).

(c) *Basis of measurement*

The Financial Information is presented in Hong Kong dollars ("HK$") rounded to the nearest Thousand. It is prepared on the historical cost basis except as set out in the accounting policies hereunder.

(d) *Use of estimates and judgment*

The preparation of Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 25.

(e) ***Deferred expenditure***

Deferred expenditure represents customer acquisition costs incurred for successful acquisition or origination of a service subscription agreement with a customer. Such costs are deferred and amortised on a straight-line basis over the period of the underlying service subscription agreements.

(f) ***Fixed assets***

Fixed assets are stated at cost less accumulated depreciation and impairment losses (note 1(h)).

Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of fixed assets, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

— Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion

— Leasehold improvements are depreciated over the shorter of the unexpired term of the lease and their estimated useful lives

— Leasehold land classified as held under finance leases is depreciated over the unexpired term of lease

— Cable	5 years
— Furniture, fixtures and fittings	4 years
— Telecommunications, computer and office equipment	4 - 20 years
— Motor vehicles	4 years

Where parts of an item of fixed assets have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Major costs incurred in restoring fixed assets to their normal working condition are charged to profit or loss. Major improvements are capitalised and depreciated over their expected useful lives to HKBN.

(g) ***Leased assets***

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if HKBN determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) *Classification of assets leased to HKBN*

Assets that are held by HKBN under leases which transfer to HKBN substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to HKBN are classified as operating leases.

Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by HKBN, or taken over from the previous leasee.

(ii) *Assets acquired under finance leases*

Where HKBN acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments of such assets, are included in fixed assets and the corresponding liabilities, net of finance charges are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely HKBN will obtain ownership of the asset, the life of the asset, as set out in note 1(f). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(h). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(iii) *Operating lease charges*

Where HKBN has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

(iv) *Sale and leaseback transactions*

A sale and leaseback transaction involves the sale of an asset by HKBN and the leasing of the same asset back to HKBN. The lease payments and the sale price are usually interdependent as they are negotiated as a package. Sale and leaseback arrangements that result in substantially all of the risks and rewards of ownership of assets being transferred to the lessor are accounted for as operating leases. Any excess of sales proceeds over the carrying amount is recognised in profit or loss as gain on disposal, if the sales prices and lease back arrangements for these transactions are determined based on the prevailing market prices. Payments made under operating leases are charged to profit or loss on a straight-line basis over the lease periods.

(h) ***Impairment of assets***

(i) *Impairment of other receivables*

Other current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of HKBN about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When HKBN is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) *Impairment of fixed assets*

Internal and external sources of information are reviewed at each balance sheet date to identify indications that fixed assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(i) ***Derivative financial instruments***

Derivative financial instruments are recognised initially at fair value. At each balance sheet date, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(j) ***Inventories***

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first in, first out cost formula and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) ***Trade and other receivables***

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(h)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(l) ***Interest-bearing borrowings***

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(m) ***Trade and other payables***

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(q), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) ***Cash and cash equivalents***

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(o) ***Talent benefits***

(i) *Short term talents benefits*

Salaries, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by talents. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) *Profit sharing and bonus plans*

Provisions for profit sharing and bonus plans are recognised when HKBN has a present legal or constructive obligation as a result of services rendered by talents and a reliable estimate of the obligation can be made.

(iii) *Retirement benefit costs*

HKBN contributes to defined contribution retirement schemes which are available to certain talents. Contributions to the schemes by HKBN are calculated as a percentage of talents' basic salaries and charged to profit or loss. HKBN's contributions are reduced by contributions forfeited by those talents who leave the scheme prior to vesting fully in the contributions.

The assets of the scheme are held in an independently administered fund that is separated from HKBN's assets.

(p) ***Income tax***

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if HKBN has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, HKBN intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either;

  — the same taxable entity; or

— different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) ***Financial guarantees issued, provisions and contingent liabilities***

(i) *Financial guarantees issued*

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where HKBN issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with HKBN's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(q)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon HKBN under the guarantee, and (ii) the amount of that claim on HKBN is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) *Other provisions and contingent liabilities*

Provisions are recognised for other liabilities of uncertain timing or amount when HKBN has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) ***Revenue recognition***

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to HKBN and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) *Revenue for the provision of international telecommunications and fixed telecommunications network service*

Revenue is recognised when an arrangement exists, service is rendered, the fee is fixed or determinable, and collectability is probable. Tariff-free period granted to subscribers of fixed telecommunications network services are recognised in profit or loss rateably over the term of the service subscription agreement. Amount received in advance for the provision of fixed telecommunications network services is deferred and included under deferred services income and subsequently recognised as revenue on a straight-line basis over the related service period.

(ii) *Sale of goods*

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership.

(iii) *Interest income*

Interest income is recognised as it accrues using the effective interest method.

(s) ***Research and development costs***

Research and development costs of new services and enhancements to existing services are charged to the profit and loss as incurred.

(t) ***Translation of foreign currencies***

HKBN's functional currency is Hong Kong dollars. Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

(u) ***Borrowing costs***

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(v) ***Related parties***

(a) A person, or a close member of that person's family, is related to HKBN if that person:

(i) has control or joint control over HKBN;

(ii) has significant influence over HKBN; or

(iii) is a member of the key management personnel of HKBN or HKBN's parent.

(b) An entity is related to HKBN if any of the following conditions applies:

(i) The entity and HKBN are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either HKBN or an entity related to HKBN.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) ***Segment reporting***

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Company's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the HKBN's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The management of HKBN assesses the performance and allocates the resources of the HKBN as a whole, as all of the HKBN's activities are considered to be primarily the operation of fixed telecommunications network services. Therefore, management considers there is only one operating segment under the requirements of HKFRS 8, *Operating Segments*. In this regard, no segment information is presented.

No geographic information is shown as the turnover and profit from operations of the HKBN are primarily derived from its activities in Hong Kong.

2 Turnover

The principal activities of HKBN are provision of fixed telecommunications network services and international telecommunications services to residential and enterprise customers in Hong Kong and product sales.

Turnover represents revenue from fixed telecommunications network services and international telecommunications services to residential and enterprise customers in Hong Kong and product sales. The amount of each category of revenue recognised in turnover during the Relevant Periods is as follows:

	Years ended 31 August		
	2012	**2013**	**2014**
	HK$'000	**HK$'000**	**HK$'000**
Residential revenue	1,379,317	1,472,286	1,621,260
Enterprise revenue	344,447	361,348	412,853
Product revenue	215,919	88,843	78,135
	1,939,683	1,922,477	2,112,248

3 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	Years ended 31 August		
	2012	2013	2014
	HK$'000	HK$'000	HK$'000
(a) Other operating expenses			
Advertising and marketing expenses	414,829	399,156	401,082
Depreciation (note 7)	232,345	244,994	288,207
(Gain)/loss on disposal of fixed assets, net	(3,550)	(5,159)	1,399
Office rental and utilities	26,716	34,135	38,744
Impairment losses on accounts receivable (note 9(b))	12,837	14,422	15,410
Talent costs (note 3(d))	300,450	324,114	376,366
Others	126,430	148,454	182,304
	1,110,057	1,160,116	1,303,512
(b) Other net (income)/loss			
Interest income	(427)	(416)	(921)
Rental income	(2,944)	—	—
Net exchange loss	—	3,578	3,893
Other income	(2,777)	(3,612)	(2,589)
	(6,148)	(450)	383
(c) Finance costs			
Interest on bank loan	7,777	11,786	—
Interest on interest-rate swap, net	—	162	—
Interest on loan from HKTV	33,462	—	—
Interest on loan from MLCL	—	23,336	10,983
Finance charges on obligation under finance leases	6	5	—
Fair value loss on interest-rate swaps	1,716	127	—
Other finance costs	(578)	143	—
	42,383	35,559	10,983
(d) Talent costs			
Salaries, wages and other benefits	457,905	480,922	543,386
Equity settled share-based transaction	6,637	—	—
Contributions to defined contribution retirement plan	14,082	16,815	19,051
	478,624	497,737	562,437
Less: Talent costs capitalised as fixed assets	(22,125)	(17,906)	(20,961)
Talent costs included in network costs and costs of sales	(6,210)	—	—
Talent costs included in advertising and marketing expenses	(149,839)	(155,717)	(165,110)
	300,450	324,114	376,366

Talent costs include all compensation and benefits paid to and accrued for all individuals employed by HKBN, including directors, and recharges of talent costs by a fellow subsidiary, CTI Guangzhou, on a cost-plus basis (see note 24). Included in salaries, wages and other benefits of HK$457,905,000, HK$480,922,000 and HK$543,386,000 was an amount of HK$77,589,000, HK$83,719,000 and HK$91,414,000 recharged by CTI Guangzhou for the year ended 31 August 2012, 2013 and 2014 respectively.

	Years ended 31 August		
	2012	2013	2014
	HK$'000	HK$'000	HK$'000
(e) Other items			
Amortisation of deferred expenditure	35,299	22,472	5,915
Depreciation of owned fixed assets	232,322	244,994	288,207
Depreciation of fixed assets held under finance leases	23	—	—
Operating lease charges in respect of land and buildings: minimum lease payments	26,152	29,647	27,708
Operating lease charges in respect of telecommunications facilities and computer equipment: minimum lease payments	102,038	107,126	122,234
Net foreign exchange loss	228	3,578	3,893
Auditors' remuneration			
- audit services	450	450	450
- review services	—	150	120
- tax services	57	57	60
Research and development costs	11,510	13,357	18,746
Cost of inventories	191,972	75,813	60,025

4 Income tax in the statements of comprehensive income

(a) ***Taxation in the statements of comprehensive income represents:***

	Years ended 31 August		
	2012	2013	2014
	HK$'000	HK$'000	HK$'000
Current tax - Hong Kong Profits Tax			
Provision for the year	—	(55,746)	(83,522)
Deferred tax			
Origination and reversal of temporary differences (note 18(b))	(67,077)	(16,827)	(4,021)
	(67,077)	(72,573)	(87,543)

The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the Relevant Periods.

(b) ***Reconciliation between tax expense and accounting profit at applicable tax rate:***

	Years ended 31 August		
	2012	2013	2014
	HK$'000	HK$'000	HK$'000
Profit before taxation	562,243	431,342	515,563
Notional tax on profit before taxation, calculated at Hong Kong Profits Tax rate of 16.5%	(92,770)	(71,172)	(85,068)
Tax effect of non-deductible expenses	(2,433)	(3,991)	(1,898)
Tax effect of non-taxable income	31,572	69	152
Balancing charges on disposal of fixed assets	(2,383)	—	—
Others	(1,063)	2,521	(729)
Actual tax expense	(67,077)	(72,573)	(87,543)

5 Directors' remuneration

Directors' remuneration during the Relevant Periods is as follows:

Year ended 31 August 2012

Name of directors	Note	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Share-based payments	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Mr. William YEUNG		—	3,248	—	183	6,549	9,980
Mr. Ni Quiaque LAI		—	1,218	—	122	88	1,428
Mr. Roy KUAN	(b)	—	—	—	—	—	—
Mr. Alvin Tsz-Wang LAM	(b)	—	—	—	—	—	—
Mr. Joo Suk KIM	(b)	—	—	—	—	—	—
Mr. Lorne Rupert SOMERVILLE	(b)	—	—	—	—	—	—
Mr. Kin Chun CHONG	(c)	—	1,969	400	136	—	2,505
Mr. Sui Lun LO	(c)	—	150	—	15	—	165
Mr. Paul Chi Kin CHEUNG	(c)	—	—	—	—	—	—
Mr. Ricky Wai Kay WONG	(c)	—	—	—	—	—	—
		—	6,585	400	456	6,637	14,078

Year ended 31 August 2013

Name of directors	Note	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Share-based payments	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Mr. William YEUNG . . .		—	7,529	610	747	—	8,886
Mr. Ni Quiaque LAI . . .		—	4,974	406	497	—	5,877
Mr. Roy KUAN	(b)	—	—	—	—	—	—
Mr. Alvin Tsz-Wang LAM	(b)	—	—	—	—	—	—
Mr. Joo Suk KIM	(b)	—	—	—	—	—	—
Mr. Lorne Rupert SOMERVILLE	(b)	—	—	—	—	—	—
		—	12,503	1,016	1,244	—	14,763

Year ended 31 August 2014

Name of directors	Note	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Share-based payments	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Mr. William YEUNG . . .		—	7,848	2,242	784	—	10,874
Mr. Ni Quiaque LAI . . .		—	5,122	1,492	523	—	7,137
Mr. Roy KUAN	(b)	—	—	—	—	—	—
Mr. Alvin Tsz-Wang LAM	(b)	—	—	—	—	—	—
Mr. Joo Suk KIM	(b)	—	—	—	—	—	—
Mr. Lorne Rupert SOMERVILLE	(b)	—	—	—	—	—	—
		—	12,970	3,734	1,307	—	18,011

(a) During the Relevant Periods, there were no amounts paid or payable by HKBN to the directors or any of the highest paid individuals set out in note 6 below as an inducement to joint or upon joining HKBN or as a compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

(b) These directors were appointed on 30 May 2012 following the acquisition of HKBN by MLCL and did not receive any remuneration from HKBN during the Relevant Periods.

(c) These directors resigned on 30 May 2012 following the acquisition of HKBN by MLCL.

6 Individuals with highest emoluments

Of the five individuals with the highest emoluments, 2 are directors for the years ended 31 August 2012, 2013 and 2014, whose emoluments are disclosed in note 5. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	Years ended 31 August		
	2012	2013	2014
	HK$'000	HK$'000	HK$'000
Salaries and other emoluments	6,429	7,413	7,584
Discretionary bonuses	433	654	1,504
Retirement scheme contributions	238	630	700
	7,100	8,697	9,788

The above individual emoluments are within the following band:

	Years ended 31 August		
	2012	2013	2014
	Number of individuals	Number of individuals	Number of individuals
Nil to HK$1,000,000	—	—	—
HK$1,000,001 - HK$1,500,000	—	—	—
HK$1,500,001 - HK$2,000,000	—	—	—
HK$2,000,001 - HK$2,500,000	3	—	—
HK$2,500,001 - HK$3,000,000	—	3	—
HK$3,000,001 - HK$3,500,000	—	—	3

7 Fixed assets

	Cable	Leasehold land and buildings	Leasehold improvements	Furniture, fixtures and fittings	Tele-communications, computer and office equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost:							
At 1 September 2011	—	92,486	89,069	3,687	3,083,602	8,510	3,277,354
Transfer in	46,698	—	—	—	315	—	47,013
Additions	—	2,911	16,089	326	335,567	2,326	357,219
Disposals	—	—	—	(2)	(82,519)	(1,856)	(84,377)
Transfer out	—	(78,972)	—	(7)	(3,409)	(4,073)	(86,461)
At 31 August 2012	46,698	16,425	105,158	4,004	3,333,556	4,907	3,510,748
At 1 September 2012	46,698	16,425	105,158	4,004	3,333,556	4,907	3,510,748
Additions	4	—	8,528	341	308,413	286	317,572
Disposals	—	—	(9,871)	(19)	(33,709)	(284)	(43,883)
At 31 August 2013	46,702	16,425	103,815	4,326	3,608,260	4,909	3,784,437
At 1 September 2013	46,702	16,425	103,815	4,326	3,608,260	4,909	3,784,437
Additions	61	9,890	12,448	30	320,129	1,016	343,574
Disposals	—	—	(4,335)	—	(12,723)	(1,277)	(18,335)
At 31 August 2014	46,763	26,315	111,928	4,356	3,915,666	4,648	4,109,676
Accumulated depreciation:							
At 1 September 2011	—	16,135	62,678	3,441	1,667,087	6,921	1,756,262
Charge for the year	3,403	1,246	10,207	147	216,025	1,317	232,345
Written back on disposals	—	—	—	(2)	(54,865)	(1,747)	(56,614)
Transfer out	—	(16,343)	—	(7)	(2,900)	(3,257)	(22,507)
At 31 August 2012	3,403	1,038	72,885	3,579	1,825,347	3,234	1,909,486
At 1 September 2012	3,403	1,038	72,885	3,579	1,825,347	3,234	1,909,486
Charge for the year	8,044	328	9,636	225	226,183	578	244,994
Written back on disposals	—	—	(7,925)	(19)	(31,920)	(124)	(39,988)
At 31 August 2013	11,447	1,366	74,596	3,785	2,019,610	3,688	2,114,492
At 1 September 2013	11,447	1,366	74,596	3,785	2,019,610	3,688	2,114,492
Charge for the year	8,067	444	6,989	204	271,869	634	288,207
Written back on disposals	—	—	(3,290)	—	(11,733)	(1,277)	(16,300)
At 31 August 2014	19,514	1,810	78,295	3,989	2,279,746	3,045	2,386,399
Net book value:							
At 31 August 2012	43,295	15,387	32,273	425	1,508,209	1,673	1,601,262
At 31 August 2013	35,255	15,059	29,219	541	1,588,650	1,221	1,669,945
At 31 August 2014	27,249	24,505	33,633	367	1,635,920	1,603	1,723,277

(a) ***The analysis of net book value of leasehold land and buildings of HKBN is as follows:***

	At 31 August		
	2012	2013	2014
	HK$'000	HK$'000	HK$'000
In Hong Kong			
- medium-term lease	12,429	12,165	21,675
- long-term lease	2,958	2,894	2,830
	15,387	15,059	24,505

(b) The net book value of telecommunications, computer and office equipment held under finance leases is HK$28,000, HK$Nil and HK$Nil at 31 August 2012, 2013 and 2014, respectively.

8 Inventories

Inventories in the balance sheets comprise finished goods. The amount of inventories recognised as an expense and included in profit or loss represents carrying amount of inventories sold and the amount of write-off of inventories to net realisable value (see note 3(e)).

9 Accounts receivable, other receivables, deposits and prepayments

	At 31 August		
	2012	2013	2014
	HK$'000	HK$'000	HK$'000
Accounts receivable	66,860	77,850	79,414
Less: Allowance for doubtful debts	(5,461)	(5,539)	(2,533)
	61,399	72,311	76,881
Other receivables, deposits and prepayments	167,784	188,167	174,655
	229,183	260,478	251,536

As at 31 August 2012, 2013 and 2014, the amount of HKBN's other receivables, deposits and prepayments expected to be recovered or recognised as expense after more than one year is HK$9,550,000, HK$10,765,000 and HK$10,940,000 respectively. All of HKBN's other receivables, deposits and prepayments are expected to be recovered within one year.

(a) ***Aging analysis***

The majority of HKBN's accounts receivable is due within 30 days from the date of billings. Subscribers with receivable that are more than 3 months overdue are requested to settle all outstanding balances before further credit is granted.

At the balance sheet dates, the aging analysis of accounts receivable (which are included in accounts receivable, other receivables, deposits and prepayments), based on the invoice date and net of allowance for doubtful debts, is as follows:

	At 31 August		
	2012	2013	2014
	HK$'000	HK$'000	HK$'000
Within 30 days	45,792	52,622	54,723
31 to 60 days	9,351	10,412	13,038
61 to 90 days	2,800	4,339	3,756
Over 90 days	3,456	4,938	5,364
	61,399	72,311	76,881

(b) ***Impairment of accounts receivable***

Impairment losses in respect of accounts receivable are recorded using an allowance account unless HKBN is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against accounts receivable directly (see note 1(h)(i)).

The movement in the allowance for doubtful debts during the Relevant Periods, including both specific and collective loss components, is as follows:

	Years ended 31 August		
	2012	2013	2014
	HK$'000	HK$'000	HK$'000
At the beginning of the year	6,083	5,461	5,539
Impairment loss recognised (note 3(a))	12,837	14,422	15,410
Uncollectible amounts written off	(13,459)	(14,344)	(18,416)
At the end of the year	5,461	5,539	2,533

(c) ***Accounts receivable that are not impaired***

The aging analysis of accounts receivable that are neither individually nor collectively considered to be impaired are as follows:

	At 31 August		
	2012	2013	2014
	HK$'000	HK$'000	HK$'000
Neither past due nor impaired	45,792	52,622	54,723
Less than 30 days past due	9,351	10,412	13,038
31 - 60 days past due	2,800	4,339	3,756
Over 60 days past due	3,456	4,938	5,364
	61,399	72,311	76,881

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with HKBN. Based on past experience and historical payment pattern, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

10 Cash and cash equivalents

(a) ***Cash and cash equivalents comprise:***

	At 31 August		
	2012	**2013**	**2014**
	HK$'000	**HK$'000**	**HK$'000**
Cash at bank and in hand	104,964	207,874	365,348

(b) ***Reconciliation of profit before taxation to cash generated from operations:***

		Years ended 31 August		
	Note	2012	2013	2014
		HK$'000	HK$'000	HK$'000
Operating activities				
Profit before taxation		562,243	431,342	515,563
Adjustments for:				
Depreciation	3(a)	232,345	244,994	288,207
Amortisation of deferred expenditure	3(e)	35,299	22,472	5,915
Interest income	3(b)	(427)	(416)	(921)
Finance costs	3(c)	42,383	35,559	10,983
(Gain)/loss on disposal of fixed assets	3(a)	(3,550)	(5,159)	1,399
Gain on transfer of properties to HKTV	24(c)(ii)	(187,371)	—	—
Equity settled share-based transaction		5,314	—	—
Changes in working capital:				
(Increase)/decrease in inventories		(31,033)	18,350	(8,824)
Decrease/(increase) in long term receivable and prepayment		2,116	(2,026)	2,405
Decrease/(increase) in accounts receivable		3,457	(10,912)	(4,570)
(Increase)/decease in other receivables, deposits and prepayments		(84,548)	(20,383)	13,512
(Increase)/decrease in deferred expenditure		(21,054)	2,175	(5,565)
Increase/(decrease) in accounts payable		16,742	(16,843)	(1,901)
(Decrease)/increase in other payables and accrued charges		(17,720)	68,613	50,867
Increase in deposits received		7,543	7,864	1,805
Increase/(decrease) in deferred services revenue		512	(12,581)	29,147
(Increase)/decrease in amount due from City Telecom (B.C.) Inc.		(27)	151	870
(Increase)/decrease in amount due from City Telecom Inc.		(116)	155	1,249
Increase in amount due from Metropolitan Light (HK) Company Limited		—	—	(12)
Increase/(decrease) in amount due to City Telecom (Canada) Inc.		197	460	(657)
Increase/(decrease) in amount due to IDD1600 Company Limited		4	(4)	—
(Decrease)/increase in amount due to CTI Guangzhou		(99,304)	1,052	(5,368)
Increase/(decrease) in amount due to City Telecom (USA) Inc.			182	(182)
Increase in amount due to Y5Zone Limited		—	2,658	251
Increase in amount due to Credibility Holdings Limited		—	55	768
Cash generated from operations		463,005	767,758	894,941

11 Accounts payable, other payables and accrued charges

	At 31 August		
	2012	2013	2014
	HK$'000	HK$'000	HK$'000
Accounts payable	29,774	12,931	11,030
Other payables and accrued charges	152,798	221,411	272,278
	182,572	234,342	283,308

All accounts payable, other payables and accrued charges are expected to be settled within one year.

At the balance sheet dates, the aging analysis of trade creditors (which are included in accounts payable, other payables and accrued charges), based on the invoice date, is as follows:

	At 31 August		
	2012	2013	2014
	HK$'000	HK$'000	HK$'000
Within 30 days	23,724	10,434	4,207
31 - 60 days	3,331	197	3,237
61 - 90 days	523	261	12
Over 90 days	2,196	2,039	3,574
	29,774	12,931	11,030

12 Bank loan

At 31 August 2012, 2013 and 2014, the bank loan was repayable as follows:

	At 31 August		
	2012	2013	2014
	HK$'000	HK$'000	HK$'000
Within 1 year	37,827	—	—
After 1 year but within 2 years	56,741	—	—
After 2 years but within 5 years	535,887	—	—
	592,628	—	—
	630,455	—	—

As at 31 August 2012, HKBN had a bank loan with principal amount of HK$630,455,000 drawn under a banking facility of HK$2,950,000,000 granted to HKBN and its intermediate holding company, MLCL. The bank loan was interest-bearing at Hong Kong Inter-bank Offered Rate ("HIBOR") plus a margin of 4.5% per annum in the first 12 months since the initial drawdown date on 30 May 2012. Subsequent to the first 12 months, the margin would vary within a range of 2.5% to 4.5% per annum, depending on the total leverage ratio as calculated from the consolidated financial statements of MLCL.

The bank loan was covered by a cross guarantee arrangement issued by the MLCL and its subsidiaries, including HKBN itself, to a bank in respect of the banking facility granted to HKBN and MLCL.

The bank loan was repayable by instalments on a quarterly basis and maturing on 30 May 2017 and was early repaid in full on 18 January 2013.

All expenses associated with the bank loan were charged to profit or loss upon early repayment of the bank loan.

13 Amounts due from/(to) related parties

The amounts due from/(to) HKBN Group Limited, MLCL, City Telecom (B.C.) Inc., City Telecom Inc., Metropolitan Light (HK) Company Limited, City Telecom (Canada) Inc., IDD1600 Company Limited, CTI Guangzhou Customers Services Co., Ltd, City Telecom (USA) Inc., Y5Zone Limited and Credibility Holdings Limited are unsecured, interest free and repayable on demand.

14 Loan from MLCL

The loan was unsecured, interest bearing at 6% per annum and repayable on demand.

15 Obligations under finance leases

At 31 August 2012, 2013 and 2014, HKBN had obligations and finance leases repayable as follows:

	At 31 August					
	2012		2013		2014	
	Present value of minimum lease payments	Total minimum lease payments	Present value of minimum lease payments	Total minimum lease payments	Present value of minimum lease payments	Total minimum lease payments
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Within 1 year	20	23	—	—	—	—
After 1 year but within 2 years	22	24	—	—	—	—
After 2 years but within 5 years	2	2	—	—	—	—
	44	49	—	—	—	—
Less: total future interest expenses		(5)		—		—
Present value of lease obligations		44		—		—

16 Equity settled share-based transactions

HKBN's former ultimate holding company, HKTV, adopted a share option scheme on 23 December 2002 whereby the directors of HKTV are authorised, at their discretion, to invite Talents of the former group, including directors of HKBN, to take up options to subscribe for shares of HKTV for services rendered to HKBN, subject to the terms and conditions stipulated therein.

The fair value of share options granted to Talents or directors is recognised as Talents cost with a corresponding increase in amount due to HKTV. The fair value is measured at grant date using the Black-Scholes option pricing model or Monte Carlo model, taking into account the terms and conditions upon which the options were granted. Where the Talents have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

On 30 May 2012, HKTV disposed of HKBN to an unrelated party and that the vesting period of all outstanding share options held by HKBN's directors be amended such that they became vested and exercisable on even date. Other than HKBN's directors, none of the grantees of HKBN hold any share options of HKTV which have not been vested on 30 May 2012. Under the modified vesting condition, the unamortised grant date fair value of the share options held by HKBN's directors amounted to HK$6,637,000 is recognised to profit or loss as share-based payment expenses. HKTV did not recharge HKBN the full amount on acceleration of the vesting condition of share options held by HKBN's directors. Accordingly, an amount of HK$5,314,000 was recognised as capital contribution from HKTV. Since then, there is no share option scheme adopted by HKBN.

17 Derivative financial instruments

As at 31 August 2012, HKBN had an interest-rate swap contract with a notional amount of HK$593,750,000 maturing on 31 May 2015 to mitigate interest rate risk arising on a bank loan. Under this arrangement, HKBN would pay a fixed rate interest on the notional amount on a quarterly basis and receive a floating interest rate at HIBOR rate.

This contract was recognised initially at fair value and was remeasured at each balance sheet date. The interest rate swap did not qualify for hedge accounting under HKAS 39, *Financial instruments: Recognition and measurement* and, therefore, changes in fair value was recognised immediately in profit or loss.

Due to the early repayment of bank loan (see note 12), HKBN terminated the interest-rate swap arrangement with the counterparty on 18 January 2013. At 31 August 2013 and 2014, there was no outstanding derivative financial instrument.

18 Income tax in the balance sheets

(a) ***Current taxation in the balance sheets represents:***

	At 31 August		
	2012	**2013**	**2014**
	HK$'000	**HK$'000**	**HK$'000**
Provision for Hong Kong Profits Tax for the year	—	55,746	83,522
Balance of Profits Tax provision relating to prior years	—	—	17,177
	—	55,746	100,699

(b) ***Deferred tax (liabilities) and assets recognised:***

The components of deferred tax (liabilities)/assets recognised in the balance sheets and the movements, during the Relevant Periods are as follows:

	Depreciation allowances in excess of the related depreciation	**Tax losses carried forward**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
Deferred tax arising from:			
At 1 September 2011	(162,931)	56,133	(106,798)
Charged to profit or loss	(17,964)	(49,113)	(67,077)
At 31 August 2012	(180,895)	7,020	(173,875)
At 1 September 2012	(180,895)	7,020	(173,875)
Charged to profit or loss	(9,807)	(7,020)	(16,827)
At 31 August 2013	(190,702)	—	(190,702)
At 1 September 2013	(190,702)	—	(190,702)
Charged to profit or loss	(4,021)	—	(4,021)
At 31 August 2014	(194,723)	—	(194,723)

19 Capital, reserves and dividends

(a) ***Movements in components of equity***

The reconciliation between the opening and closing balances of each component of HKBN's equity is set out in the statements of changes in equity.

(b) ***Dividends***

Dividends payable to the equity shareholder of HKBN attributable to the year

	At 31 August		
	2012	**2013**	**2014**
	HK$'000	**HK$'000**	**HK$'000**
Interim dividend declared and paid	99,976	—	—
Special dividends declared and paid	79,011	—	—
	178,987	—	—

Interim dividend of HK$261 per share was declared on 29 February 2012. Special dividends of HK$143.8 per share and HK$62.47 per share were declared on 31 March 2012 and 23 May 2012 respectively.

(c) ***Share capital***

	At 31 August					
	2012		**2013**		**2014**	
	No. of shares	**Amount**	**No. of shares**	**Amount**	**No. of shares**	**Amount**
		HK$'000		**HK$'000**		**HK$'000**
Authorised: (note 1)						
Ordinary shares of HK$1 each (note 2)	1,000,000	1,000	1,000,000	1,000	—	—
Issued and fully paid:						
At the beginning of the year	383,049	383	383,049	383	383,049	383
Transition to no-par value regime on 3 March 2014 (note 3)	—	—	—	—	—	430,706
At the end of the year	383,049	383	383,049	383	383,049	431,089

Notes:

(1) Under the new Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concept of authorised share capital no longer exists.

(2) In accordance with section 135 of the new Hong Kong Companies Ordinance (Cap. 622), HKBN's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.

(3) In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622) on 3 March 2014 any amount standing to the credit of the share premium account has become part of HKBN's share capital.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of HKBN. All ordinary shares rank equally with regard to HKBN's residual assets.

(d) ***Nature and purpose of reserves***

(i) *Share premium*

Prior to 3 March 2014, the application of the share premium account was governed by section 48B of the predecessor Hong Kong Companies Ordinance (Cap. 32). In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014 any amount standing to the credit of the share premium account has become part of HKBN's share capital (see note 19(c)). The use of share capital as from 3 March 2014 is governed by the new Hong Kong Companies Ordinance (Cap. 622).

(ii) *Capital contribution reserve*

The capital contribution reserve represents equity settled share-based transactions with HKTV.

(e) ***Capital management***

HKBN's primary objectives when managing capital are to safeguard HKBN's ability to continue as a going concern, so that it can continue to provide returns for the shareholder, by pricing services commensurately with the level of risk and by securing access to finance at reasonable cost. As HKBN is part of a larger group, HKBN's sources of additional capital and policies for distribution of excess capital may also be affected by the group's capital management objectives.

HKBN defines "capital" as including all components of equity plus any loans from other group companies with no fixed terms of repayment, less unaccrued proposed dividends. Trading balances that arise as a result of trading transactions with other group companies are not regarded by HKBN as capital.

HKBN's capital structure is regularly reviewed and managed with due regard to the capital management practices of the group to which HKBN belongs. Adjustments are made to the capital structure in light of changes in economic conditions affecting HKBN, to the extent that these do not conflict with the directors' fiduciary duties towards HKBN or the requirements of the Hong Kong Companies Ordinance. HKBN is not subject to externally imposed capital requirements in either the current or prior years.

20 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity and currency risks arises in the normal course of HKBN's business. HKBN's exposure to these risks and the financial risk management policies and practices used by HKBN to manage these risks are described below.

(a) ***Credit risk***

HKBN's credit risk is primarily attributable to accounts receivable and other receivables. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

In respect of accounts receivable and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay. These receivables are due within 30 days from the date of billing. Subscribers with receivables that are more than 3 months overdue are requested to settle all outstanding balances before any further credit is granted. HKBN generally does not obtain collateral from customers.

HKBN's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Concentrations of credit risk with respect to accounts receivable are limited due to HKBN's customer base being large and unrelated. As such, management does not expect any significant losses of accounts receivable that have not been provided for by way of allowances as disclosed in note 9.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset after deducting any impairment allowance in the balance sheet. The guarantees provided by HKBN which expose HKBN to credit risk are summarised in note 22.

Further quantitative disclosures in respect of HKBN's exposure to credit risk arising from accounts receivable and other receivables are set out in note 9.

(b) ***Liquidity risk***

HKBN has a cash management policy, which includes the short term investment of cash surpluses and the raising of loans and other borrowings to cover expected cash demands. HKBN's policy is to regularly monitor its current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table shows the remaining contractual maturities at the balance sheet dates of HKBN's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date HKBN are required to pay.

	At 31 August 2012			
	Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000
Bank loan	68,037	677,341	745,378	630,455
Accounts payable	29,774	—	29,774	29,774
Other payables and accrued charges	152,798	—	152,798	152,798
Amount due to City Telecom (Canada) Inc.	197	—	197	197
Amount due to IDD1600 Company Limited	4	—	4	4
Amount due to CTI Guangzhou	63,672	—	63,672	63,672
Obligations under finance leases	23	26	49	44
Derivatives financial instruments	883	840	1,723	1,716
	315,388	678,207	993,595	878,660

	At 31 August 2013			
	Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000
Accounts payable	12,931	—	12,931	12,931
Other payables and accrued charges	221,411	—	221,411	221,411
Amount due to City Telecom (Canada) Inc.	657	—	657	657
Amount due to CTI Guangzhou	64,724	—	64,724	64,724
Amount due to City Telecom (USA) Inc.	182	—	182	182
Amount due to Y5Zone Limited	2,658	—	2,658	2,658
Amount due to Credibility Holdings Limited	55	—	55	55
Loans from MLCL	308,736	—	308,736	291,261
	611,354	—	611,354	593,879

	At 31 August 2014			
	Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000
Accounts payable	11,030	—	11,030	11,030
Other payables and accrued charges	272,278	—	272,278	272,278
Amount due to CTI Guangzhou	59,356	—	59,356	59,356
Amount due to Y5Zone Limited	2,909	—	2,909	2,909
Amount due to Credibility Holdings Limited	823	—	823	823
	346,396	—	346,396	346,396

(c) ***Interest rate risk***

As at 31 August 2012, HKBN's interest rate risk arose mainly from its bank loan bearing interest at HIBOR plus a margin of 4.5% per annum. Borrowings issued at variable rates exposed HKBN to cash flow interest rate risk. HKBN manages the interest rate risk through entering into floating-to-fixed interest rate swaps, and after taking into account the effect of interest rate swaps, the directors consider the cash flow interest rate risk is insignificant.

(d) ***Currency risk***

All HKBN's monetary assets and liabilities are primarily denominated in either Hong Kong dollars ("HKD") or United States dollars ("USD"). Given the exchange rate of the HKD to the USD has remained close to the current pegged rate of HKD7.80 = USD1.00 since 1983, management does not expect significant foreign exchange gains or losses between the two currencies.

HKBN is also exposed to a certain amount of foreign exchange risk based on fluctuations between the HKD and the Renminbi ("RMB") arising from its operations in the People's Republic of China. In order to limit this foreign currency risk exposure, HKBN ensures that the net exposure is kept to an acceptable level of buying or selling foreign currencies at spot rates where necessary to address short term imbalances.

(i) *Exposure to currency risk*

The following table details HKBN's exposure at the balance sheet dates to currency risk arising from recognised assets or liabilities denominated in a currency other than HKBN's functional currency of HKD. For presentation purpose, the amounts of the exposure are expressed in HKD, translated using the spot rate at the year end date.

	At 31 August					
	2012		2013		2014	
	USD	RMB	USD	RMB	USD	RMB
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cash and cash equivalents	23,773	—	23,160	—	100,530	50,651
Accounts payable	(11,113)	—	(5,792)	—	(4,607)	—
Other payables and accrued charges	(17,281)	—	(5,093)	—	(652)	—
Amount due to CTI Guangzhou	—	(63,672)	—	(64,724)	—	(59,356)
Net exposure to currency risk	(4,621)	(63,672)	12,275	(64,724)	95,271	(8,705)

(ii) *Sensitivity analysis*

HKBN's foreign currency risk is mainly concentrated on the fluctuation of the RMB against the HKD. It is assumed that the pegged rate between the HKD and the USD would be materially unaffected by any changes in movement in value of the USD against other currencies. The following table details HKBN's sensitivity to a 5% increase or decrease in the HKD against the RMB. The sensitivity analysis includes only outstanding foreign currency denominated monetary items including inter-company payables and receivables within HKBN which are denominated in a currency other than the functional currencies of the lender or the borrower, and adjusts their translation at the year end for a 5% change in foreign currency rates. A negative number indicates a decrease in profit for the year where the RMB strengthens against the HKD. For a 5% weakening of the RMB against the HKD, there would be an equal and opposite impact on the profit and the balance below would be positive.

	At 31 August		
	2012	2013	2014
	HK$'000	HK$'000	HK$'000
Renminbi	(2,658)	(2,702)	54

(e) ***Fair value measurements***

(i) *Financial liabilities measured at fair value*

Fair value hierarchy

HKFRS 13, *Fair value measurement* categorises fair value measurements into a three-level hierarchy. The level into which fair value is classified is determined with reference to the observability and significance of the inputs used in the valuation techniques as follows:

— Level 1 valuations: Fair values measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

— Level 2 valuations: Fair values measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

— Level 3 valuations: Fair values measured using significant unobservable inputs

At 31 August 2012, the only financial instrument of HKBN carried at fair value was interest rate swap contract. The instrument was under Level 2 of the fair value hierarchy described above.

At 31 August 2013 and 2014, HKBN had no financial instruments carried at fair value.

During the Relevant Periods, there were no transfers between Level 1 and Level 2, or transfers into or out Level 3. HKBN's policy is to recognise transfers between levels of fair value hierarchy as at the balance sheet dates in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of interest rate swap was the estimated amount that HKBN would receive or pay to terminate the swap at the balance sheet dates, taking into account current interest rate and the current creditworthiness of the swap counterparty.

(ii) The carrying amount of HKBN's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 August 2012, 2013 and 2014 excepts for amounts due from/(to) related parties which are unsecured, interest free and repayable on demand (note 13). Given these term, it is not meaningful to disclose their fair value.

21 Commitments

(a) ***Capital commitments***

At 31 August 2012, 2013 and 2014, HKBN had the following capital commitments:

	At 31 August		
	2012	2013	2014
	HK$'000	HK$'000	HK$'000
Purchase of telecommunications, computer and office equipment			
Contracted but not provided for	178,417	121,753	67,992

(b) ***Commitment under operating leases***

(i) At 31 August 2012, 2013 and 2014, HKBN's total future minimum lease payments under non-cancellable operating leases are receivables as follows:

	At 31 August		
	2012	2013	2014
	HK$'000	HK$'000	HK$'000
Leases in respect of telecommunications facilities which are receivables:			
Within 1 year	4,215	9,425	17,321
After 1 year but within 5 years	3,256	13,675	30,321
After 5 years	—	—	14,795
	7,471	23,100	62,437

(ii) At 31 August 2012, 2013 and 2014, HKBN's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 August		
	2012	2013	2014
	HK$'000	HK$'000	HK$'000
Leases in respect of land and buildings which are payable:			
Within 1 year	32,445	25,883	22,814
After 1 year but within 5 years	63,356	34,984	23,903
	95,801	60,867	46,717
Leases in respect of telecommunications facilities and computer equipment which are payable:			
Within 1 year	60,484	71,912	67,498
After 1 year but within 5 years	15,380	20,473	13,559
After 5 years	2,087	944	50
	77,951	93,329	81,107

HKBN leases a number of land and buildings and telecommunications facilities and computer equipment under operating lease. The leases typically run for an initial period of six months to fifteen years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually increased annually to reflect market rentals. None of these leases include contingent rentals.

(c) ***Programme fee commitments***

HKBN entered into several long-term agreements with programme content providers for the rights to use certain programme contents in HKBN's pay-TV services. Minimum amounts of programme fees to be paid by HKBN are analysed as follows:

	At 31 August		
	2012	**2013**	**2014**
	HK$'000	**HK$'000**	**HK$'000**
Programme fee in respect of programme rights which are payable:			
Within 1 year	36,189	10,152	2,853
After 1 year but within 5 years	6,793	482	—
	42,982	10,634	2,853

22 Contingent liabilities

		At 31 August		
	Note	**2012**	**2013**	**2014**
		HK$'000	**HK$'000**	**HK$'000**
Bank guarantee provided to suppliers		1,820	1,850	1,820
Bank guarantee in lieu of payment of utility deposits		3,622	3,622	3,622
Guarantees given to a bank in respect of facilities granted to HKBN and MLCL	(i)	1,869,545	—	—
Guarantees given to a bank in respect of issue of Notes by Metropolitan Light International Limited	(ii)	—	3,492,000	3,492,000
		1,874,987	3,497,472	3,497,442

Notes:

(i) HKBN was one of the entities covered by a cross guarantee arrangement issued by MLCL and its subsidiaries, including HKBN itself, to a bank in respect of banking facilities granted to HKBN and MLCL. Under the guarantee, HKBN and other entities that were party to the guarantee were jointly and severally liable for all and any of the borrowings of HKBN and MLCL from the bank which was the beneficiary of the guarantee. As at 31 August 2012, the aggregate amount drawn under the banking facilities by HKBN and MLCL amounted to HK$2,500,000,000, of which HK$630,455,000 was drawn by HKBN (see note 12). The cross guarantee arrangement was terminated during the year ended 31 August 2013.

(ii) On 17 January 2013, HKBN's fellow subsidiary, Metropolitan Light International Limited ("MLIL"), issued 5.25% five-year US$450,000,000 (equivalents to HK$3,492,000,000) notes that would mature on 17 January 2018 (the "Notes"). The Notes were guaranteed by HKBN and MLCL. Under the guarantee, HKBN and MLCL had unconditionally and irrevocably guaranteed, on a joint and several basis, the due and punctual payment of all sums from time to time payable by MLIL in respect of the Notes.

During the year ended 31 August 2014, MLCL purchased a portion of the Notes with cumulative principal value of US$32,205,000 (equivalent to HK$249,911,000) (2013: US$25,375,000 (equivalent to HK$196,910,000)) in the open market. As at 31 August 2014, the remaining principal amount of the Notes in issue after the repurchases was US$392,420,000 (equivalent to HK$3,041,255,000) (2013: US$424,625,000 (equivalent to HK$3,295,090,000)).

(iii) As at 31 August 2012, 2013 and 2014, the directors of HKBN did not consider it was probable that a claim would be made against HKBN under any guarantees. HKBN has not recognised any deferred income in respect of the guarantees issued as their fair value cannot be reliably measured and their transaction price was HK$Nil during the Relevant Periods.

23 Barter transaction

During the year ended 31 August 2010, HKBN entered into an agreement with a third party (the "Contract Party"). Pursuant to the agreement, HKBN would provide network capacity to the Contract Party for a service term of 10 years commencing on 1 May 2010 or after the respective activation of the relevant network capacity, and in exchange, the Contract Party would provide HKBN the right to use telecommunications facilities for a term of 10 years commencing on 1 May 2010 or after the respective activation of the relevant network capacity. The transaction has been entered into on a barter basis at no consideration being exchanged. The agreement expires on 30 April 2020.

The directors of HKBN made an assessment and determined that since the arrangement above involves exchange of a similar nature and value, the exchange is not regarded as a transaction which generates revenue. Accordingly, the network capacity of the Contract Party under the agreement have not been recognised as an asset and no revenue or deferred revenue have been recognised in the financial statements of HKBN since inception of the arrangement.

24 Material related party transaction

During the Relevant Periods, transactions with the following parties are considered to be related parties transactions:

Name of related party	Relationship with HKBN
Mr. William YEUNG	Director of HKBN
Mr. Ni Quiaque LAI	Director of HKBN
Mr. Roy KUAN	Director of HKBN
Mr. Alvin Tsz-Wang LAM	Director of HKBN
Mr. Joo Suk KIM	Director of HKBN
Mr. Lorne Rupert SOMERVILLE	Director of HKBN
Mr. Sui Lun LO	Key management personnel of HKBN and former director of HKBN
Mr. Paul Chi Kin CHEUNG	Former director of HKBN
Mr. Kin Chun CHONG	Former director of HKBN
Mr. Wai Kay WONG	Former director of HKBN
Mr. William Tak Wa YEUNG	Key management personnel of HKBN

Name of related party	Relationship with HKBN
Mr. Chan Fai HO	Key management personnel of HKBN
Mrs. Selina CHONG	Key management personnel of HKBN
HKBN Group Limited (formerly known as "City Telecom International Limited")	The immediate holding company of HKBN
MLCL	The intermediate holding company of HKBN subsequent to the acquisition of HKBN by MLCL on 30 May 2012
City Telecom (B.C.) Inc.	A fellow subsidiary of HKBN up to the date of disposal of equity interest on 3 April 2014
City Telecom Inc.	A fellow subsidiary of HKBN up to the date of disposal of equity interest on 3 April 2014
Metropolitan Light (HK) Company Limited	A fellow subsidiary of HKBN
City Telecom (Canada) Inc.	A fellow subsidiary of HKBN up to the date of disposal of equity interest on 3 April 2014
IDD1600 Company Limited	A fellow subsidiary of HKBN up to the date of dissolution on 9 August 2014
Guangzhou City Telecom Customer Services Co. Ltd. ("CTI Guangzhou") (translated from the registered name in Chinese)	A fellow subsidiary of HKBN
City Telecom (U.S.A.) Inc.	A fellow subsidiary of HKBN up to the date of dissolution on 24 May 2013
Y5Zone Limited	A fellow subsidiary of HKBN subsequent to the acquisition on 4 January 2013
Credibility Holdings Limited	A fellow subsidiary of HKBN
Metropolitan Light International Limited	A fellow subsidiary of HKBN
HKTV	The former ultimate holding company prior to the acquisition of Telecom Group by MLCL on 30 May 2012
Hong Kong Media Production Company Limited	A fellow subsidiary of HKBN prior to the acquisition of Telecom Group by MLCL on 30 May 2012

In addition to the transactions and balances disclosed elsewhere in this Financial Information, HKBN entered into the following material related party transactions:

(a) ***Key management personnel remuneration***

Remuneration for key management personnel of HKBN, including amounts paid to the directors of HKBN as disclosed in note 5 and certain of the highest paid employees as disclosed in note 6, is as follows:

	Years ended 31 August		
	2012	**2013**	**2014**
	HK$'000	**HK$'000**	**HK$'000**
Short-term employee benefits	16,813	24,494	29,888
Post-employment benefits	646	2,095	2,298
	17,459	26,589	32,186

Total remuneration is included in "talent costs" (see note 3(d)).

(b) ***Transactions with related parties***

	Note	Years ended 31 August 2012	2013	2014
		HK$'000	HK$'000	HK$'000
Transactions with fellow subsidiaries:				
Service fees payable/paid	(i)	194,804	194,719	196,865
Recharge/(reimbursement) of staff costs	(ii)	2,022	(495)	(361)
Wi-Fi service fees payable/paid	(iii)	—	1,147	2,160
Internet and international telecommunications service fees receivable/received	(iv)	—	266	472
Marketing service fees payable/paid	(v)	—	74	—
Equipment rental payable/paid	(vi)	—	63	81
System implementation project costs payable/paid	(vii)	—	—	55
Reimbursement of Talent costs and administrative fees	(viii)	—	—	1,514
Transaction with MLCL:				
Loan interest payable/paid	(ix)	—	23,336	10,983
Transactions with HKTV:				
Rental income receivable/received	(x)	1,335	—	—
Equipment rental and leased lines charges receivable/received	(xi)	11,433	—	—
International facilities services fee payable/paid	(xii)	1,158	—	—
International telecommunications services fee payable/paid	(xiii)	7,688	—	—
Indefeasible right of use licence fee payable/paid	(xiv)	2,161	—	—
Reimbursement of Talent costs	(ii)	28,161	—	—
Loan interest payable/paid	(xv)	33,462	—	—
Internet and international telecommunications services fee receivable/received	(iv)	106	—	—
Transaction with Hong Kong Media Production Company Limited:				
Rental income receivable/received	(x)	1,609	—	—

Notes:

(i) Service fees payable/paid to CTI Guangzhou for the provision of customer services to HKBN. It is charged at cost-plus basis.

(ii) Reimbursement and recharge of Talent costs to/from CTI Guangzhou and HKTV are charged at cost basis.

(iii) Wi-Fi service fees payable/paid to Y5Zone Limited is subject to the contract terms negotiated by the parties involved.

(iv) Internet and international telecommunications service fees receivable/received from Y5Zone Limited and HKTV is subject to the contract terms negotiated by the parties involved.

(v) Marketing service fees payable/paid to Y5Zone Limited is subject to the contract terms negotiated by the parties involved.

(vi) Equipment rental payable/paid to Y5Zone Limited is mutually agreed between contract parties at a fixed monthly fee.

(vii) System implementation project costs payable/paid to Y5Zone Limited is subject to the contract terms negotiated by the parties involved.

(viii) Reimbursement of Talent costs and administrative fees from Y5Zone Limited is charged at cost basis.

(ix) Loan interest payable/paid to MLCL is calculated at a fixed interest rate of 6% per annum.

(x) Rental income received/receivable from HKTV and Hong Kong Media Production Company Limited is mutually agreed between contract parties with reference to market rates and charged based on the occupancy of floor areas.

(xi) Equipment rental and leased lines charges received from HKTV are mutually agreed between contract parties at a fixed monthly fee or with reference to market rates.

(xii) International facilities services fee is subject to the contract terms negotiated by the parties involved.

(xiii) International telecommunications services fee is subject to the contract terms negotiated by the parties involved.

(xiv) Indefeasible right of use licence fee is mutually agreed between contract parties with reference to market rates.

(xv) Loan interests paid/payable to HKTV are calculated at a fixed interest rate of 9% per annum.

(c) ***Transactions in connection with the disposal of HKBN by HKTV during the year ended 31 August 2012***

On 30 May 2012, HKTV, the former ultimate holding company, disposed of its telecom business including HKBN, to MLCL ("the Disposal"). Upon the completion of the Disposal, MLCL has become HKBN's intermediate holding company. The following transactions are relevant to HKBN in connection with the Disposal:

(i) On 31 March 2012, HKTV transferred fixed assets of HK$47,013,000 to HKBN at their net book values, of which HK$46,698,000 related to two submarine cables namely Asia Pacific Cable Network 2 and Japan-US Cable Network. In addition, HKBN transferred fixed assets of HK$1,325,000 to HKTV at their net book values. The net book values were considered to approximate the fair market prices of the assets as at the date of the transfer. The consideration was initially recorded as intercompany account with HKTV, which was subsequently settled as part of the Disposal as further described below.

(ii) On 31 March 2012, HKBN transferred properties including certain workshops and offices with net book value of HK$62,629,000 to HKTV at a fair market consideration of HK$250,000,000, resulting in a gain of HK$187,371,000. Under the relevant agreements, HKBN will lease back certain of these properties from HKTV at prevailing market rent of HK$903,000 per month for five years. HKBN was also granted an option to purchase these properties at the prevailing market value exercisable in the seven day period commencing on the date which is two calendar years after the transfer. In addition, HKBN has a right of first refusal to purchase these properties on the same terms and price as offered by a third party bona fide purchaser, if any, to HKTV during the period of two years and seven days after the transfer.

(iii) On 31 March 2012, HKBN transferred the bbTV news production operations unit to a subsidiary of HKTV where HKBN was granted a licence by the HKTV's subsidiary to broadcast the news content produced by the bbTV news production operations unit for a monthly fee of HK$550,000, which was determined on a cost sharing basis with reference to the costs of the bbTV news production operations in the preceding 12 months. The licence agreement had an initial fixed period of one year from 31 March 2012 to 31 March 2013. The agreement was renewed on 1 April 2013, for a period of five months and was expired on 31 August 2013.

(iv) On 30 May 2012 and as part of the closing of the Disposal, a bank loan of HK$630,455,000 (note 12) was drawn by HKBN where the proceeds were paid to HKTV on behalf of MLCL as part of the consideration in connection with the acquisition of telecom business from HKTV. The consideration was initially recorded as intercompany account with HKTV, which was subsequently settled as part of the Disposal as further described below.

(v) HKBN granted indefeasible rights of use in favour of HKTV allowing it to use certain capacity of HKBN's network for a term of 20 years from 30 May 2012, on a free of charge basis. In addition, HKBN agreed to provide certain telecom services to HKTV, at no additional cost, for a period of 10 years from 30 May 2012. The incremental costs associated with fulfilling the obligations under the granting of indefeasible rights of use to HKTV are expected to be insignificant to HKBN. Accordingly, no provision was made by HKBN in this connection.

The impact of the above transactions on the loan and intercompany balances with HKTV and MLCL is summarised as follows:

	Note	Loan from HKTV	Amount due to HKTV	Amount due from MLCL
		HK$'000	HK$'000	HK$'000
At 1 September 2011		(625,860)	(47,566)	—
Movement of intercompany account with HKTV prior to the Disposal		—	(87,932)	—
Transfer of fixed assets:*				
- from HKTV to HKBN	(i)	—	(47,013)	—
- from HKBN to HKTV - properties	(ii)	250,000	—	—
- from HKBN to HKTV - others	(i)	—	1,325	—
Transfer of outstanding balances with HKTV to MLCL*		375,860	181,186	(557,046)
Proceeds from bank loan for settlement of the purchase consideration on behalf of MLCL	(iv)	—	—	630,455
Movement of intercompany account with MLCL subsequent to the Disposal		—	—	25,023
At 31 August 2012		—	—	98,432

* These represent non-cash transactions.

25 Accounting judgement and estimates

Sources of estimation uncertainty

Note 20 contains information about the assumptions and their risk factors relating to financial instruments. Other key sources of estimation uncertainty are as follows:

Impairment loss for doubtful debts

HKBN maintains impairment loss for doubtful debts based upon evaluation of the recoverability of the accounts receivable and other receivables which takes into account the historical write-off experience and recovery rates. If the financial condition of the customers were to deteriorate, additional impairment may be required.

Depreciation

Depreciation is calculated to write off the cost of items of fixed assets less their estimated residual value, if any, using the straight-line method over their estimated useful lives. HKBN reviews the estimated useful lives annually in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on HKBN's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

Income tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions and interpretation of tax rules. HKBN carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation and practices.

26 Immediate and ultimate controlling party

At 31 August 2014, the directors consider the immediate controlling company of HKBN is HKBN Group Limited, which is incorporated in the BVI and the ultimate controlling party of HKBN to be CVC Capital Partners Asia Pacific III L.P., which is established in the Cayman Islands. These entities do not produce financial statements available for public use.

27 Possible impact of amendments, new standards and interpretations issued but not yet effective for the Relevant Periods

Up to the date of this Financial Information, the HKICPA has issued a number of amendments and new standards which are not yet effective for the Relevant Periods and which have not been adopted in the Financial Information. These include the following which may be relevant to HKBN:

	Effective for accounting periods beginning on or after
Amendments to HKAS 32, *Financial instruments: Presentation - Offsetting financial assets and financial liabilities*	1 January 2014
Amendments to HKAS 36, *Impairment of assets - Recoverable amount disclosures for non-financial assets*	1 January 2014
HKFRS 15, *Revenue from contracts with customers*	1 January 2017
HKFRS 9, *Financial instruments*	1 January 2018

HKBN is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the year of initial application. So far HKBN is not yet in a position to state whether they would have a significant impact on HKBN's results of operations and financial position.

C SUBSEQUENT EVENTS

On 18 February 2015, HKBN declared and will distribute on or before 9 March 2015 a dividend in an amount of HK$230 million to its equity shareholder. Such dividend will be fully funded by cash on hand and has not been accounted for in the Financial Information during the Relevant Periods.

D SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by HKBN in respect of any period subsequent to 31 August 2014.

Yours faithfully,

KPMG
Certified Public Accountants
Hong Kong

The information set forth in this Appendix does not form part of the Accountants' Report prepared by KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendices IA and IB, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with "Financial Information" and the Accountants' Reports set forth in Appendices IA and IB.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE LIABILITIES

The following unaudited pro forma statement of adjusted net tangible liabilities prepared in accordance with Rule 4.29 of the Listing Rules and on the basis of the notes set out below, is for the purpose of illustrating the effect of the Global Offering on combined net tangible liabilities as at 30 November 2014 as if the Global Offering had taken place on 30 November 2014.

The unaudited pro forma statement of adjusted net tangible liabilities has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position had the Global Offering been completed as of 30 November 2014 or at any future date.

	Combined net tangible liabilities attributable to equity shareholders of the Company as at 30 November 2014[(1)]	Estimated expenses relating to the Global Offering[(2)]	Unaudited pro forma adjusted net tangible liabilities[(3)]	Unaudited pro forma adjusted net tangible liabilities per Share[(4)]
	HK$'000	HK$'000	HK$'000	HK$
Based on an Offer Price of HK$9.00 per share	(1,325,237)	(37,936)	(1,363,173)	(1.36)
Based on an Offer Price of HK$8.00 per share	(1,325,237)	(37,936)	(1,363,173)	(1.35)

Notes:

(1) The combined net tangible liabilities attributable to equity shareholders of the Company as at 30 November 2014 is compiled based on the combined financial information included in the Accountants' Report as set out in Appendix IA to this prospectus, which is based on the combined net assets attributable to the equity shareholders of the Company of HK$1,682,000,000 less goodwill of HK$1,594,110,000 and intangible assets of HK$1,413,127,000.

(2) As the Offer Shares will be sold by the Selling Shareholders, who will receive the net proceeds from the Global Offering after deducting the underwriting commissions, the incentive fees and the discretionary fees, no proceeds of the Global Offering will be received by the Company. The Company would bear the listing expenses estimated to be HK$55.9 million, and the adjustment has been made after taking into account the effect of listing expenses of HK$17.9 million which have been accounted for prior to 30 November 2014.

(3) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 November 2014, in particular, (a) the unaudited pro forma statement of adjusted net tangible liabilities has not been adjusted for the effect of dividends of HK$230 million declared and paid by the Group subsequent to 30 November 2014 and (b) the premium incurred of HK$53 million and the unamortised cost of originating fee written off of HK$43 million in connection with the redemption of the senior notes on 22 January 2015.

(4) The unaudited pro forma adjusted net tangible liabilities per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,005,666,666 and 1,006,375,000 Shares (including the Shares in issue and the Capitalisation Issue in connection with the RSU Scheme) were in issue immediately following the completion of the Global Offering based on the Maximum Offer Price and the Minimum Offer Price respectively.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

27 February 2015

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF HKBN LTD.

We have completed our assurance engagement to report on the compilation of pro forma financial information of HKBN Ltd. (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible liabilities as at 30 November 2014 and related notes as set out in Part A of Appendix II to the prospectus dated 27 February 2015 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the Global Offering on the Group's financial position as at 30 November 2014, as if the Global Offering had taken place at 30 November 2014. As part of this process, information about the Group's financial position as at 30 November 2014 has been extracted by the Directors from the Group's historical financial statements included in the Accountants' Report as set out in Appendix IA to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("**HKSAE**") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 30 November 2014 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

a) the pro forma financial information has been properly compiled on the basis stated;

b) such basis is consistent with the accounting policies of the Group, and

c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong

The following is a brief summary of the Hong Kong laws and regulations that currently materially affect the Group in its operations in the telecommunications industry, including the Internet, in Hong Kong.

Office of the Communications Authority and Office of the Telecommunications Authority

Prior to 1 April 2012, the Hong Kong telecommunications industry was regulated by the Telecommunications Authority and through its administrative department of the Office of the Telecommunications Authority. On 1 April 2012, the Communications Authority Ordinance came into operation and the Communications Authority ("**CA**") was established as the unified regulatory body of both the telecommunications and broadcasting sectors in Hong Kong. The Telecommunications Authority was dissolved after the transfer of its statutory powers and functions to the CA.

As a provider of broadband Internet access, VoIP, IP-TV and international telecommunications services in Hong Kong, we are regulated by the CA acting through its executive arm and secretariat, the OFCA. OFCA is a government department headed by the Director-General of the Communications which supports the CA in administering and enforcing the Communications Authority Ordinance (Chapter 616 of the Laws of Hong Kong), the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong), the Unsolicited Electronic Message Ordinance (Chapter 593 of the Laws of Hong Kong), the Broadcasting Ordinance (Chapter 562 of the Laws of Hong Kong) and the Broadcasting (Miscellaneous Provisions) Ordinance (Chapter 391 of the Laws of Hong Kong). Our telecommunications operations are subject to the Telecommunications Ordinance and its subsidiary legislation, regulations and codes of practice, which provide the legislative and regulatory framework for the provision of telecommunications services and facilities in Hong Kong.

In addition to the administration of major telecommunications legislation, OFCA's responsibility and functions in regulating the telecommunications services include the formulation of supervisory policies, oversight of licensing, financial monitoring and regulation of telecommunications services providers, promotion of fair competition in the telecommunications sector, management of the radio frequency spectrum; development of technical standards and customer equipment testing; protection of consumer interests; and the control and administration of the Hong Kong numbering plans (including allocation of numbers or codes).

Licensing

Under the Telecommunications Ordinance, the establishment or maintenance of any means of telecommunications, or possession, use or dealing with telecommunications apparatus in Hong Kong without an appropriate licence is prohibited. The Telecommunications Regulations and the Telecommunications (Carrier Licences) Regulation contain prescribed form licences and provide for the CA to issue licence conditions in respect of those licences under the Telecommunications Ordinance. The CA has the authority to grant licences for all means of telecommunications services and facilities in Hong Kong, including the provision of fixed wire line, public mobile telephone, Internet and satellite services. In addition, the CA has the authority to require a licensee to comply with the terms of its licence and any applicable legislation or regulations or codes of practice, and to suspend or revoke licences to enforce the Telecommunications Ordinance or other rules or regulations or codes of practice to protect the public interest.

Generally, a licensee is required to be a company incorporated in Hong Kong or a foreign company registered in Hong Kong under the Companies Ordinance. There is no foreign ownership restriction on the holder of a telecommunications licence under the current regulatory regime.

Non-compliance by a telecommunications licensee with the Telecommunications Ordinance, any subsidiary legislation made pursuant to it, any of the licence conditions or any direction issued by the CA, may result in the revocation or suspension of the relevant licence. The Telecommunications Ordinance contains sets out the procedural steps which the CA must adhere to prior to revocation or suspension of any telecommunications licences. In addition, the Chief Executive of Hong Kong has the authority, at the recommendation of the CA, to revoke a telecommunications licence at any time if considers it is in the public interest to do so.

Carrier licence

In Hong Kong, public telecommunications services can be provided either by facility-based operators or service-based operators. Facility-based operators establish their own networks for the provision of public telecommunications service, while service-based operators utilise the fixed or mobile networks of other facility-based operators to provide their own telecommunications services.

Carrier licences are issued to facility-based operators which may be permitted to establish telecommunications circuits and networks across public streets and unleased government land for provision of public telecommunications services. Carrier licensees may provide different types of telecommunications services according to the scope of permitted services set out in their respective licence.

Convergence of fixed and mobile carrier licences

Prior to August 2008, fixed telecommunications service operations were regulated through fixed carrier licences and mobile telecommunications service operations were regulated separately through mobile carrier licences with different sets of licence conditions.

In recognition of the convergence of fixed and mobile services, on 1 August 2008, the UC licensing regime came into operation as a single unified licensing vehicle for both fixed and mobile carrier services. The UC Licence is now the only carrier licence issued for the provision of facility-based fixed external, fixed internal and/or mobile telecommunications services. However, any existing fixed or mobile carrier licence will continue to be effective until its expiry date. The licence holders may convert existing fixed or mobile licences into UC Licences before the expiry of their licences on a voluntary basis or apply for UC Licences upon the expiry of their existing fixed or mobile carrier licences.

Our FTNS Licence expired in February 2015. In the ordinary course of business, we applied for a UC Licence to be effective upon the expiration of our FTNS Licence. On 2 December 2014, we received the approval in-principle of for our UC Licence from OFCA. We received the UC Licence in February 2015 and it took effect immediately after the FTNS Licence expired. The UC Licence has a term of 15 years and will expire in 2030.

A UC Licence is valid for a period of 15 years from the date of grant and, at OFCA's discretion, may be renewed for a further term of up to 15 years. The amount of the licence fee expected to be payable under our UC Licence comprises (i) a fixed annual amount of HK$1.0 million; (ii) a variable amount calculated on the basis of the number of customer connections (which is currently set at HK$700 for every 100 customer connections); and (iii) a variable fee of HK$3 for each subscriber number allocated or assigned to the licensee on an annual basis. We expect the annual licence fee payable by us to be approximately HK$10 million to HK$11 million for the 12 month period beginning in February 2015 compared to approximately HK$6 million to HK$7 million for the twelve month period beginning in February 2014 under our FTNS Licence.

FTNS licence

Although FTNS Licences are no longer issued due to the introduction of fixed carrier licences and mobile carrier licences on 1 April 2001, FTNS Licences issued prior to this date continue to be effective until their stipulated expiry date.

An FTNS Licence authorises the licensee, subject to the licence conditions:

- to provide a public fixed telecommunications network service, covering internal services or external services, or both; and

- to establish and maintain a fixed telecommunications network, which may be wireline-based or wireless-based (Wi-Fi spectrum included), or a combination of both.

An FTNS Licence is valid for a period of 15 years from the date of grant and, at the CA's discretion, may be renewed for a further term of up to 15 years. The amount of the licence fee payable by a holder of a FTNS Licence comprises (i) a fixed annual amount of HK$1.0 million; (ii) a variable amount calculated on the basis of the number of customer connections (which was set at HK$700 for every 100 customer connections); and (iii) a variable fee calculated by reference to the radio spectrum assigned and used by the licence holder.

We held an FTNS Licence, issued in February 2000, initially for the operation of a local fixed wireless network. Our FTNS Licence was subsequently amended three times and HKBN was authorised to operate both local fixed telecommunications network (wireline and wireless based) and external telecommunications facilities.

SBO Licence

SBO are required to be duly licensed: (i) to provide public telecommunications services through transmission facilities provided by licensed facility-based carrier licensees; or (ii) to establish or maintain transmission facilities which do not cross public streets or unleased government lands.

Prior to January 2006, service-based operators were regulated under the PNETS licensing regime. With the introduction of the SBO Licence in January 2006, and its subsequent amendment in October 2009, the then Telecommunications Authority gradually overhauled and streamlined the licensing regime for service-based operations and replaced the PNETS Licences with the SBO Licences.

The SBO Licences currently include three classes of licences:

- Class 1 SBO Licence authorises the provision of local voice telephony services that have all the attributes of conventional telephone services and are requires compliance with the licence conditions of carrier licences, or the equivalent licence conditions contained in the SBO Licence;
- Class 2 SBO Licence authorises the provision of local voice telephony services that do not have all the attributes of the conventional telephone services and are only subject to minimal licensing conditions with the main purpose of protecting consumer interests and safeguarding fair competition; and
- Class 3 SBO Licence covers a variety of non-telephony services including external telecommunications services, international value-added network services, mobile virtual network operator services, private payphone services, public radio communications relay services, security and fire alarm signals transmission services and teleconferencing services.

In December 2009, the CA granted HKBN a Class 3 SBO Licence for external telecommunications services and international value-added network services. The Class 3 SBO Licence presently gives HKBN the right to provide calling card services, international simple resale services for facsimile and data services, virtual private network services and external telecommunications services over the external telecommunications facilities of other licensed external facilities providers. This Class 3 SBO Licence allows HKBN to act as an Internet service provider. Y5Zone also has a Class 3 SBO Licence that allows it to provide Wi-Fi service.

Under the terms of the Class 3 SBO Licences, HKBN and Y5Zone and required to comply with certain licence conditions relating to technical and reporting matters which is expected without any significant changes.

A Class 3 SBO Licence has a validity period of 12 months and is renewable at the discretion of the CA on an annual basis upon the payment of a prescribed annual fee (currently being HK$750 per annum for each type of Class 3 services authorised under the licence) and a variable fee of HK$3 for each subscriber number allocated or assigned to the licensee on each annual renewal of the licence. Where radio communications apparatus is used by the licensee for the services provided, there is an additional variable component calculated by reference to the number of base stations and mobile stations involved.

Interconnection

Telecommunications carriers are obliged to interconnect their services and networks with those of other operators to ensure connectivity. Terms and conditions for interconnection between carriers may be established by (i) commercial agreement between the carriers, (ii) tariffs set by the carriers which are open to all parties seeking to interconnect or (iii) determination made by the CA under the Telecommunications Ordinance.

The interconnection conditions under a carrier licence require the licensee to:

- interconnect its fixed-line network with other licensed fixed networks and, where directed by the CA, with other licensed telecoms networks and services;

- use all reasonable endeavours to ensure interconnection is carried out promptly, efficiently and at charges which are reasonable; and

- provide facilities and services reasonably necessary for prompt and efficient interconnection.

There are two main types of fixed-line interconnection services:

- **Type I Interconnection** is a direct interconnection between the network gateways of fixed network licensees. Network gateway could be toll exchanges, tandem exchanges, local exchanges or dedicated interconnection gateways, which allow end users on different networks to "communicate" with each other.

- **Type II Interconnection** is a connection from one fixed carrier to another fixed carrier's local loop, where the fixed carrier lease the existing customer access facilities of another fixed carrier to provide its service. The TA introduced charging principles in 1995 which set out general charging principles for interconnection between fixed carriers. Following a subsequent phased withdrawal process initiated by the TA in July 2004, the mandatory requirements for Type II Interconnection applicable at the telephone exchanges level was fully withdrawn in June 2008. Type II Interconnection terms, including charges, are now determined by commercial negotiations between carriers.

Competition provisions

Regulation of anti-competitive conduct

Currently, competition provisions governing the telecommunications sector in Hong Kong are set out in the Telecommunications Ordinance. The relevant provisions are sections 7K, 7L and 7N of the Telecommunications Ordinance, which prohibit anti-competitive practices, abuse of dominance and discriminatory conducts that has the purpose or effect of preventing or substantially restricting competition in a telecommunications market. Upon finding of any breach of the competition provisions, The CA may issue directions requiring rectification by the licensee or impose financial penalties. The Telecommunications Ordinance provides an appeal mechanism against decisions, directions or determinations of the CA through the Telecommunications (Competition Provisions) Appeal Board. A person or a licensee aggrieved by a decision made by the CA relating to the competition provisions may appeal to the Telecommunications (Competition Provisions) Appeal Board, whose decision is final. The Telecommunications (Competition Provisions) Appeal Board may refer any question of law arising from an appeal to the Court of Appeal for determination.

Control on mergers and acquisitions

The current merger control regime for the telecommunications industry in Hong Kong is embodied under section 7P of the Telecommunications Ordinance. If the CA determines that the relevant merger and acquisition activity has, or is likely to have, the effect of preventing or substantially lessening competition in a telecommunications market, the CA is empowered to direct a carrier licensee to take such actions, such as the complete or partial divestiture of the relevant parties' interests in the merged entity, as the CA considers necessary, to eliminate or avoid any anti-competitive effect. However, the

CA may not issue such a directive if it takes the view that the public benefit of the merger and acquisition outweighs any detrimental effect caused by a reduction in competition. Any decision made or direction issued by the CA under the merger and acquisition provision is subject to appeal to the Telecommunications (Competition Provisions) Appeal Board.

The regulatory regime on mergers and acquisitions only applies to carrier licensees, which, for the purpose of the Telecommunications Ordinance, include HKBN as a holder of an FTNS Licence and an UC Licence.

Competition Ordinance

Hong Kong's first cross-sector competition legislation, the Competition Ordinance, was enacted on 14 June 2012 and is in the process of being implemented in phases that commenced on 18 January 2013. The Competition Ordinance is a general, cross-sector competition law that will apply across industries and, once it comes into full operations, will repeal the competition provisions currently in force under the Telecommunications Ordinance. As at the current date, the date on which the Competition Ordinance's provisions that affect the Telecommunications Ordinance will come into effect has not been gazetted.

Part 4 of Schedule 8 of the Competition Ordinance sets out the detailed amendments to the competition provisions in the Telecommunications Ordinance. Under these amendments, sections 7K (anti-competitive practices), 7L (abuse of position), 7N (non-discrimination) and 7P (authority may regulate changes in relation to carrier licensees) in the Telecommunications Ordinance are to be repealed and replaced by the conduct rules under Part 2 of the Competition Ordinance. A new section 7Q will be added to the Telecommunications Ordinance to prohibit conduct by a licensee in a dominant position in a telecommunications market.

According to Part 11 of the Competition Ordinance, both the CA and the Competition Commission will be the competent regulators and have concurrent jurisdiction over competition matters relating to telecommunications and broadcasting. The Competition Ordinance also provides a mechanism whereby such telecommunications and broadcasting related competition matters may be transferred between the Communications Authority and the Competition Commission. It is envisaged that in addition to the various codes and guidelines on competition related matters issued by the CA (and formerly the Telecommunications Authority), new guidelines will be issued by the Competition Commission on the interpretation of the conduct rules. The CA and the Competition Commission will enter into a Memorandum of Understanding for the purpose of co-ordinating the performance of their functions under the competition regime in the telecommunications and broadcasting sectors.

Consumer protection

The Telecommunications Ordinance also contains a statutory provision that is primarily aimed at protecting consumers. Under section 7M of the Telecommunications Ordinance, a licensee is prohibited from engaging in any misleading or deceptive conduct in providing or acquiring telecommunications networks, systems, installations, customer equipment or services.

The then Telecommunication Authority has taken an active role in enforcing the 7M prohibition and has developed voluntary codes to assist in this respect. In February 2010, the Telecommunication Authority issued the Code of Practice for Communications Service Contracts (the "**Code**"), which superseded the "Code of Practice for the Service Contracts for the Provision of Public Telecommunications Services" issued in November 2004. The Code is a voluntary scheme intended to heighten customer satisfaction levels by improving the clarity of provisions used in telecommunications customer contracts. The Code sets out guidelines on, among other things, the style, format and structure of written contracts, the expiry of term contracts, termination of contracts, unilateral variation of terms and conditions etc. In addition, the Code requires that an unsolicited contract must provide a cooling-off period of not less than seven days during which the customer may cancel the contract without incurring any payment liability or any other obligation. The Code is applicable to all providers of communications services which include the supply of telecommunications services. Service providers pledging compliance with the Code are required to publish on their respective website their pledges to the Code. On 21 December 2010, the Code was adopted by the Communications Association of Hong Kong and the majority of providers, including HKBN, have pledged compliance with the Code.

The Trade Descriptions (Unfair Trade Practices) (Amendment) Ordinance ("**Trade Descriptions Amendment Ordinance**") was enacted on 17 July 2012. It introduces amendments to the Trade Descriptions Ordinance (Cap. 362) which came into effect on 19 July 2013.

The key amendments under the Trade Descriptions Amendment Ordinance are:

- extension of the coverage of the Trade Descriptions Ordinance to include trade descriptions in respect of services;

- the creation of new criminal offences for unfair trade practices including misleading omissions and aggressive commercial practices, bait advertising, bait-and-switch, and the practice of wrongly accepting payment;

- the strengthening of relevant enforcement mechanisms to promote compliance with the new fair trading sections; and

- the creation of a new private right of action for damages to facilitate consumer redress.

The Hong Kong Customs and Excise Department is the principal enforcement agency responsible for enforcing the Trade Descriptions Ordinance and shares concurrent jurisdiction to enforce the new fair trading sections relating to the commercial practices of licensees under the Telecommunications Ordinance and the Broadcasting Ordinance that are directly connected with the provision of telecommunications and broadcasting services.

The Trade Descriptions Amendment Ordinance repealed section 7M of the Telecommunications Ordinance, which related to misleading or deceptive conduct of telecommunications licensees. Such conduct is now regulated under the new fair trading sections of the Trade Descriptions Amendment Ordinance.

The Customs & Excise Department and the CA have issued enforcement guidelines in July 2013 which sets out guidance on the enforcement of the new fair trading sections of the Trade Descriptions Amendment Ordinance.

Telecommunications operators are required to comply with general Hong Kong consumer protection laws, such as the Sale of Goods Ordinance (Cap. 26), Control of Exemption Clauses Ordinance (Cap. 71), Supply of Services (Implied Terms) Ordinance (Cap. 457), the Unconscionable Contracts Ordinance (Cap. 458), Personal Data (Privacy) Ordinance (Cap. 486), and the Unsolicited Electronic Messages Ordinance (Cap. 593), as applicable.

Pricing conditions

Both FTNS and SBO Licence conditions require licensees to publish their tariffs for their services and to charge no more than the published tariffs.

In addition, the FTNS Licence conditions prohibit licensees from offering discounts to their published tariffs and require the licensees to seek approval from the CA in connection with (i) any revision of published tariffs, (ii) tariffs for any new services or products or (iii) tariffs for any trial services. However, the CA may waive any or all of these restrictions in the opinion of the CA, the Licensee is not “dominant” in the relevant telecommunications market. The then Telecommunications Authority has granted HKBN a waiver from the above tariff revision prohibitions in relation to its FTNS licence and HKBN is able to provide discounts and revise its tariffs in all the FTNS markets without the prior consent of the CA.

USC

Under the current regulatory regime, Hong Kong Telecommunications (HKT) Limited, the incumbent fixed network licensee (formerly Cable & Wireless HKT Telephone Limited) has a universal service obligation to provide good, efficient and continuous basic telecommunications services at reasonable cost on a non-discriminatory basis to users in Hong Kong. To assist Hong Kong Telecommunications (HKT) Limited in meeting this obligation, certain licensees (including fixed carrier licensees, FTNS licensees and other types of licences as specified by the CA) are required to make a universal service contribution to Hong Kong Telecommunications (HKT) Limited.

On 8 June 2007, the then Telecommunications Authority issued a statement entitled “Review of the Regulatory Framework for Universal Service Arrangement”, which announced the new USC arrangement for funding the cost of universal service obligation. HKBN, as a local fixed telecommunications network service licensee, is classified as a USC contributing party and is required to pay USC under the regime that was introduced in 2009.

The level of USC is determined by the CA and is reviewed periodically, generally on an annual basis, according to actual cost and revenue and on a per allocated telephone number basis. The average USC has declined over the past several years. In accordance with a statement dated 2 April 2014 issued by the CA, the net USC for the period from 1 January 2011 to 31 December 2013 was HK$16.8 million, or 4.1 per cent per telephone number allocated per month. The CA decided to allocate the special revenue pool balance of HK$5.0 million and rent and rate recoverable fund balance or HK$11.8 million to fund the net USC for 2011 so that the contributing parties were not required to pay USC for 2011. Since the CA’s remaining rent and rate recoverable fund of HK$22.7 million is sufficient to offset the recently determined actual level net USC of HK$16.8 million, the CA has decided to set the provisional USC rate at zero cent per telephone number allocated from 1 January 2012 onwards. The provisional USC rate will be updated in the next USC reviews.

Local access charge ("LAC")

Providers of external telecommunications services ("**ETS**"), such as holders of Class 3 SBO Licence, including HKBN, are required to pay a LAC to the network operators as an interconnection charge for the transfer of ETS traffic to and from end users. LAC, as well as the terms and conditions for interconnection, are commercially negotiated between ETS operators and local network operators. The then Telecommunications Authority issued guidance on 23 December 2011 on the payment obligations, charging principles and settlement arrangements for LAC.

ETS traffic conveyed to and from fixed network operators and mobile network operators are subject to LAC, and the same costing principles will apply in calculating LAC for both. The LAC should be based on the relevant costs and be measured as the long run average incremental costs, including a cost of capital for assets used. The LAC is commercially negotiated between ETS operators and local network operators, but the CA may, on the request of a party to the interconnection, determine the level of LAC charges and the method of calculating these.

Fixed mobile interconnection charge

The fixed mobile interconnection charge ("**FMIC**") is the interconnection charge for circuit-switched traffic between a fixed network operator and a mobile network operator.

The FMIC was historically regulated by the Telecommunications Authority. However, the CA decided to withdraw its regulatory guidance in relation to FMIC starting in April 2013, whereupon FMIC is determined in accordance with commercial negotiations between the fixed and mobile network operators. For a transition period of 18 months from April 2013, where the fixed and mobile network operators fail to reach an agreement on the FMIC, the CA may make a determination as to the FMIC amount.

We have reached agreements or understandings with all mobile operators on the new arrangements of FMIC.

Regulatory requirements in the PRC

We operate our business in the PRC under a legal regime consisting of the laws adopted by the National People's Congress ("**NPC**") and its Standing Committee, the administrative regulations promulgated by the State Council, the highest administrative body in the PRC and the ministerial decrees adopted by several ministries and agencies directly under the State Council's authority including, among others, the Ministry of Commerce ("**MOFCOM**"), the Ministry of Industry and Information Technology ("**MIIT**"), the State Administration of Taxation ("**SAT**") and the State Administration of Foreign Exchange ("**SAFE**"), and local rules promulgated by local governmental authorities at different levels. Set forth below are the material PRC laws and regulations that are relevant to our business.

Laws and regulations in relation to foreign investment in the PRC

Pursuant to Provisions on Guiding the Orientation of Foreign Investment (指導外商投資方向規定) promulgated by the State Council on 11 February 2002, the Foreign Investment Industrial Guidance

Catalogue (外商投資産業指導目錄) is one of the basis of the application of relevant policies in examining and approving foreign investment projects and foreign invested enterprises. The Foreign Investment Industrial Guidance Catalogue sets out "encouraged", "restricted" and "prohibited" categories for all foreign investment projects in the PRC. Projects that do not fall with the categories of encouraged, restricted or prohibited are permitted foreign investment projects.

Pursuant to the Foreign Investment Industrial Guidance Catalogue (2011 Revision) (外商投資産業指導目錄 (2011年修訂)) which was issued on 24 December 2011 by the National Development and Reform Commission and the MOFCOM and became effective as of 30 January 2012, foreign invested enterprises are encouraged to engage in offshore call centre business in the PRC subject to relevant governmental approvals.

The establishment, operation and management of corporate entities in the PRC are governed by the Company Law of the PRC (the "**PRC Company Law**") (中華人民共和國公司法), which was promulgated on 29 December 1993 and amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013. Under the PRC Company Law, companies are generally classified into two categories: limited liability companies and limited companies by shares. The PRC Company Law also applies to foreign invested limited liability companies but where other relevant laws regarding foreign investment have provided otherwise, such other laws shall prevail.

The Law of the PRC on Foreign invested Enterprises (the "**Law on Foreign funded Enterprises**") (中華人民共和國外資企業法) promulgated on 12 April 1986 and amended on 31 October 2000 forms the fundamental legal basis for the PRC Government to regulate a wholly foreign-owned enterprise. According to the Law on Foreign invested Enterprises, in order to establish a wholly foreign-owned enterprise, the investor must apply to the Ministry of Foreign Trade and Economic Cooperation under the State Council (currently, the MOFCOM) or other administrations authorised by the State Council for approval. In the event of a split, merger or other major events of change, such event must be submitted to the approving authorities for approval, and the change shall be registered with the state or local administration for industry and commerce.

According to the Rules for the Implementation of the Law of the PRC on Foreign invested Enterprises promulgated on 12 December 1990 and amended on 12 April 2001 and 19 February 2014(中華人民共和國外資企業法實施細則), foreign invested enterprises may pay dividends only out of their accumulated profits, determined in accordance with PRC accounting standards and regulations. Foreign invested enterprises are also required to set aside at least 10% of their respective after-tax profits each year, if any, to fund certain statutory reserve funds until the aggregate amount of such reserve funds reaches 50% of their registered capital and to allocate a discretionary portion of their respective after-tax profits to staff welfare and bonus funds. These reserves are not distributable as cash dividends.

Laws and regulations in relation to foreign exchange

The principal law governing foreign currency exchange in the PRC is the Foreign Exchange Administration Regulations (外匯管理條例). The Foreign Exchange Administration Regulations was enacted by the State Council on 29 January 1996 and implemented on 1 April 1996. On 14 January 1997 and 5 August 2008, the State Council amended the Foreign Exchange Administration Regulations. According to the Foreign Exchange Administration Regulations currently in effect, international payments in foreign currencies and transfer of foreign currencies under current items shall not be restricted. Foreign currency transactions under the capital account are still subject to limitations and require approvals from, or registration with, the SAFE and other relevant PRC governmental authorities.

On 29 August 2008, the SAFE promulgated the Notice of the General Affairs Department of the SAFE on the Relevant Operating Issues concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises (國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知) ("**SAFE Circular 142**") regulating the conversion by a foreign invested enterprise of its foreign currency registered capital into RMB. The SAFE Circular 142 provides that the RMB fund converted from foreign currency registered capital of a foreign invested enterprise is permitted to be used only for purposes within the business scope approved by the applicable governmental authority and is not permitted to be used for equity investments within the PRC. The use of such RMB fund is not permitted to be altered without approval, and such RMB fund is not permitted in any case to be used to repay any RMB loans that were taken out but that have not been utilised. Violations of the SAFE Circular 142 could result in severe monetary penalties.

Laws and regulations in relation to offshore test-point call centre telecommunication business in the PRC

Pursuant to the Letter of the General Office of the State Council in Reply on encouraging to Accelerate the Development to Service Outsourcing Industry promulgated on 7 April 2010 (國務院辦公廳關於鼓勵服務外包產業加快發展的復函), for enterprises which provide outsourcing services to overseas market to engage in the offshore test-point call centre business (i.e., both of the ultimate service consumer and client of the service are located outside the PRC), pilot programme will be carried out in model cities without setting up limitations on equity percentages to be held by foreign investors.

Pursuant to the Circular on Accelerating the Development of Service Outsourcing Industry and Simplifying the Approval Formalities for Foreign Investors to Conduct Offshore Test-point Call Centre Business (工信部關於鼓勵服務外包產業加快發展及簡化外資經營離岸呼叫中心業務試點審批程序的通知) ("**Circular No.550**") promulgated by the MIIT on 10 November 2010, the pilot areas refer to 21 outsourcing service model cities including Guangzhou. The pilot business includes offshore call centre businesses (i.e., both of the ultimate service consumer and client of the service are located outside the PRC). The subjects of the pilot programme are foreign invested enterprises or sino-foreign joint venture enterprises. The pilot business shall be approved by local telecommunication bureaus at provincial level and local MOFCOM in the regions where the service outsourcing model cities locate. The principal investors that intend to establish foreign invested telecommunication enterprise in the service outsourcing model cities shall apply to the telecommunication bureaus in the regions where the model cities locate, and submit relevant materials by reference to the Provisions on the Administration of Foreign Invested Telecommunication Enterprises (外商投資電信企業管理規定) and the Telecommunication Regulation of the PRC (中華人民共和國電信條例). The telecommunication bureaus at provincial level will issue the offshore test-point call centre approval after approving the application, and will file with the MIIT. The principal investors shall apply to competent authorities of relevant model cities for the establishment of the foreign invested enterprises by presenting the approval issued by relevant telecommunication bureaus at provincial level, and shall obtain the certificate of approval for foreign invested enterprises. Foreign invested enterprises that have already engaged in the offshore test-point call centre business without conducting the approval formalities shall complete the approval formalities with relevant telecommunication bureau and obtain the offshore test-point call centre approval.

Laws and regulations in relation to taxation regarding the business

Enterprise income tax

On 16 March 2007, the NPC passed the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), and on 6 December 2007, the State Council issued the Implementation Rules of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例), both of which became effective on 1 January 2008. Pursuant to the Enterprise Income Tax Law of the PRC and the Implementation Rules of the Enterprise Income Tax Law of the PRC, resident enterprises shall pay enterprise income tax in relation to their income originating both within and outside PRC and non-resident enterprises that have set up institutions or establishments in PRC shall pay enterprise income tax in relation to income originating from PRC obtained by the established institutions or establishments, and income occurring outside PRC but having an actual connection with the established Institutions or establishments. The enterprise income tax rate in PRC is generally 25%.

Value-added tax

Pursuant to the Notice of Ministry of Finance and State Administration of Taxation on Carrying out Pilot Work on Switching from Business Tax to VAT in Transportation Industry and Certain Modern Service Industries in Shanghai promulgated by the Ministry of Finance ("**MoF**") and the SAT on 16 November 2011 and took effect on 1 December 2011 (財政部、國家稅務總局關於在上海市開展交通運輸業和部分現代服務業營業稅改徵增值稅試點的通知) (the "**Notice No. 111**"), all entities and individuals engaged in the businesses of transportation and certain modern service industries in the PRC are taxpayers of Value-Added Tax ("**VAT**"). All taxpayers who provide such taxable services shall pay VAT and shall no longer be required to pay business tax.

Pursuant to the Notice of Ministry of Finance and State Administration of Taxation on the Pilot Scheme on Switching from Business Tax to VAT in Transportation Industry and Certain Modern Services Industries in Eight Provinces and Municipalities Including Beijing promulgated by the MoF and the SAT on 31 July 2012 (財政部、國家稅務總局關於在北京等8省市開展交通運輸業和部分現代服務業營業稅改徵增值稅試點的通知) (the "**Notice No. 71**"), which replaced the above mentioned Notice No. 111, the scope of the pilot scheme on switching from business tax to VAT in transportation industry and certain modern services industries shall be extended from Shanghai Municipality to eight provinces (centrally-administered municipalities) including Beijing and Guangdong and etc.

Pursuant to the Notice of Ministry of Finance and State Administration of Taxation on Nationwide Launch of Tax Policies Governing the Pilot Scheme on Switching from Business Tax to Value-added Tax in Transportation Industry and Certain Modern Service Industries promulgated by the MoF and the SAT on 24 May 2013 and took effect on 1 August 2013 (財政部、國家稅務總局關於在全國開展交通運輸業和部分現代服務業營業稅改徵增值稅試點稅收政策的通知) (the "**Notice No.37**"), which replaced the above mentioned Notice No. 71, the pilot scheme on switching from business tax to VAT in transportation industry and certain modern services industries shall be launched nationwide. The taxable services including technology transfer services, technical consultation services and etc provided to overseas entities by entities and individuals in the PRC are exempted from VAT.

Pursuant to the Notice on Including Railway Transportation and Postal Services Sectors into the Pilot Scheme on Switching from Business Tax to VAT promulgated by the MoF and the SAT on 12 December 2013 and took effect on 1 January 2014 (關於將鐵路運輸和郵政業納入營業稅改徵增值稅試點的通知), which replaced the above mentioned Notice No.37, the railway transportation and postal services sectors will be included into the pilot scheme on switching from business tax to VAT. Taxpayers providing taxable services shall pay VAT pursuant to these Measures and are no longer required to pay business tax. The taxable services including technology transfer services, technical consultation services and etc provided to overseas entities by entities and individuals in the PRC are exempted from VAT.

Our PRC Subsidiary has been enjoying the VAT exemption treatment since 1 November 2011.

Dividends from our Operation in the PRC

Pursuant to the Enterprise Income Tax Law of the PRC, dividends payable by foreign invested enterprises established in the PRC to their foreign investors that are not regarded as PRC resident for tax purposes are subject to a withholding tax of 10%, unless otherwise provided in accordance with tax treaties between the jurisdiction of such foreign investor and the PRC.

According to the Arrangement between the Mainland of China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) executed on 21 August 2006, the dividend withholding tax rate may be reduced to 5%, if a Hong Kong resident enterprise is considered to be a non-PRC resident enterprise and holds at least 25% of the equity interests in the PRC enterprise distributing the dividends, subject to approval of the PRC local tax authority. However, if the Hong Kong resident enterprise is not considered to be the beneficial owner of such dividends under applicable PRC tax regulations, such dividends may remain subject to withholding tax at a rate of 10%.

This Appendix contains a summary of the Memorandum and Articles of Association of the Company. As the information set out below is in summary form, it does not contain all of the information that may be important to potential investors.

Set out below is a summary of certain provisions of the Memorandum of Association and Articles of Association of the Company and certain aspects of the Companies Law.

A. SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on 21 February 2015 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in "*Appendix VII — Documents Delivered to the Registrar of Companies and Available for Inspection*".

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on 21 February 2015 and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles is HK$380,000 divided into 3,800,000,000 shares of HK$0.0001 each.

2.2 Directors

(a) Power to allot and issue Shares

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred while engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

(i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

(ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;

(iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;

(iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;

(vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or

(vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) Proceedings of the Board

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company in general meeting may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

(a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and

(c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.

2.6 Special resolution — majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other general meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months (or such longer period as the Stock Exchange may authorise) shall elapse between the date of one annual general meeting of the Company and that of the next.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at any annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by not less than 21 days' notice in writing and any other extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be inclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and

(b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(a) the declaration and sanctioning of dividends;

(b) the consideration and adoption of the accounts and balance sheets and the reports of the Directors and the auditors and other documents required to be annexed to the balance sheet;

(c) the election of Directors in place of those retiring;

(d) the appointment of auditors;

(e) the fixing of, or the determining of the method of fixing of, the remuneration of the Directors and of the auditors;

(f) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than 20% (or such other percentage as may from time to time be specified in the Listing Rules) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to sub-paragraph (g) below; and

(g) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favour of the Company; and

(f) a fee of such maximum as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 14 days' notice being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other moneys payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any moneys unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other moneys due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 14 days' notice being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the

Company without charge and by any other person on payment of such fee not exceeding HK$2.50 (or such higher amount as may from time to time be permitted under the Listing Rules) as the Directors may determine for each inspection.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. And if in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

B. SUMMARY OF CAYMAN COMPANIES LAW

1 Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 26 November 2014 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share Capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of not less than two-thirds (or such greater number as may be specified in the articles of association of the company) of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 General

Maples and Calder, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "*Appendix VII — Documents Delivered to the Registrar of Companies and Available for Inspection*". Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

The following summary of certain Hong Kong, Cayman Islands and PRC tax consequences of the purchase, ownership and disposition of the Shares is based upon the laws, regulations, rulings and decisions now in effect, all of which are subject to change (possibly with retroactive effect). The summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Shares and does not purport to apply to all categories of prospective investors, some of whom may be subject to special rules. Prospective investors should consult their own tax advisers concerning the application of Hong Kong, Cayman Islands and PRC tax laws to their particular situation as well as any consequences of the purchase, ownership and disposition of the Shares arising under the laws of any other taxing jurisdiction.

The taxation of the Company and that of the Shareholders is described below. Where Hong Kong, Cayman Islands and PRC tax laws are discussed, these are merely an outline of the implications of such laws.

Investors should note that the following statements are based on advice received by the Company regarding taxation laws, regulations and practice in force as at the date of this prospectus, which may be subject to change.

A. OVERVIEW OF TAX IMPLICATIONS OF HONG KONG

1. Hong Kong Taxation of the Company

Profits Tax

The Company will be subject to Hong Kong profits tax in respect of profits arising in or derived from Hong Kong at the current rate of 16.5%. Dividend income derived by the Company from its subsidiaries will be excluded from Hong Kong profits tax.

2. Hong Kong Taxation of Shareholders

Tax on Dividends

No tax is payable in Hong Kong in respect of dividends paid by the Company.

Profits Tax

Hong Kong profits tax will not be payable by any Shareholders (other than Shareholders carrying on a trade, profession or business in Hong Kong and holding the Shares for trading purposes) on any capital gains made on the sale or other disposal of the Shares. Shareholders should take advice from their own professional advisers as to their particular tax position.

Stamp Duty

Hong Kong stamp duty will be charged on the sale and purchase of Shares at the current rate of 0.2% of the consideration for, or (if greater) the value of, the Shares being sold or purchased, whether or not the sale or purchase is on or off the Stock Exchange. The Shareholder selling the Shares and the purchaser will each be liable for one-half of the amount of Hong Kong stamp duty payable upon such transfer. In addition, a fixed duty of HK$5 is currently payable on any instrument of transfer of Shares.

Estate Duty

Hong Kong estate duty was abolished effective from 11 February 2006. No Hong Kong estate duty is payable by Shareholders in relation to the Shares owned by them upon death.

B. OVERVIEW OF TAX IMPLICATIONS OF VARIOUS OTHER JURISDICTIONS

1. Taxation in the Cayman Islands

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

Payments of dividends and capital in respect of the Shares will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of the Shares, nor will gains derived from the disposal of the Shares be subject to Cayman Islands income or corporation tax. Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor in Cabinet of the Cayman Islands:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

  (i) on or in respect of the shares, debentures or other obligations of the Company; or

  (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking is for a period of twenty years from 9 December 2014.

Stamp Duty

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

2. Taxation in the PRC

Enterprise income tax

On 16 March 2007, the NPC passed the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), and on 6 December 2007, the State Council issued the Implementation Rules of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例), both of which became effective on 1 January 2008. Pursuant to the Enterprise Income Tax Law of the PRC and the Implementation Rules of the Enterprise Income Tax Law of the PRC, resident enterprises shall pay enterprise income tax in relation to their income originating both within and outside PRC and non-resident enterprises that have set up institutions or establishments in PRC shall pay enterprise income tax in relation to income originating from PRC obtained by the established institutions or establishments, and income occurring outside PRC but having an actual connection with the established Institutions or establishments. The enterprise income tax rate in PRC is generally 25%.

Value-added tax

Pursuant to the Notice of Ministry of Finance and State Administration of Taxation on Carrying out Pilot Work on Switching from Business Tax to VAT in Transportation Industry and Certain Modern Service Industries in Shanghai promulgated by the Ministry of Finance ("**MoF**") and the SAT on 16 November 2011 and took effect on 1 December 2011 (財政部、國家稅務總局關於在上海市開展交通運輸業和部分現代服務業營業稅改徵增值稅試點的通知) (the "**Notice No. 111**"), all entities and individuals engaged in the businesses of transportation and certain modern service industries in the PRC are taxpayers of Value-Added Tax ("**VAT**"). All taxpayers who provide such taxable services shall pay VAT and shall no longer be required to pay business tax.

Pursuant to the Notice of Ministry of Finance and State Administration of Taxation on the Pilot Scheme on Switching from Business Tax to VAT in Transportation Industry and Certain Modern Services Industries in Eight Provinces and Municipalities Including Beijing promulgated by the MoF and the SAT on 31 July 2012 (財政部、國家稅務總局關於在北京等8省市開展交通運輸業和部分現代服務業營業稅改徵增值稅試點的通知) (the "**Notice No. 71**"), which replaced the above mentioned Notice No. 111, the scope of the pilot scheme on switching from business tax to VAT in the transportation industry and certain modern services industries shall be extended from Shanghai Municipality to eight provinces (centrally-administered municipalities) including Beijing and Guangdong.

Pursuant to the Notice of Ministry of Finance and State Administration of Taxation on Nationwide Launch of Tax Policies Governing the Pilot Scheme on Switching from Business Tax to Value-added Tax in Transportation Industry and Certain Modern Service Industries promulgated by the MoF and the SAT on 24 May 2013 and took effect on 1 August 2013 (財政部、國家稅務總局關於在全國開展交通運輸業和部分現代服務業營業稅改徵增值稅試點稅收政策的通知) (the "**Notice No. 37**"), which replaced the above mentioned Notice No. 71, the pilot scheme on switching from business tax to VAT in the transportation industry and certain modern services industries shall be launched nationwide throughout the PRC. Services include technology transfer services, technical consultation services etc., which are provided to overseas entities by entities and individuals in the PRC, are exempted from VAT.

Pursuant to the Notice on Including Railway Transportation and Postal Services Sectors into the Pilot Scheme on Switching from Business Tax to VAT promulgated by the MoF and the SAT on 12 December 2013 and took effect on 1 January 2014 (關於將鐵路運輸和郵政業納入營業税改徵增值税試點的通知), which replaced the above mentioned Notice No. 37, the railway transportation and postal services sectors will be included into the pilot scheme on switching from business tax to VAT. Taxpayers providing taxable services shall pay VAT pursuant to these Measures and are no longer required to pay business tax. Services including technology transfer services, technical consultation services etc., which are provided to overseas entities by entities and individuals in the PRC, are exempted from VAT.

Our PRC Subsidiary has been enjoying such VAT exemption treatment since 1 November 2011.

Dividends from our operations in the PRC

Pursuant to the Enterprise Income Tax Law of the PRC, dividends payable by foreign invested enterprises established in the PRC to their foreign investors (that are not regarded as PRC resident for tax purposes) are subject to a withholding tax of 10%, unless otherwise provided in accordance with tax treaties between the jurisdiction of such foreign investor and the PRC.

According to the Arrangement between the Mainland of China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排) executed on 21 August 2006, the dividend withholding tax rate may be reduced to 5%, if a Hong Kong resident enterprise is considered to be a non-PRC resident enterprise and holds at least 25% of the equity interests in the PRC enterprise distributing the dividends, subject to approval of the PRC local tax authority. However, if the Hong Kong resident enterprise is not considered to be the beneficial owner of such dividends under applicable PRC tax regulations, such dividends may remain subject to withholding tax at a rate of 10%.

A. FURTHER INFORMATION ABOUT THE COMPANY

1. Incorporation

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 26 November 2014. The Company has established a principal place of business in Hong Kong at 12th Floor, Trans Asia Centre, 18 Kin Hong Street, Kwai Chung, New Territories and was registered as a non-Hong Kong company in Hong Kong under the Companies (Non-Hong Kong Companies) Regulation (Chapter 622J of the Laws of Hong Kong) on 28 November 2014, with King Chiu LEUNG (梁景超) of Flat B, 11th Floor, The Ultimate, 170 Boundary Street, Kowloon, Hong Kong appointed as the Hong Kong authorised representative of the Company on 28 November 2014 for acceptance of the service of process and any notices required to be served on the Company in Hong Kong.

As the Company was incorporated in the Cayman Islands, its operations are subject to Cayman Islands law and to its constitution which comprises the Memorandum and Articles of Association. A summary of the relevant sections of the Memorandum and Articles of Association and the relevant aspects of the Companies Law is set out in *"Appendix IV — Summary of the Constitution of the Company and Cayman Companies Law"*.

2. Changes in the Share Capital of the Group

As at the date of incorporation of the Company, the authorised share capital of the Company was HK$380,000 divided into 3,800,000,000 shares with a par value of HK$0.0001 each. One share in the Company was issued on incorporation.

On 17 February 2015, the Company issued 999,999,999 Shares to MLHL in consideration for the transfer by MLHL of the entire issued share capital of MLCL to the Company.

As at the date of this prospectus, the issued share capital of the Company is HK$100,000 divided into 1,000,000,000 Shares with a par value of HK$0.0001 each.

Save as disclosed above and in "*— Written Resolutions of the Sole Shareholder passed on 21 February 2015*" below, there has been no alteration in the share capital of the Company since the date of its incorporation.

3. Written Resolutions of the Sole Shareholder passed on 21 February 2015

On 21 February 2015, resolutions of the Company were passed by the then sole Shareholder pursuant to which, among other things:

(a) the Company approved and adopted the Memorandum and Articles of Association conditional upon Listing; and

(b) conditional upon the satisfaction (or, if applicable, waiver) of the conditions set out in "*Structure of the Global Offering — Conditions of the Global Offering*" and pursuant to the terms set out therein:

(1) the Capitalisation Issue was approved and the Directors were authorised to approve the allotment and issue of Shares pursuant to the Capitalisation Issue subject to the terms and conditions set out in this prospectus;

(2) the Global Offering was approved;

(3) the Listing was approved and the Directors were authorised to implement the Listing;

(4) subject to the "lock-up" provisions under Rule 10.08 of the Listing Rules, a general unconditional mandate was granted to the Directors to allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for the Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of the Shares allotted or agreed to be allotted by the Directors other than pursuant to a (i) rights issue, (ii) any scrip dividend scheme of similar arrangement providing for the allotment of the Shares in lieu of the whole or part of a dividend on the Shares or (iii) a specific authority granted by the Shareholders in general meeting, shall not exceed the aggregate of:

(A) 10% of the aggregate nominal value of the share capital of the Company in issue immediately following the completion of the Reorganisation, the Capitalisation Issue and the Global Offering; and

(B) the aggregate nominal value of the share capital of the Company repurchased by the Company (if any) under the general mandate to repurchase Shares referred to in paragraph (5) below,

such mandate to remain in effect during the period from the passing of the resolution until the earliest of (I) the conclusion of the next annual general meeting of the Company, (II) the end of the period within which the Company is required by the Articles or any applicable laws to hold its next annual general meeting or (III) the date on which the resolution is varied or revoked by an ordinary resolution of the Shareholders in general meeting (the "**Relevant Period**");

(5) a general unconditional mandate was granted to the Directors to exercise all the powers of the Company to repurchase the Shares on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and the requirements of the Listing Rules, with an aggregate nominal value of not more than 10% of the aggregate nominal value of the Company's share capital in issue immediately following the completion of the Reorganisation, the Capitalisation Issue and the Global Offering, such mandate to remain in effect during the Relevant Period; and

(6) (i) the Co-Ownership Plan II (subject to such amendments as any committee established by the Board or any Director may in its or his/her absolute discretion consider necessary or expedient in respect of the Co-Ownership Plan II, provided that such amendments are not of a material nature) be approved and adopted; (ii) the Directors be authorised to allot and issue Shares to the Plan Trustee to be held by the Plan Trustee pending the vesting of the RSUs granted and which will be used to satisfy the RSUs upon vesting; and (iii) the Directors be authorised to direct and procure the Plan Trustee to make on-market purchases of Shares to satisfy the RSUs upon vesting.

4. Subsidiaries

Details of the subsidiaries of the Company are set out in *"Appendix IA — Accountants' Report on the Financial Information of the Group*".

Save as set out in *"Appendix IA — Accountants' Report on the Financial Information of the Group"*, there has been no alteration in the share capital of the subsidiaries of the Company within two years immediately preceding the date of this prospectus.

5. Repurchases by the Company of its Own Securities

This section sets out information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) ***Shareholders' Approval***

All proposed repurchase of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

(ii) ***Source of Funds***

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association of the Company, the Listing Rules, the Companies Law and the applicable laws and regulations of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Any repurchases by the Company may be made out of profits or out of an issue of new shares made for the purpose of the repurchase or, if authorised by its Memorandum and Articles of Association and subject to the Companies Law, out of capital, and, in the case of any premium payable on the repurchase out of profits or from sums standing to the credit of our share premium account or, if authorised by its Memorandum and Articles of Association and subject to the Companies Law, out of capital.

(iii) ***Trading Restrictions***

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if that repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) ***Status of Repurchased Shares***

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed. Under the Companies Law, a company's repurchased shares shall be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate nominal value of the purchased shares accordingly although the authorised share capital of the company will not be reduced, or alternatively may be kept by the company as treasury shares.

(v) ***Suspension of Repurchase***

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (1) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarter or any other interim period (whether or not required under the Listing Rules) and (2) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarter or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) ***Reporting Requirements***

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(vii) ***Connected Persons***

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their associates and a connected person is prohibited from knowingly selling his securities to the company.

(b) Reasons for Repurchases

The Directors believe that the ability to repurchase Shares is in the best interests of the Company and the Shareholders. Repurchases may, depending on the circumstances, result in an increase in the net assets and/or earnings per Share. The Directors have sought the grant of a general mandate to repurchase Shares to give the Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining and such repurchases will only be made where the Directors believe that the repurchases will benefit the Company and Shareholders.

(c) Funding of Repurchases

In repurchasing securities, the Company may only apply funds lawfully available for such purpose in accordance with its Memorandum and Articles of Association, the Listing Rules, the Companies Law and the applicable laws of the Cayman Islands.

There could be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in this prospectus) in the event that the repurchase mandate were to be carried out in full at any time during the share repurchase period. However, the Directors do not propose to exercise the repurchase mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

(d) General

The exercise in full of the repurchase mandate, on the basis of 1,005,666,666 Shares in issue immediately following the completion of the Reorganisation, the Capitalisation Issue and the Global Offering (assuming (i) the Maximum Offer Price; and (ii) the Over-allotment Option is not exercised), could accordingly result in up to approximately 100,566,666 Shares being repurchased by the Company during the period prior to:

(i) the conclusion of the next annual general meeting of the Company; or

(ii) the end of the period within which the Company is required by the Articles or any applicable law to hold its next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to the Company.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules, the Memorandum and Articles of Association of the Company and the applicable laws and regulations in the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the repurchase mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No connected person of the Company has notified the Company that he or she has a present intention to sell Shares to the Company, or has undertaken not to do so, if the repurchase mandate is exercised.

B. CO-OWNERSHIP PLAN II

Set out below is a summary of the principal terms of the Co-Ownership Plan II, which was conditionally adopted by the then sole Shareholder on 21 February 2015. The terms of the Co-Ownership Plan II are not subject to the provisions of Chapter 17 of the Listing Rules as the Co-Ownership Plan II does not involve the grant of options by the Company to subscribe for new Shares.

The Company will appoint a trustee (the "**Plan Trustee**") prior to the Listing Date to assist with the administration and vesting of RSUs granted pursuant to the Co-Ownership Plan II. The Company may (i) allot and issue Shares to the Plan Trustee to be held by the Plan Trustee pending the vesting of the RSUs granted and which will be used to satisfy the RSUs upon vesting and/or (ii) direct and procure the Plan Trustee to make on-market purchases of Shares to satisfy the RSUs upon vesting. The Company shall provide sufficient funds to the Plan Trustee by whatever means as the Board may in its absolute discretion determine to enable the Plan Trustee to satisfy its obligations in connection with the administration and vesting of RSUs granted pursuant to the Co-Ownership Plan II.

In order to enable the Plan Trustee to release Shares to Participants upon vesting of each RSU under the Co-Ownership Plan II, the Company will allot and issue, on the Listing Date, by way of the Capitalisation Issue between 5,666,666 Shares (based on Maximum Offer Price) and 6,375,000 Shares (based on Minimum Offer Price) (the "**Plan Shares**") to the Plan Trustee. The Plan Shares will represent approximately 0.56% (based on the Maximum Offer Price) or 0.63% (based on the Minimum Offer Price) of the total issued share capital of the Company on the Listing Date. The Plan Shares will be held by the Plan Trustee on trust for the purpose of satisfying RSU grants to current and future Talents until their release to Participants upon vesting of the RSUs or termination of the Co-Ownership Plan II.

We expect to make the first invitations and grants under the Co-Ownership Plan II around two months after the Listing Date on the basis of 3 additional Shares for every 7 Shares purchased, subject to a cap based on each Talent's seniority level.

1. Purpose of the Co-Ownership Plan II

The purpose of the Co-Ownership Plan II is to attract skilled and experienced Talents, to incentivise them to remain with the Group and to motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company, while encouraging them to be long-term holders of the Shares.

2. Restricted Share Units

An RSU is a contingent right to receive Shares which is awarded to a participant pursuant to the Co-Ownership Plan II. The RSUs granted under the Co-Ownership Plan II will be subject to a vesting period.

3. Participants of the Co-Ownership Plan II and Basis for Determining the Eligibility of the Participants

The Board may, at its discretion, grant RSUs pursuant to the Co-Ownership Plan II to any Director (including an executive Director, non-executive Director and independent non-executive Director), director of our subsidiaries or Talent who the Board considers, in its absolute discretion, has contributed or will contribute to the Group (any such person being a "**Participant**" and collectively, the "**Participants**").

4. Status of the Co-Ownership Plan II

(a) Conditions of the Co-Ownership Plan II

The Co-Ownership Plan II will take effect subject to (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Plan Shares; and (ii) the commencement of trading of the Shares on the Main Board of the Stock Exchange (the "**Conditions**").

(b) Term of the Co-Ownership Plan II

Subject to the Conditions being satisfied, the Co-Ownership Plan II shall be valid and effective for the period commencing on the Listing Date and expiring on the tenth anniversary thereof or such earlier date as the Co-Ownership Plan II is terminated in accordance with paragraph 14 (the "**Term**"), after which period no further RSUs shall be offered or granted but the provisions of the Co-Ownership Plan II shall remain in full force and effect in all other respects until all of the assets held on trust by the Plan Trustee in respect of the Co-Ownership Plan II have been sold and the proceeds remitted to the Company, as settlor, for its absolute benefit, provided that the Plan Trustee shall not be permitted to sell the assets held on trust by it to the extent it would result in it holding insufficient assets to satisfy the release of Shares pursuant to unvested RSUs. RSUs granted during the Term shall continue to be valid in accordance with their terms of grant after the end of the Term.

5. Purchases of Shares and grant of RSUs

RSUs will only be granted on a matching basis to employees who purchase shares in accordance with the terms of the Co-Ownership Plan II. The matching ratio will be determined by the Board in its sole discretion and may vary between different grants.

(a) Invitation to Purchase Shares and to be Granted RSUs

The Board may, in its absolute discretion, invite Participants to purchase Shares and agree to grant them RSUs at the relevant matching ratio in respect of any Shares purchased, subject to certain terms, conditions and undertakings by a letter (the "**Purchase Letter**") in such form as the Board may from time to time determine.

The invitation will remain open for acceptance by the Participant for such time as determined by the Board, provided that no such invitation shall be open for acceptance after the expiry of the date specified in the Purchase Letter or after the Participant to whom the invitation is made has ceased to be a Participant.

Participants will accept the invitation by providing to the Company a duplicate Purchase Letter duly executed by the Participant specifying an amount nominated by the Participant for the purchase of Shares (the "**Investment Amount**").

The Board may decide, in its absolute discretion, to accept or not to accept the purchase of Shares by any Participant. The Board will communicate its decision by notice to the Participant and, where accepted, shall require the Participant to remit the Investment Amount to the Plan Trustee or to an account designated by the Company within a specified period.

The Company will despatch acceptances of purchases of Shares on a staggered basis with the intention of minimising the potential impact on the Company's share price of Participants selling existing Shares held by them in order to fund the purchase of Shares under the Co-Ownership Plan II.

(b) Purchase of Shares

The Company will direct and procure the Plan Trustee to make on-market purchases of Shares to satisfy the purchase of Shares by Participants over a fixed period of days on an aggregate basis for all Participants who have accepted an invitation issued at or around the same date. The Plan Trustee will endeavour to purchase Shares on-market on behalf of all Participants who have accepted invitations at the prevailing market prices until the aggregate Investment Amount remitted by all Participants has been used up. The Shares purchased by the Plan Trustee (the "**Purchased Shares**") will be allocated among the Participants on the basis of their respective Investment Amount by reference to the weighted average purchase price of the Shares by the Plan Trustee. Any individual surplus Investment Amounts will be refunded to Participants.

(c) Transfer of Purchased Shares and Shares Released on the Vesting of RSUs

The Plan Trustee will hold the Purchased Shares and the Shares released on the vesting of RSUs on trust for each Participant until the issue of a transfer notice by the relevant Participant in a form determined by the Board from time to time, provided that this is following the expiry of any applicable lock-up period imposed on the Participant (a "**COPII Lock-up Period**").

A Participant may only issue a transfer notice to the Plan Trustee in respect of the total number of Shares which the Participant has purchased and, if applicable, have vested. A transfer notice which purports to require the transfer of only some of a Participant's Shares to the Participant is void.

Subject to the terms of the Co-Ownership Plan II, once a valid transfer notice is issued, the Company shall direct and procure that the Plan Trustee transfers legal title to the Shares to the Participant within 7 days of receipt of the transfer notice.

(d) Grant of RSUs

The grant of an RSU (a "**Grant**") will be made to a Participant who has Purchased Shares by a notice of grant. By accepting the invitation in a Purchase Letter, the Participant will have undertaken to hold the RSU on the terms on which it is to be granted (which may include (a) a minimum period before an RSU will vest in whole or in part; (b) a condition that, for any RSU to vest, the Purchased Shares and/or Shares released on the vesting of other RSUs must be held on trust by the Trustee for a particular period of time or when the RSU vests; or (c) any other terms, all of which may be imposed (or not imposed) either on a case-by-case basis or generally) and to be bound by the terms of the Co-Ownership Plan II and any other terms and conditions as contained in the Purchase Letter or the notice of Grant.

(e) Timing Restrictions

The Company may only make an invitation to purchase Shares under a Purchase Letter if the time of despatch of the Purchase Letter, the time of Grant and all times in between these two times, is not during any of the following periods:

(i) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement;

(ii) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement;

(iii) 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(iv) 30 days immediately preceding the publication date of quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

If the Company is in possession of unpublished inside information (as such term is defined under the SFO), it may not make any invitation for purchase under a Purchase Letter nor shall it accept an invitation or allot and issue Shares to the Plan Trustee or direct and procure the Plan Trustee to make on-market purchases of Shares, until that inside information is published in accordance with the SFO or ceases to be inside information.

6. Maximum Number of Shares Underlying the RSUs

(a) Scheme Mandate Limit

At any time during the Term, the maximum aggregate number of Shares that may underlie the RSUs granted pursuant to the Co-Ownership Plan II shall be calculated in accordance with the following formula:

$$X = A - B$$

where:

X = the maximum aggregate number of Shares that may underlie the RSUs granted pursuant to the Co-Ownership Plan II;

A = the total number of Shares that may underlie the RSUs granted pursuant to the Co-Ownership Plan II being (i) 10% of the Shares in issue on the Listing Date or (ii) 10% of the Shares in issue as at the New Approval Date (as defined below) (as the case may be) (the "**Scheme Mandate Limit**"); and

B = the maximum aggregate number of Shares underlying the RSUs already granted pursuant to the Co-Ownership Plan II.

Shares underlying the RSUs cancelled in accordance with the terms of the Co-Ownership Plan II will not be counted for the purposes of determining the maximum aggregate number of Shares that may underlie the RSUs granted pursuant to the Co-Ownership Plan II.

(b) Renewal of Scheme Mandate Limit

The Co-Ownership Plan II Mandate Limit may be increased from time to time subject to prior Shareholders' approval by ordinary resolution, but in any event, the total number of Shares that may underlie the RSUs granted following the date of approval of the renewed limit (the "**New Approval Date**") under the limit as renewed must not exceed 10% of the Shares in issue as at the New Approval Date. Shares underlying the RSUs granted pursuant to the Co-Ownership Plan II (including those outstanding, cancelled or vested RSUs) prior to the New Approval Date will not be counted for the purpose of determining the maximum aggregate number of Shares that may underlie the RSUs granted following the New Approval Date under the limit as renewed. For the avoidance of doubt, Shares issued prior to the New Approval Date pursuant to the vesting of RSUs granted pursuant to the Co-Ownership Plan II will be counted for the purpose of determining the number of Shares in issue as at the New Approval Date.

(c) Annual Mandate

If the Company proposes to grant RSUs pursuant to the Co-Ownership Plan II during the period between one annual general meeting and the subsequent annual general meeting of the Company which may be satisfied by the Company allotting and issuing new Shares upon the vesting of the RSUs, the Company shall, at the annual general meeting of the Company, propose for the Shareholders to consider and, if thought fit, approve an ordinary resolution granting a mandate specifying:

(i) the maximum number of new Shares that may underlie the RSUs granted pursuant to the Co-Ownership Plan II during the Applicable Period (as defined below); and

(ii) that the Board has the power to allot, issue and deal with Shares underlying the RSUs granted pursuant to the Co-Ownership Plan II during the Applicable Period as and when the RSUs vest.

The above mandate shall remain in effect during the period from the passing of the ordinary resolution granting the mandate until the earliest of:

(A) the conclusion of the next annual general meeting of the Company;

(B) the end of the period within which the Company is required by any applicable laws or by the Articles of Association to hold the next annual general meeting of the Company; and

(C) the variation or revocation of such mandate by an ordinary resolution of the Shareholders in a general meeting,

(the "**Applicable Period**").

7. Rights Attached to the RSUs

The RSUs do not carry any right to vote at general meetings of the Company, nor any dividend, transfer or other rights (including those arising on the winding-up of the Company).

No Grantee shall enjoy any of the rights of a Shareholder by virtue of the grant of an RSU pursuant to the Co-Ownership Plan II, unless and until the Shares underlying the RSU are actually released to the Grantee in accordance with the terms of the Co-Ownership Plan II.

8. Rights Attached to the Shares

A Grantee shall not be entitled to receive any dividends or distributions in respect of any Shares underlying the RSUs granted until such RSUs have vested. Subject to the foregoing, the Shares to be released upon the vesting of the RSUs shall be subject to all the provisions of the Memorandum of Association and Articles of Association for the time being in force and shall rank pari passu in all respects with, and shall have the same voting, dividend, transfer and other rights (including those rights arising on a winding-up of the Company) as, the other fully paid Shares in issue on the date on which those Shares are released upon the vesting of the RSUs granted and, without prejudice to the generality of the foregoing, shall entitle the holders to participate in all dividends or other distributions paid or made on or after the date on which Shares are allotted and issued or transferred (as the case may be), other than any dividends or distributions previously declared or recommended or resolved to be paid or made if the record date thereof shall be before the date on which the Shares are allotted and issued or transferred (as the case may be).

The Company may, however, at its discretion, direct and procure that any distributions in respect of any of the Shares underlying the RSU that have not yet vested be held by the Plan Trustee on trust for the Grantee to be paid to the relevant Grantee on vesting of the applicable RSUs.

9. Assignment of RSUs

An RSU shall be personal to the Grantee and shall not be assignable or transferable by the Grantee, provided that:

(a) during the validity period of the RSU and with the prior written consent of the Board, the Grantee may transfer RSUs to his Family Members (as defined below) by gift or pursuant to a court order relating to the settlement of marital property rights; and

(b) subject to paragraph 11 below, following the Grantee's death, RSUs may be transferred by will or by the laws of testacy and distribution.

Subject to the foregoing, a Grantee shall not in any way sell, transfer, charge, mortgage, encumber or create any interests in favour of any third party over or in relation to any RSU.

For the purpose of the Co-Ownership Plan II, "**Family Members**" means the Grantee's child, step-child, grandchild, parent, stepparent, grandparent, spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, including adoptive relationships, a trust in which these persons have more than 50% of the beneficial interest, a foundation in which these persons (or the Grantee) control the management of assets and any other entity in which these persons (or the Grantee) own more than 50% of the voting interests.

10. Vesting of RSUs

(a) General

Subject to the terms of the Co-Ownership Plan II and the specific terms applicable to each RSU, an RSU shall vest on the vesting date in respect of all of the Shares underlying the RSU following which the Plan Trustee shall hold the relevant number of Shares underlying that RSU on trust for the Grantee until the issue of a transfer notice. If the vesting of an RSU is subject to the satisfaction of performance or other conditions and such conditions are not satisfied, the RSU shall be cancelled automatically on the date on which such conditions are not satisfied.

(b) Rights on a Takeover

If a general offer by way of takeover or otherwise (other than by way of scheme of arrangement pursuant to paragraph 10(c) below) is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) by any person and such offer becomes or is declared unconditional prior to the vesting date of any RSU, the Board shall, prior to the offer becoming or being declared unconditional, determine at its absolute discretion whether such RSU shall vest, the period within which such RSU shall vest and whether to waive or reduce any applicable COPII Lock-up Period. If the Board determines that such RSU shall vest or that any COPII Lock-up Period shall be waived, it shall notify the Grantee of the same and the period within which such RSU shall vest.

(c) Rights on a Scheme of Arrangement

If a general offer for Shares by way of scheme of arrangement is made by any person to all the Shareholders and has been approved by the necessary number of Shareholders at the requisite meetings prior to the vesting date of any RSU, the Board shall, prior to such meetings, determine at its absolute discretion whether such RSU shall vest, the period within which such RSU shall vest and whether to waive or reduce any applicable COPII Lock-up Period. If the Board determines that such RSU shall vest or that any COPII Lock-up Period shall be waived, it shall notify the Grantee of the same and the period within which such RSU shall vest.

(d) Rights on a Compromise or Arrangement

If, pursuant to the Companies Law, a compromise or arrangement (other than a scheme of arrangement contemplated in paragraph 10(c) above) between the Company and the Shareholders and/or the creditors of the Company is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with any other company or companies prior to the vesting date of any RSU, or if statutory merger is proposed pursuant to which the Company will be merged with or consolidated into any other company or companies prior to the vesting date of any RSU, the Board shall determine at its absolute discretion whether such RSU shall vest, the period within which such RSU shall vest and whether to waive or reduce any applicable COPII Lock-up Period. If the Board determines that such RSU shall vest or that any COPII Lock-up Period shall be waived, it shall notify the Grantee of the same and the period within which such RSU shall vest.

(e) Rights on a Voluntary Winding-up

If a notice is given by the Company to the Shareholders to convene a general meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company prior to the vesting date of any RSU, the Board shall determine at its absolute discretion whether such RSU shall vest, the period within which such RSU shall vest and whether to waive or reduce any applicable COPII Lock-up Period. If the Board determines that such RSU shall vest or that any COPII Lock-up Period shall be waived, it shall notify the Grantee of the same and the period within which such RSU shall vest.

11. Cancellation and Clawback of RSUs

An unvested RSU shall be cancelled automatically upon the earliest of:

(a) the date of termination of the Grantee's employment or service by the Company or any of our subsidiaries for Cause (as defined below);

(b) the date on which the Grantee:

(i) becomes an officer, director, employee, consultant, advisor, partner of, or a shareholder or other proprietor owning more than a 5% interest in, any Competitor (as defined below); or

(ii) knowingly performs any act that may confer any competitive benefit or advantage upon any Competitor;

(c) the date on which the Grantee (whether intentionally or otherwise) commits a breach of paragraph 9 above; and

(d) (in respect of Shares underlying an RSU which are subject to performance or other vesting condition(s)) the date on which the conditions(s) to vesting of those underlying Shares are not satisfied.

The Board may in its absolute discretion require the Grantee to transfer to the Trustee for no consideration the beneficial ownership of any vested Shares in relation to which an applicable Lockup Period has not expired on termination for Cause.

The Board shall have the right to determine whether the Grantee's employment or service has been terminated for Cause, the effective date of such termination for Cause and whether someone is a Competitor, and such determination by the Board shall be final and conclusive.

If the Grantee's employment or service with the Company or any of our subsidiaries is terminated for any reason other than for Cause (including by reason of resignation, retirement, death, Disability (as defined below) or non-renewal of the employment or service agreement upon its expiration for any reason other than for Cause) prior to the vesting date of any RSU, the Board shall determine at its absolute discretion and shall notify the Grantee whether such unvested RSU shall vest and when such RSU shall vest. To the extent that the Board determines that such RSU shall not vest in respect of some or all of the underlying Shares following such termination of employment or service, such RSU shall be cancelled automatically in respect of those underlying Shares with effect from the date on which the Grantee's employment or service is terminated.

For the purpose of the Co-Ownership Plan II:

(A) "**Cause**" means, with respect to a Grantee, such event as will entitle the Company and/or any of our subsidiaries to terminate the employment or service of the Grantee with immediate notice without compensation under the relevant employment or service agreement or, if it is not otherwise provided for in the relevant employment or service agreement, (I) the commission of an act of theft, embezzlement, fraud, dishonesty, ethical breach or other similar acts or commission of a criminal offence, (II) a material breach of any agreement or understanding between the Grantee and the Company and/or any of our subsidiaries, including any applicable invention assignment, employment, non-competition, confidentiality or other similar agreement, (III) misrepresentation or omission of any material fact in connection with his employment agreement or service agreement, (IV) a material failure to perform the customary duties of an employee of the Company and/or any of our subsidiaries, to obey the reasonable directions of a supervisor or to abide by the policies or codes of conduct of the Group or (V) any conduct that is materially adverse to the name, reputation or interests of the Group;

(B) "**Competitor**" means any corporation, partnership, joint venture, trust, individual proprietorship, firm, governmental unit or other enterprise (including any of their respective affiliates) that carries on activities for profit or is engaged in or is about to become engaged in any activity of any nature that competes (directly or indirectly) with a product, process, technique, procedure, device or service of the Company or any of our subsidiaries; and

(C) "**Disability**" means a disability, whether temporary or permanent, partial or total as determined by the Board in its absolute discretion.

The Board may at any time cancel any unvested RSUs granted to a Grantee. Where the Company cancels unvested RSUs and makes a grant of new RSUs to the same Grantee, such grant may only be made within the limits prescribed by paragraph 6 above.

12. Reorganisation of Capital Structure

(a) Adjustments

In the event of an alteration in the capital structure of the Company by way of a capitalisation of profits or reserves, bonus issue, rights issue, open offer, subdivision or consolidation of shares or reduction of the share capital of the Company in accordance with applicable laws and the Listing Rules (other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company or any of our subsidiaries is a party or in connection with any share option, restricted share or other equity-based incentive schemes of the Company) while any RSU has not vested or has vested but has not yet been satisfied, such corresponding adjustments (if any) shall be made to (i) the Co-Ownership Plan II Mandate Limit; and (ii) the number or nominal value of Shares underlying the RSU so far as unvested or vested but not yet satisfied, provided that any such adjustments give a Grantee no less proportion of the share capital of the Company as that to which that Grantee was previously entitled. In respect of any such adjustments, our auditors or an independent financial advisor to the Company (as the case may be) must confirm to the Board in writing that the adjustments are in their opinion fair and reasonable.

(b) Auditors or Independent Financial Adviser Certification

The Company shall engage our auditors or an independent financial adviser to the Company to certify in writing, either generally or as regards any particular Grantee, that the adjustments made by the Company under paragraph (a) above satisfy the requirements set out therein.

13. Alteration of the Co-Ownership Plan II

Save as provided in this paragraph 13, the Board may alter any of the terms of the Co-Ownership Plan II at any time. Any changes to the authority of the Board in relation to any alteration of the terms of the Co-Ownership Plan II shall not be made without the prior approval of Shareholders in general meeting. If any alteration may affect the power or authority of the Plan Trustee or its role in the operation of the Co-Ownership Plan II, it will require the prior written consent of the Plan Trustee.

Any alterations to the terms and conditions of the Co-Ownership Plan II which are of a material nature or any changes to the terms of the RSUs granted must be approved by the Shareholders in general meeting, except where the alterations or changes take effect automatically under the existing terms of the Co-Ownership Plan II. The Board's determination as to whether any proposed alteration to the terms and conditions of the Co-Ownership Plan II is material shall be conclusive.

14. Termination of the Co-Ownership Plan II

The Board or the Shareholders by ordinary resolution in general meeting may at any time terminate the Co-Ownership Plan II and in such event, no further RSUs may be granted but in all other respects the terms of the Co-Ownership Plan II shall remain in full force and effect in respect of RSUs which are granted during the Term and which remain unvested immediately prior to the termination of the Co-Ownership Plan II. Upon termination of the Co-Ownership Plan II, any assets held by the Plan

Trustee shall be sold and the proceeds remitted to the Company, as settlor of the trust, for its absolute benefit.

15. Administration of the Co-Ownership Plan II

The Co-Ownership Plan II shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Co-Ownership Plan II or its interpretation or effect shall (save as otherwise provided in the Co-Ownership Plan II) be final and binding on all parties.

16. General

As of the Latest Practicable Date, no RSU had been granted or agreed to be granted by the Company pursuant to the Co-Ownership Plan II.

Details of the Co-Ownership Plan II, including particulars and movements of the RSUs granted during each financial year of the Company, and our employee costs arising from the grant of the RSUs will be disclosed in our annual report.

C. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of Material Contracts

The Group has entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this prospectus that are or may be material:

(a) the Hong Kong Underwriting Agreement dated 25 February 2015 and entered into among the Company, MLGHL, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners and the Hong Kong Underwriters on the terms as more particularly set out in "*Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement*";

(b) the Reorganisation Deed dated 17 February 2015 and entered into among MLHL, the MLHL Shareholders, MLCL and the Company;

(c) the Cornerstone Investment Agreement dated 18 February 2015 and entered into among the Company, MLGHL, the Cornerstone Investor and the Joint Global Coordinators;

(d) the lock-up deed dated 25 February 2015 and entered into among MLGHL, the Company and the Joint Global Coordinators;

(e) the lock-up deed dated 25 February 2015 and entered into among City-Scape Pte. Ltd., the Company and the Joint Global Coordinators;

(f) the lock-up deed dated 25 February 2015 and entered into among AlpInvest Partners Co-Investments 2009 C.V. (as represented by its general partner, AlpInvest Partners 2009 B.V.), the Company and the Joint Global Coordinators;

(g) the lock-up deed dated 25 February 2015 and entered into among AlpInvest Partners Co-Investments 2010 II C.V. (as represented by its general partner, AlpInvest Partners 2009 B.V.), the Company and the Joint Global Coordinators;

(h) the lock-up deed dated 25 February 2015 and entered into among William YEUNG (楊主光), Ni Quiaque LAI (黎汝傑), the Company and the Joint Global Coordinators; and

(i) the lock-up deed dated 25 February 2015 and entered into among the 79 Locked-up Co-Owners, the Company and the Joint Global Coordinators.

2. Intellectual Property

As at the Latest Practicable Date, the Group had registered or applied for registration of the following intellectual property rights which are material to its business:

(a) Trademarks

As at the Latest Practicable Date, the Group had registered the following trademarks:

Trademark	Type and Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
	38	HKBN	Hong Kong	300239968	27-06-2024
	9, 16, 35, 36, 37, 38, 41, 42	HKBN	Hong Kong	301303488	12-03-2019
	9, 16, 35, 36, 37, 38, 41, 42	HKBN	Hong Kong	301303479	12-03-2019

Trademark	Type and Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
	9, 16, 35, 36, 37, 38, 41, 42	HKBN	Hong Kong	301303460	12-03-2019
	38	HKBN	Hong Kong	302283949	13-06-2022
	38, 42	Y5ZONE Limited	Hong Kong	300460665	19-07-2015
	38	HKBN	Hong Kong	302511521	29-01-2023
	38	HKBN	Hong Kong	302658501	02-07-2023

(b) Domain Names

As at the Latest Practicable Date, the Group had registered the following domain names:

Domain Name	Registered Owner	Expiry Date
2B.COM.HK	HKBN	30 August 2017
BBMAIL.COM.HK	HKBN	3 May 2017
BBTV.COM.HK	HKBN	3 May 2017
BBVDO.COM.HK	HKBN	16 September 2016
CORP.COM.HK	HKBN	1 October 2015
CTIMAIL.COM	HKBN	4 March 2021
CTITEENS.COM	HKBN	4 June 2015
ESEEFAX.COM.HK	HKBN	9 June 2017
ESENDFAX.COM.HK	HKBN	25 May 2015
HKBN.COM.HK	HKBN	1 October 2015
HKBN.HK	HKBN	12 May 2017
HKBN.NET	HKBN	6 December 2020
HKBNDEAL.COM	HKBN	23 April 2016
HKBNDEALS.COM	HKBN	23 April 2016
HKBNINFI.COM	HKBN	28 November 2018
HKBNINFI.NET	HKBN	28 November 2018
HKBNLTD.NET	HKBN	15 December 2024
HKBNTEL.NET	HKBN	18 August 2015
IDD1666.COM	HKBN	22 July 2015
IDD1666.COM.HK	HKBN	14 August 2017
INCNETS.NET	HKBN	25 June 2015
MUSIC1.COM.HK	HKBN	8 November 2015
MUSIC1.HK	HKBN	8 November 2015
MUSICONE.COM.HK	HKBN	24 September 2015
MUSICONE.HK	HKBN	22 September 2015
S2HKBNTEL.NET	HKBN	10 January 2021
S3HKBNTEL.NET	HKBN	10 January 2021
SPEEDTEST.COM.HK	HKBN	12 March 2020
Y5ZONE.HK	Y5Zone Limited	13 October 2017
Y5ZONE.COM.HK	Y5Zone Limited	7 November 2017
Y5ZONE.NET	Y5Zone Limited	16 April 2016
Y5ZONE.COM	Y5Zone Limited	16 April 2016

D. FURTHER INFORMATION ABOUT THE DIRECTORS

1. Disclosure of Interests

Immediately following the completion of the Reorganisation, the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised), the interests and/or short positions (as applicable) of the Directors and the chief executive of the Company in the Shares and debentures of the Company and any interests and/or short positions (as applicable) in shares or debentures of any of the Company's associated corporations (within the meaning of Part XV of the SFO) which (i) will have 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/or short positions (as applicable) which they are taken or deemed to have under such provisions of the SFO), (ii) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange, will be as follows:

(a) ***Interests/Short Positions in the Shares***

Name of Director or Chief Executive	Number of Shares	Nature of Interest	Approximate Percentage
William YEUNG (楊主光)	25,642,815	Beneficial owner	2.55%
Ni Quiaque LAI (黎汝傑)	32,022,815	Beneficial owner	3.18%

Note:

(1) All interests assume (i) a Listing Date of 12 March 2015; (ii) the Offer Price is the Maximum Offer Price; and (iii) the exchange rate on the Price Determination Date will be US$1.00 : HK$7.75468.

Save as disclosed above, none of the Directors or the chief executive of the Company will, immediately following the completion of the Reorganisation, the Capitalisation Issue and the Global Offering, have an interest and/or short position (as applicable) in the Shares or debentures of the Company or any interests and/or short positions (as applicable) in the shares or debentures of the Company's associated corporations (within the meaning of Part XV of the SFO) which (i) will have 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 they are taken or deemed to have under such provisions of the SFO), (ii) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange.

2. Particulars of Letters of Appointment

Each of the Directors has entered into a letter of appointment with the Company subject to re-nomination and re-election when appropriate by the Company in general meeting and subject to the provision of retirement and rotation of Directors under the Articles.

Pursuant to the terms of the letter of appointment entered into between each Director (on the one part) and the Company (on the other part): (a) no annual director's fees will be payable by the Company to the Executive Directors and the Non-executive Director; and (b) each Independent Non-executive Director will receive from the Company a fixed annual fee of HK$388,000.

The director's fees payable by the Company to the relevant Director is subject to increase or reduction as shall be determined or approved by the Board and the Shareholders.

Each of the Directors is entitled to reimbursement from the Company for all necessary and reasonable out-of-pocket expenses properly incurred in connection with the performance and discharge of his/her duties under his/her letter of appointment.

Save as disclosed above, none of the Directors has entered into any service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Directors' Remuneration

For details of the Directors' remuneration, see "*Directors and Management — Directors' Remuneration and Remuneration of Five Highest Paid Individuals*".

4. Agency Fees or Commissions Received

The Underwriters and certain Co-Lead Managers will receive a base fee and the Underwriters will receive an incentive fee and may receive a discretionary fee, each in connection with the Underwriting Agreements, as detailed in *"Underwriting — Fees and Expenses"*. Save in connection with the Underwriting Agreements, no commissions, discounts, brokerages or other special terms have been granted by the Group to any person (including the Directors and experts referred to in *"— Other Information — Qualifications and Consents of Experts"* below) in connection with the issue or sale of any capital or security of the Company or any member of the Group within the two years immediately preceding the date of this prospectus.

5. Personal Guarantees

The Directors have not provided personal guarantees in favour of lenders in connection with banking facilities granted to the Group.

6. Disclaimers

(a) None of the Directors nor any of the experts referred to *in "— Other Information — Qualifications and Consents of Experts"* below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

(b) Save in connection with the Underwriting Agreements, none of the Directors nor any of the experts referred to in *"— Other Information — Qualifications and Consents of Experts"* below, is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group.

(c) None of the Directors has any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

(d) Save as disclosed in *"Relationship with CVC"*, neither MLGHL, CVC nor the Directors are interested in any business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the business of the Group.

(e) No cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this prospectus to any promoter of the Company nor is any such cash, securities or benefit intended to be paid, allotted or given on the basis of the Global Offering or related transactions as mentioned.

(f) So far as is known to the Directors, none of the Directors or their associates or any Shareholders who are expected to be interested in 5% or more of the issued share capital of the Company has any interest in the five largest customers or the five largest suppliers of the Group.

E. OTHER INFORMATION

1. Estate Duty

The Directors have been advised that no material liability for estate duty is likely to fall on the Group in Hong Kong, the Cayman Islands and the PRC.

2. Joint Sponsors

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Joint Sponsors will receive an aggregate fee of US$500,000, split equally among the Joint Sponsors, for acting as the sponsors for the Listing.

3. Registration Procedures

The principal register of members of the Company will be maintained in the Cayman Islands by Maples Fund Services (Cayman) Limited and a Hong Kong register of members of the Company will be maintained in Hong Kong by Tricor Investor Services Limited. Save where the Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, the Company's branch share register in Hong Kong and may not be registered on the principal register of members in the Cayman Islands.

4. Preliminary Expenses

The total preliminary expenses of the Company are estimated to be approximately HK$40,500 and are payable by the Company.

5. Promoter

The Company has no promoter. Save as disclosed above, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefits have been paid, allotted or given to the promoters in connection with the Global Offering or the related transactions described in this prospectus.

6. Financial adviser

Rothschild has been appointed by the Company as the financial adviser to the Company in respect of the Global Offering. The appointment of Rothschild was not made pursuant to the requirements of the Listing Rules, and is separate and distinct from the appointment of the Joint Sponsors (which is required to be made by the Company pursuant to the Listing Rules). The Joint Sponsors are responsible for fulfilling their duties as sponsors to the Company's application for listing on the Stock Exchange, and the Joint Sponsors have not relied on any of the work performed by Rothschild in fulfilling those duties. Rothschild's role as financial adviser to the Company in respect of the Global Offering is different from that of the Joint Sponsors in that it, among other things, focuses on providing general corporate finance advice to the Company on matters relating to the Listing and the Global Offering. Rothschild is a corporation licensed under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO.

7. Particulars of the Selling Shareholders

Pursuant to the Global Offering, the Selling Shareholders will sell the Sale Shares. Certain particulars of the Selling Shareholders are set out below:

Name	Description	Address	Number of Sale Shares	Maximum number of additional Shares that may be sold pursuant to the Over-allotment Option
MLGHL	Corporation	PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands	539,183,500	85,353,768
City-Scape Pte. Ltd.	Corporation	168 Robinson Road, #37-01 Capital Tower, Singapore 068912	9,890,000	1,565,606
AlpInvest Partners Co-Investments 2009 C.V. (as represented by its general partner, AlpInvest Partners 2009 B.V.)	Limited partnership	Jachthavenweg 118, 1081KJ, Amsterdam, the Netherlands	40,777,000	6,455,076
AlpInvest Partners Co-Investments 2010 II C.V. (as represented by its general partner, AlpInvest Partners 2009 B.V.)	Limited partnership	Jachthavenweg 118, 1081KJ, Amsterdam, the Netherlands	21,194,000	3,355,050
William YEUNG (楊主光)	Director	Flat C, 15/F, Block 2 The Great Hill 8 Tung Lo Wan Hill Road Sha Tin New Territories Hong Kong	6,380,000	Nil
Nominee	Corporation	Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands	27,442,000	Nil
Total			644,866,500	96,729,500

A statement of particulars of the Selling Shareholders has been attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration.

8. 79 Locked-up Co-Owners

The following 79 Co-Owners have entered into a lock-up deed in favour of the Joint Global Coordinators (on behalf of the Underwriters) and the Company:

1. Che Lan CHAN (陳子龍), Senior Manager — Technical Service, joined in 2001
2. Wing Sze CHAN (陳詠詩), Associate Director — Customer Service, Residential Services, joined in 1994
3. Bo Chun CHAN (陳寶珍), Manager — Administration & Corporate Social Responsibility, joined in 2007
4. Chun Yu CHAN (陳振宇), Associate Director — Sales, Enterprise Solutions, joined in 2011
5. Pui Yin CHAN (陳佩賢), Senior Manager — Marketing, joined in 2011
6. Kwok Fai CHAN (陳國輝), Manager — Sales, Enterprise Solutions, joined in 1995
7. Ka Kit CHAN (陳加傑), Manager — Sales, Enterprise Solutions, joined in 1993
8. Sze Cheong CHANG (鄭時昌), Associate Director — Carrier Sales, Enterprise Solutions, joined in 2000
9. Suk Ping CHENG (鄭淑萍), Senior Manager — Procurement & Logistics, joined in 2012
10. Sui Wah CHENG (鄭瑞華), Manager — Business Development, joined in 2005
11. Gladys Kit Yan CHENG (鄭潔恩), Associate Director — Corporate & Digital Communications, joined in 2012
12. Chung Sze CHEUNG (張誦詩), Assistant Manager — Marketing, joined in 2011
13. Chi Wai CHEUNG (張志偉), Assistant Manager — Finance, joined in 2012
14. Benjamin Lau Chung CHIU (丘鎏淙), Senior Manager — Marketing, joined in 2011
15. Lun Hang CHIU (趙藺恆), Senior Manager — Corporate Relationship, Enterprise Solutions, joined in 1997
16. Sau Luen CHOI (蔡秀鑾), Manager — Digital Communications, joined in 2013
17. Selina CHONG (鄭潘行端), Chief Marketing Officer, joined in 2012
18. Alex Wai Kin CHOW (周偉健), Manager — Product Development, Enterprise Solutions, joined in 2002
19. Christine Oi Wan CHOW (鄒靄雲), Head of Operations — Enterprise Solutions, joined in 2012
20. Kin Leung CHU (朱健樑), Manager — Sales, Enterprise Solutions, joined in 1999
21. King Shun CHU (朱敬信), Senior Manager — Strategic Marketing, joined in 2012
22. Cindy Shu Yee FAN (范淑儀), Associate Director — Customer Care & Online Services, joined in 2006
23. Wai Leung FOK (霍偉良), Senior Manager — IT, joined in 2012
24. Wai Yuk FUNG (馮維玉), Manager — Sales, Enterprise Solutions, joined in 2000
25. Kwok Kay HO (何國基), Manager — Product Development & Management, Enterprise Solutions, joined in 2001
26. Chan Fai HO (何贊輝), Chief Information Officer, joined in 2012
27. Khim Ling HUE (丘錦翎), Manager — Marketing Communications, joined in 2014
28. Leong Kin HUI (許亮堅), Director — Customer Retention & Retail, Residential Services, joined in 2007
29. Kwong Tat IP (葉廣達), Associate Director — Consulting & Project Management, Enterprise Solutions, joined in 1994
30. Loretta Ching Yan KO (高靜欣), Associate Director — Sales, Enterprise Solutions, joined in 2013
31. Sau Yuk KOK (曲秀玉), Manager — Sales, joined in 2005
32. Tsz Wai KONG (江芷慧), Associate Director — Retail Business; Associate Director — Quality Assurance, Enterprise Solutions, joined in 2011
33. Ka Ho KWOK (郭家浩), Manager — IT, joined in 2012
34. Wai Kin KWOK (郭偉健), Manager — IT, joined in 2001
35. Ching Kau KWOK (郭靜郊), Legal Counsel, joined in 2012
36. Kwok Keung KWONG (江國強), Manager — Sales, Enterprise Solutions, joined in 1999
37. Kent Kar Fai KWONG (鄺家輝), Manager — IT, joined in 2005
38. Yuen Man LAI (黎苑雯), Manager — Marketing, joined in 2013
39. Siu Kei LAM (林肇琪), Associate Director — Marketing, joined in 2011
40. Gloria Pik Yee LAM (林碧儀), Manager — Corporate Communications, joined in 2012
41. Ka Ling LAM (林嘉玲), Director — Digital Operations, joined in 1999
42. Kin Wah LAU (劉建華), Associate Director — Customer Retention & Retail, Residential Services, joined in 2003

43. Lai Man LAU (劉麗文), Manager — Corporate Communications, joined in 2013
44. Mei Yin LAU (劉美燕), Director — Talent Engagement, joined in 2011
45. Brian Chung Po LEE (李松坡), Associate Director — Sales, Enterprise Solutions, joined in 2012
46. Yuen Lam LEE (李宛琳), Assistant Manager — Marketing, joined in 2005
47. Wai Chun LEUNG (梁惠珍), Senior Manager — IT, joined in 2009
48. Chi Kit LEUNG (梁志傑), Senior Manager — Marketing, joined in 2004
49. King Chiu LEUNG (梁景超), Financial Controller and Company Secretary, joined in 2012
50. Man Chung LI (李文聰), Assistant Manager — Customer & Technical Service, Enterprise Solutions, joined in 1995
51. Man Hong LI (李民康), Manager — Solution Consulting, Enterprise Solutions, joined in 2009
52. Henry Yun Lung LI (李潤龍), Senior Manager — Marketing, joined in 2001
53. Ka Yu LI (李家裕), Associate Director — Customer Acquisition, Residential Service, joined in 1999
54. Sui Lun LO (盧瑞麟), Chief Technology Officer, joined in 1998
55. Stephen Chi Wan LUI (雷志宏), Senior Manager — IT, joined in 2012
56. Jacky Wai Ming MEI (梅偉明), Manager — Sales, Enterprise Solutions, joined in 2000
57. Man Lung NG (吳文龍), Manager — Sales, joined in 2000
58. Yuet Leung NG (伍悅良), Senior Manager — Business Development, joined in 2006
59. Chi Ho NG (吳志豪), Director — Customer Acquisition, Residential Services; Director — Sales, Enterprise Solutions, joined in 1999
60. Hei Wa PUN (潘希華), Director — Operations Support, joined in 2005
61. Lok Kei SHEK (石樂琦), Senior Manager — Business Development, Enterprise Solutions, joined in 2011
62. Yung Yin SHIU (蕭容燕), Associate Director — Marketing, Enterprise Solutions, joined in 2004
63. Trasan Chui Shan SHIU (邵翠珊), Senior Manager — Customer Relations, joined in 2004
64. Man Shan TAM (譚文珊), Manager — Audit, joined in 2009
65. Mick Siu Wah TONG (唐兆華), Manager — Network Development, joined in 1994
66. Tsz Ming TSANG (曾梓銘), Senior Manager — Sales, Enterprise Solutions, joined in 2011
67. Adrian Chun Man WATT (屈駿文), Director — Sales & Carrier Sales, Enterprise Solutions, joined in 2013
68. Agnes Siu Ping WONG (黃少萍), Senior Manager — Talent Management, joined in 2012
69. Tak Shing WONG (王德勝), Manager — Sales, Enterprise Solutions, joined in 2009
70. Chung Lam WONG (黃松林), Project Manager, joined in 2007
71. Gary Man Ping WONG (黃敏平), Associate Director — Sales, Enterprise Solutions, joined in 2014
72. Nga Lai WONG (黃雅麗), Assistant Manager — Marketing, joined in 2008
73. Trevor Jun He WONG (王郡龢), Associate Director — Marketing Communications, joined in 2012
74. Ka Ming YAU (丘嘉明), Associate Director — Network Operation, joined in 1996
75. William Tak Wa YEUNG (楊德華), Chief Commercial Officer — Enterprise Solutions, joined in 2013
76. Kwong Cheung YEUNG (楊廣翔), Senior Manager — Regulatory Affairs & International Business, joined in 2000
77. Man Chung YEUNG (楊敏聰), Manager — Application Development, joined in 2008
78. Eric Chung Hoi YIM (嚴仲凱), Manager — Product Development & Management, Enterprise Solutions, joined in 2014
79. Boris Ka Wai YIP (葉家偉), Manager — Customer Relations, joined in 2010

9. Qualifications and Consents of Experts

The qualifications of the experts which have given opinions or advice which are contained in, or referred to in, this prospectus are as follows:

Name of Expert	Qualifications
Maples and Calder	Cayman Islands attorneys-at-law
Haiwen & Partners	PRC attorneys-at-law
KPMG	Certified Public Accountants

Each of Maples and Calder, Haiwen & Partners and KPMG has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or references to its name included herein in the form and context in which they respectively appear.

10. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

11. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

12. Miscellaneous

(a) Save as disclosed in *"History and Reorganisation"*, *"Share Capital"*, *"Structure of the Global Offering"* and in this Appendix, within the two years preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiaries has been issued or has been agreed to be issued fully or partly paid either for cash or for a consideration other than cash.

(b) No share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(c) No founders, management or deferred shares of the Company or any of its subsidiaries have been issued or have been agreed to be issued.

(d) None of the equity and debt securities of the Company is listed or dealt in on any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

(e) The Company has no outstanding convertible debt securities or debentures.

(f) None of Maples and Calder, Haiwen & Partners and KPMG:

(i) is interested beneficially or non-beneficially in any shares in any member of the Group; or

(ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group save in connection with the Underwriting Agreements.

(g) No company within the Group is presently listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought.

(h) The English text of this prospectus and the Application Forms shall prevail over their respective Chinese text.

(i) There has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this prospectus.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the **WHITE**, **YELLOW**, **GREEN** and **PINK** Application Forms;

(b) a copy of each of the material contracts referred to in "*Appendix VI — Statutory and General Information — Further Information About the Business — Summary of Material Contracts*";

(c) the written consents referred to in "*Appendix VI — Statutory and General Information — Other Information — Qualifications and Consents of Experts*"; and

(d) the statement of particulars of the Selling Shareholders.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Freshfields Bruckhaus Deringer at 11th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the amended and restated Memorandum and Articles of Association of the Company;

(b) the Accountants' Reports and the report on the unaudited pro forma financial information prepared by KPMG, the texts of which are set out in *"Appendix IA — Accountants' Report on the Financial Information of the Group"*, *"Appendix IB — Accountants' Report on the Financial Information of HKBN"* and *"Appendix II — Unaudited Pro Forma Financial Information"*, respectively;

(c) the audited combined financial statements of the Group for the period from 15 March 2012 to 31 August 2012, the years ended 31 August 2013 and 2014 and the three months ended 30 November 2014;

(d) the letter from Maples and Calder, the Company's Cayman Islands legal adviser, summarising the constitution of the Company and certain aspects of the Cayman Companies Law referred to in *"Appendix IV — Summary of the Constitution of the Company and Cayman Companies Law"*;

(e) the Cayman Companies Law;

(f) the letters of appointment referred to in "*Appendix VI — Statutory and General Information — Further Information About the Directors — Particulars of Letters of Appointment*";

(g) the material contracts referred to in "*Appendix VI — Statutory and General Information — Further Information About the Business — Summary of Material Contracts*";

(h) the written consents referred to in "*Appendix VI — Statutory and General Information — Other Information — Qualifications and Consents of Experts*"; and

(i) the statement of particulars of the Selling Shareholders referred to in "*Appendix VI — Statutory and General Information — Other Information — Particulars of the Selling Shareholders*".

HKBN Speak

Learn to speak HKBNese as spoken by HKBNers

In the past 20 years, we at HKBN have developed our own HKBNese language spoken by HKBNers. For new business partners, sometimes our language can be difficult to understand, which is why we have created this summary of *HKBN Speak*.

We hope that this summary of *HKBN Speak* can help you understand our unique culture better.

3Cs
abbr. /θriːsiːz/
Co-Ownership, Core purpose and Culture – HKBN's driving force.

4 p.m.
n. [U] /fɔːpiːɛm/
The time when we leave the office for our once-per-month early-off Friday, living our "LIFE-work priority".

5Ps
abbr. /fʌɪvpiːz/
Prior Preparation Prevents Poor Performance.

blow water
phrase, popular Chinese idiom /bləʊ ˈwɔːtə/
Something we do prior to actually moving water with our execution. Related to "run the talk".

cool
adj. /kuːl/
Means mini awesome. Also means "approved" in context of management approval of requests.

Co-Owner
n. [C] /kəʊˈəʊnə/
A middle to senior management executive who decided to invest, on average, an amount that is about two times his/her annual compensation to collectively acquire a stake in HKBN prior to IPO.

CPE
abbr. /siːpiːiː/
Certified Professional Engineer – a technical Talent of HKBN who brings our fibre broadband to our customers' homes and offices.

failed attempt
phrase /feɪld əˈtɛm(p)t/
A prerequisite to success and innovation.

HKBNer
n. [C] /eɪtʃkeɪbiːɛnə/
A Talent of HKBN; someone who loves Hong Kong and is passionate about "making our Hong Kong a better place to live".

humbly arrogant
adj. /ˈhʌmbli ˈarəg(ə)nt/
An important attribute of all HKBNers – to stand tall, to celebrate our successes while staying hungry and foolish with insatiable appetite for learning.

Hong Kong
n. [U] /hɒŋ ˈkɒŋ/
Our home; our pride.

kick & kiss
phrase /kɪk ənd kɪs/
Harsher penalties and bigger rewards. We do both to motivate great performance.

legacy xDSL over copper
phrase /ˈlɛgəsi ɛksdiːɛsˈɛl ˈəʊvə kɒpə/
Something that we don't do.

LIFE-work priority
phrase /lʌɪf wəːk prʌɪˈɒrɪti/
The right priority for work-life balance – Personal health first, then family, then work.

LUCA
abbr. /ɛljuːsiːeɪ/
At HKBN, we are always trying to "Find LUCA", a term we use to describe our competitive advantage.

Make our Hong Kong a better place to live
phrase /meɪk aʊə hɒŋ ˈkɒŋ ə ˈbɛtə pleɪs tʊ lɪv/
This is why we are passionate about our work.

OTT
abbr. /əʊtiːˈtiː/
Over-The-Top – something that we embrace.

quaildom / quailhood
n. [U] /ˈkweɪldəm/ /ˈkweɪlhʊd/
The state of being a quail, a mid-sized game bird of the pheasant family, usually farm-raised and well known for its cowardice. This is the attitude that HKBNers despise.

quail & eagle
n. [C] /kweɪl ənd ˈiːg(ə)l/
Quail – A person who is being a quail. Eagle – A bird that eats quails for snacks; HKBNers prefer to be an eagle rather than a quail.

reverse digital gap
phrase /rɪˈvəːs ˈdɪdʒɪt(ə)l gap/
The opposite of digital gap. In Hong Kong, the high density mass market can enjoy HKBN hi-speed fibre broadband services.

run the talk
phrase /rʌn ðə tɔːk/
Execute what we talk about. The way that HKBNers do things.

symmetric
adj. /səˈmetrik/
The only way we do broadband.

Talent
n. [C] /ˈtalənt/
HKBN does not have any staff… we only have Talents.

talk FLAT
phrase /tɔːk flat/
The way HKBNers talk to each other, regardless of our titles or seniority.

vike
v. /ˈvʌɪʌɪk/
Very like.

vool
adj. /ˈvuːl/
Very cool.

香港寬頻

HONG KONG
BROADBAND NETWORK