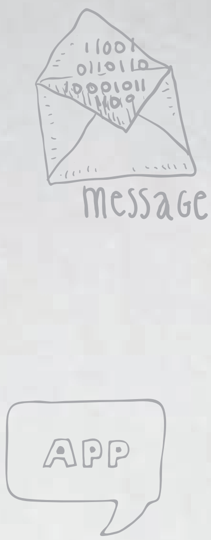
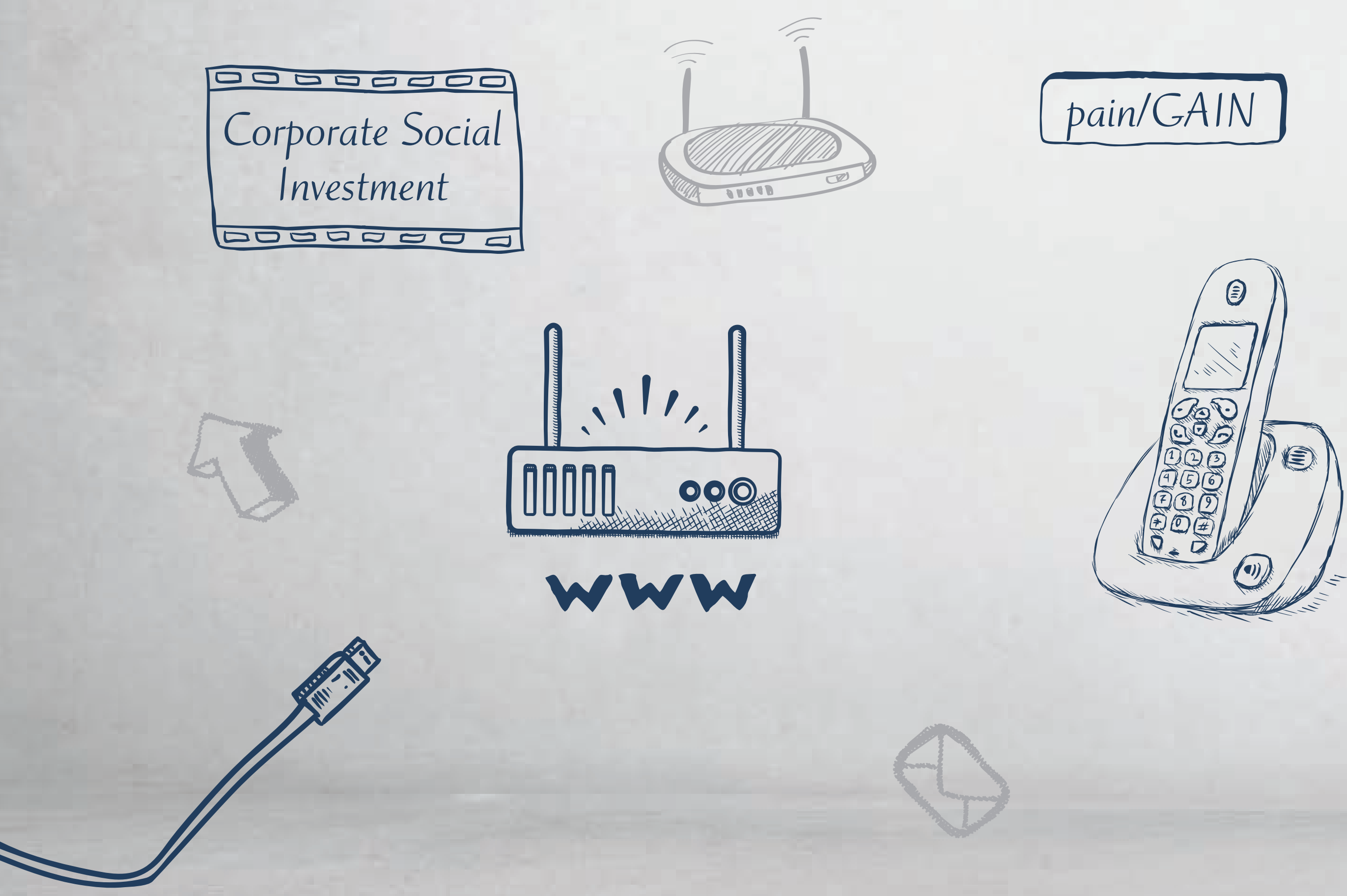
Interim Report 2016

incorporated in the Cayman Islands with limited liability | Stock Code:1310

Setting the Foundation for Growth



The Interim 2016 period was one of continued progress. While we continued to rely on our powerful fibre network to establish good growth in both our residential and enterprise businesses, we're seizing the unique opportunities that come with the disruptive entry of OTT (Over-the-Top) content operators in Hong Kong as well as opened the door to expand our enterprise business with the acquisition of New World's telecommunications and online marketing solutions business. All these have combined to set a strong foundation for our accelerated and sustainable growth.




Co-Ownership
Data Centre
VIDEO
Entrepreneurial
LIKE
HD
4K
Content
film
Hub

Welcome to HKBN's Interim Report 2016. This Report provides a look at the financial and business progress that has been recorded for the six months ended 29 February 2016. In addition, through a glimpse into our unique culture, this report highlights how we engage and inspire our Talents, as well as how our steadfast Corporate Social Investment endeavours are **bringing wider, sustainable benefits for the community.**

Contents

This report is published in both English and Chinese. In circumstances where the English and Chinese texts differ, the English shall prevail.

Corporate Information

CHAIRMAN AND INDEPENDENT NON-EXECUTIVE DIRECTOR
Mr. Bradley Jay HORWITZ [2,4]

EXECUTIVE DIRECTORS
Mr. William Chu Kwong YEUNG [3,6]
Mr. Ni Quiaque LAI

NON-EXECUTIVE DIRECTOR
Ms. Deborah Keiko ORIDA [4] (appointed on 20 November 2015)

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Stanley CHOW [2,4,5]
Mr. Quinn Yee Kwan LAW, SBS, JP [1,4,6]

1 Chairman of Audit Committee
2 Member of Audit Committee
3 Chairman of Nomination Committee
4 Member of Nomination Committee
5 Chairman of Remuneration Committee
6 Member of Remuneration Committee

COMPANY SECRETARY
Mr. King Chiu LEUNG

AUTHORISED REPRESENTATIVES
Mr. Ni Quiaque LAI
Mr. King Chiu LEUNG

REGISTERED OFFICE
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
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New Territories
Hong Kong

AUDITOR
KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater 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 BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
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PRINCIPAL BANKERS
Citibank, N.A., Hong Kong Branch
50th Floor, 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

COMPANY'S WEBSITE
www.hkbnltd.net

STOCK CODE
1310

Shareholder Letter

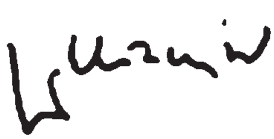
Dear Fellow Shareholders,

Since our IPO in March 2015, the entry of Over-The-Top (OTT) players has created a disruptive opportunity to accelerate our market share ambitions. We have secured partnerships with two major OTT operators: 1) LeEco to break the Pay-TV industry's decade long exclusive access to English Premier League Soccer (EPL) and 2) TVB for access to Hong Kong's most comprehensive local drama content source. Together we are now offering the best value triple play package with OTT content, whereas in the past, we were only strong in broadband and voice. We must act assertively, as we expect the window for disruption to remain open for only a couple of years starting after the current now TV exclusive broadcast rights of EPL ends this summer.

On the enterprise side, post IPO, we completed our acquisition (the "Acquisition") of New World Telecom on 31 March 2016, which has more than doubled our enterprise revenue to over $1 billion for an estimated market share of 5% in the enterprise space. Looking ahead, this combined scale will enable us to deliver continued growth of our enterprise business. Please refer to page 6 for a memo from our management committee to welcome the new joiners.

In conclusion, for the next two years, our priority is to take advantage of these unprecedented changes in the residential and enterprise segments to strengthen our foundation for cash flow growth in 3-5 years' time.

Sincerely yours and on behalf of our fellow >270 Co-Owners,



William Yeung
Chief Executive Officer and Co-Owner

NiQ Lai
Chief Talent & Financial Officer and Co-Owner

HKBN Management Committee (From left): Gary McLaren (CTO), Selina Chong (CMO), NiQ Lai (CTFO), William Yeung (CEO), Eric Ho (CIO) and Billy Yeung (CCO)

22 February 2016

Dear Future HKBNers

(cc Existing HKBNers)

On behalf of all HKBNers, we would like to extend a warm welcome to our future HKBNers to our elite HKBN sports team.

Our goal for the combined HKBN/NWT entity is to drive value via growth rather than cost cutting, to improve net profit rather than lower costs. Our combined networks, service portfolio and most importantly, Talent profile, are far stronger than as separate companies. We see revenue growth as unlimited, whereas cost cutting is limited.

HKBN will be a great place to build your career in the years to come. Let's get ready to KickAss our competitors and to "Make our Hong Kong a better place to live". To get a glimpse of our HKBN culture, please check out our Glossary of HKBN Terms http://www.hkbn.net/new/en/about-us--company-profile--our-talent-culture--glossary-of-terms.shtml

我們是一間不斷壯大及成長的公司。

我們的策略是以攻為守。

我們專注於增加生意額，多於控制成本。

We look forward to greeting you in person at the annual dinner on 25 February.

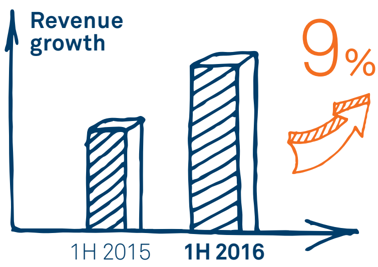
With warmest regards from Management Committee,

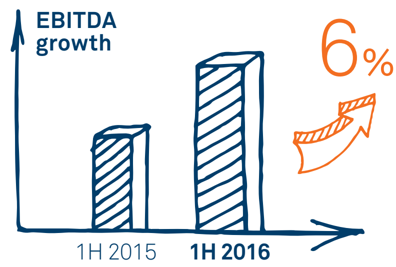
William Billy Gary Selina Eric NiQ

Highlights at a Glance

(All references to "$" are expressed in Hong Kong dollars)

Financial Highlights





Adjusted Free Cash Flow

$185 million

Network coverage to over

homes

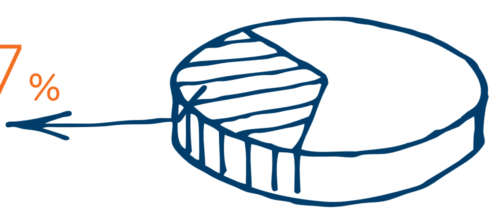
Residential subscriptions

(100Mbps to 1000Mbps)

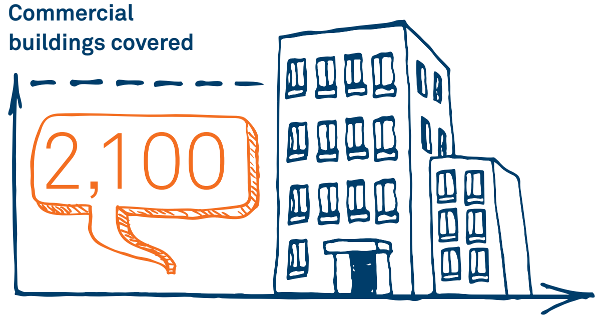
792,000

Market share of residential broadband services

37.7%



Commercial buildings covered

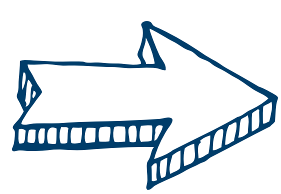


Enterprise customers

43,000

Average monthly residential broadband churn rate

0.8%



Key Financial and Operational Summary

TABLE 1: FINANCIAL HIGHLIGHTS

	For the six months ended 29 February 2016	28 February 2015	Increase/(Decrease) YoY
Key financials ($'000)			
Revenue	**1,225,539**	1,126,111	+9%
Profit/(loss) for the period	**135,252**	(46,688)	n/a
Adjusted Net Profit [1,2]	**209,634**	159,559	+31%
EBITDA [1,3]	**511,266**	482,240	+6%
EBITDA margin [1,4]	**41.7%**	42.8%	-1.1 pp
Adjusted Free Cash Flow [1,5]	**185,156**	184,748	+0%
Reconciliation of Adjusted Net Profit [1,2]			
Profit/(loss) for the period	**135,252**	(46,688)	n/a
Amortisation of intangible assets	**56,557**	55,083	+3%
Deferred tax arising from amortisation of intangible assets	**(9,089)**	(9,089)	+0%
Loss on extinguishment of senior notes	**–**	96,234	-100%
Originating fee for banking facility expired	**–**	11,600	-100%
Listing expenses	**–**	52,419	-100%
Transaction costs in connection with business combination	**26,914**	–	n/a
Adjusted Net Profit	**209,634**	159,559	+31%
Reconciliation of EBITDA & Adjusted Free Cash Flow [1,3,5]			
Profit/(loss) for the period	**135,252**	(46,688)	n/a
Finance costs	**66,336**	198,501	-67%
Interest income	**(647)**	(1,909)	-66%
Income tax	**48,200**	41,141	+17%
Depreciation	**178,654**	183,693	-3%
Amortisation of intangible assets	**56,557**	55,083	+3%
Listing expenses	**–**	52,419	-100%
Transaction costs in connection with business combination	**26,914**	–	n/a
EBITDA	**511,266**	482,240	+6%
Capital expenditure	**(177,931)**	(120,549)	+48%
Net interest paid	**(51,356)**	(87,027)	-41%
Other non-cash items	**131**	(4,512)	n/a
Income tax paid	**(104,094)**	(84,491)	+23%
Changes in working capital	**7,140**	(913)	n/a
Adjusted Free Cash Flow	**185,156**	184,748	+0%

TABLE 2: OPERATIONAL HIGHLIGHTS

	For the six months ended 29 February 2016	31 August 2015	28 February 2015	Increase/ (Decrease) YoY
Residential business				
Residential homes passed ('000)	**2,162**	2,143	2,119	**+2%**
Subscriptions ('000)				
– Broadband	**792**	754	722	**+10%**
– Voice	**485**	534	563	**-14%**
Market share [6]				
– Broadband	**37.7%**	36.6%	35.4%	**+2.3 pp**
– Voice	**20.6%**	22.0%	22.8%	**-2.2 pp**
Residential customers ('000)	**852**	822	799	**+7%**
Broadband churn rate [7]	**0.8%**	0.7%	0.6%	**+0.2 pp**
Residential ARPU [8]	**$178**	$183	$184	**-3%**
Enterprise business				
Commercial building coverage ('000)	**2.1**	2.0	2.0	**+5%**
Subscriptions ('000)				
– Broadband	**40**	35	31	**+29%**
– Voice	**102**	98	89	**+15%**
Market share [6]				
– Broadband	**15.4%**	14.3%	13.1%	**+2.3 pp**
– Voice	**5.5%**	5.3%	4.8%	**+0.7 pp**
Enterprise customers ('000)	**43**	39	35	**+23%**
Broadband churn rate [9]	**0.9%**	0.9%	0.8%	**+0.1 pp**
Enterprise ARPU [10]	**$1,017**	$1,004	$1,025	**-1%**

Notes:

(1) EBITDA, EBITDA margin, Adjusted Free Cash Flow and Adjusted Net Profit are not measures of performance under Hong Kong Financial Reporting Standards ("HKFRSs"). 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 HKFRSs. 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) Adjusted Net Profit means profit/(loss) for the period 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 period under review, include loss on extinguishment of senior notes and originating fee for banking facility expired. Other non-recurring items, in the period under review, include listing expenses and transaction costs in connection with business combination.

(3) EBITDA means profit/(loss) for the period plus finance costs, income tax expense, listing expenses, transaction costs in connection with business combination, depreciation and amortisation of intangible assets and less interest income.

(4) EBITDA margin means EBITDA divided by revenue.

(5) 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 other non-current assets, inventories, accounts receivable, other receivables, deposits and prepayments, accounts payable, deposits received and deferred services revenue. Other non-cash items, in the period under review, include amortisation of obligations under granting of rights and Co-Ownership Plan II related non-cash items.

(6) Our market share in broadband or voice services in Hong Kong, for residential or enterprise business, is calculated by dividing the number of broadband or voice subscriptions we have at a given point in time by the total number of corresponding broadband or voice subscriptions recorded by the Office of the Communications Authority (OFCA) at the same point in time. The latest available OFCA statistics in broadband and voice services for residential and enterprise business are as of 31 January 2016 and 29 February 2016 respectively.

(7) Calculated by dividing the sum of the monthly broadband churn rate for each month of the given financial period by the number of months in the 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%.

(8) ARPU means average revenue per user per month. 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 are 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 may differ from the industry definition of ARPU due to our tracking of revenue 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.

(9) Calculated by dividing the sum of the monthly broadband churn rate for each month of the given financial period by the number of months in the 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%.

(10) ARPU means average revenue per user per month. 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 are calculated by dividing the sum of enterprise customers 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.

Management's Discussion and Analysis

BUSINESS REVIEW

During the six months ended 29 February 2016, the Group continued to grow our market share by broadband subscriptions further in both residential and enterprise businesses. Revenue and EBITDA increased year-on-year by 9% and 6% respectively, whereas Adjusted Free Cash Flow maintained at $185 million.

Revenue grew by 9% year-on-year to $1,226 million driven by strong growth in broadband subscriptions despite keen competition in the residential market and accelerated growth in enterprise market.

- Residential revenue grew by 3% year-on-year to $899 million as we continued to gain market share within the residential broadband market mainly by converting our competitors' legacy copper-based customers to our fibre-based services at attractive prices. During the six months ended 29 February 2016, we achieved 38,000 net additions to 792,000 residential broadband subscriptions with a 3% year-on-year decrease in residential ARPU to $178 despite keen competition in the market. Our market share by broadband subscriptions increased to 37.7% as of 31 January 2016, up from 36.6% as of 31 August 2015.

- Enterprise revenue grew by 17% year-on-year to $269 million as the enterprise business continued to build on positive momentum with our focus in the small and medium-sized enterprise (SME) segment by offering an attractive value proposition with appealing products and services at attractive prices. During the six months ended 29 February 2016, we achieved 4,000 net additions to 43,000 enterprise customers while maintaining our enterprise ARPU at $1,017. Our market share by broadband subscriptions increased to 15.4% as of 31 January 2016, up from 14.3% as of 31 August 2015.

- Product revenue grew by 128% year-on-year to $57 million, representing 4.6% of revenue. This increase was due to the bundling promotional offers with LeEco to our residential broadband services.

Network costs and costs of sales rose by 6% year-on-year to $137 million mainly due to higher costs of sales as a result of the increase in product revenue, partly offset by lower IP-TV content costs.

Other operating expenses increased by 4% year-on-year to $847 million. Excluding the impact of listing expenses and transaction costs in connection with business combination, such expenses rose by 8% year-on-year mainly due to the increase in advertising and marketing expenses and talent costs for driving business growth. We believe the incremental $31 million advertising and marketing expenses spent upfront will set the foundation for accelerated subscriber growth in the later periods.

Finance costs decreased by 67% year-on-year to $66 million mainly due to the one-off finance costs of $108 million relating to the refinancing of 5.25% senior notes, comprising the loss on extinguishment of senior notes of $96 million and originating fee for banking facility expired of $12 million incurred in the corresponding period last year.

Income tax increased by 17% to $48 million mainly due to the improved financial performance during the period. The Group's finance costs, listing expenses and transaction costs in connection with business combination were not tax deductible. Income tax as a percentage of profit before taxation, finance costs, listing expenses and transaction costs in connection with business combination was approximately 17% for each of the six months ended 29 February 2016 and 28 February 2015.

Profit attributable to equity shareholders was $135 million for the six months ended 29 February 2016 while we operated at a loss of $47 million for the corresponding period last year.

Adjusted Net Profit, excluding the impact of amortisation of intangible assets, non-recurring finance costs and non-recurring items, increased by 31% year-on-year to $210 million.

EBITDA rose by 6% year-on-year to $511 million, with EBITDA margin close to 42% on both financial periods. Adjusted Free Cash Flow remained at similar level for both financial periods at $185 million mainly due to an increase in EBITDA and a decrease in net interest paid as a result of the refinancing in the previous year, offset by an increase in income tax paid and capital expenditure to drive business growth. If excluding the incremental $31 million advertising and marketing expenses spent upfront, low-teens EBITDA growth and mid-teens Adjusted Free Cash Flow growth would have been achieved.

Additions to property, plant and equipment amounted to $195 million for the six months ended 29 February 2016, as compared to $165 million for the corresponding period last year.

OUTLOOK

We will strive to harvest our substantially invested network and leverage our comprehensive suite of service offerings to drive sustainable growth in Revenue, EBITDA and Adjusted Free Cash Flow through the following initiatives:

- Expand our network coverage by focusing on economically attractive residential premises and commercial buildings;
- Leverage on our open approach in partnering with OTT content providers to accelerate our residential broadband subscription growth;
- Further penetrate the enterprise market as the operational scale of enterprise business is doubled subsequent to the Acquisition;
- Focus on executing the integration plan subsequent to the Acquisition in order to capture the expected synergies; and
- Continue to cultivate and deepen our Talent-oriented Co-Ownership culture that aligns risks and rewards with shareholders by enlarging the base of Co-Owners via the existing Co-Ownership scheme to new HKBN Talents.

LIQUIDITY AND CAPITAL RESOURCES

As at 29 February 2016, the Group had total cash and cash equivalents of $271 million (31 August 2015: $329 million) and gross debt (principal amount of outstanding borrowing) of $3,100 million (31 August 2015: $3,100 million), which led to a net debt position of $2,829 million (31 August 2015: $2,771 million).

- The Group's gearing ratio, which was expressed as a percentage of the gross debt over total equity, was 214% as at 29 February 2016 (31 August 2015: 205%).
- The Group's net debt to EBITDA ratio, which was expressed as the gross debt net of cash and cash equivalents over EBITDA for the last twelve months, was 2.8 times as at 29 February 2016 (31 August 2015: 2.8 times).

On 19 January 2015, the Group drew down a five-year bank loan of $3,100 million bearing interest rate at HIBOR plus margin, in order to finance the redemption of the remaining 5.25% senior notes in full. Since the bank loan is repayable in full upon final maturity in January 2020, the Group can either refinance or renew it on maturity or earlier through sources that it deems appropriate at that time. This provides us with flexibility to plan for various sources of financing arrangement to support the expansion of our business.

Cash and cash equivalents consisted of cash at bank and in hand. There was no pledged bank deposit as at 29 February 2016 and 31 August 2015. As at 29 February 2016, the Group had an undrawn revolving credit facility of $200 million (31 August 2015: $200 million).

The Group can fund its capital expenditures and working capital requirements for the financial year ending 31 August 2016 with internal resources and available banking facilities.

HEDGING

The Group's policy is to hedge the interest rate risk arising from the variable interest rates of the debt instruments and facilities by entering into interest-rate swaps. The Chief Executive Officer and Chief Talent & Financial Officer are primarily responsible for overseeing the hedging activities. Under their guidance, the Group's finance team is responsible for planning, executing and monitoring the hedging activities. The Group would not enter into hedging arrangements for speculative purposes.

In connection with the existing bank loan, the Group entered into an interest-rate swap arrangement in the principal amount of $2,635 million with an international financial institution for a term of 3.5 years commencing from 23 February 2015. Benefiting from the hedging arrangement, the Group fixed the HIBOR interest rate exposure at 1.453% per annum. This interest-rate swap arrangement is recognised initially at fair value and remeasured at the end of each reporting period. The interest-rate swap does not qualify for hedge accounting under HKAS 39, *Financial instruments: Recognition and measurement*, and therefore, it is accounted for as held for trading and measured at fair value through profit or loss.

CHARGE ON GROUP ASSETS

As of 29 February 2016 and 31 August 2015, no assets of the Group were pledged to secure its loans and banking facilities.

CONTINGENT LIABILITIES

As at 29 February 2016, the Group had total contingent liabilities of $4 million (31 August 2015: $4 million) in respect of bank guarantees provided to suppliers and utility vendors in lieu of payment of utility deposits.

EXCHANGE RATES

All of 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 arising from its operations. 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.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 18 February 2016, HKBN Group Limited ("HKBNGL") as purchaser and the Company as guarantor of HKBNGL entered into a share purchase agreement with New World Telephone Holdings Limited ("NWTHL") as seller and New World Development Company Limited as guarantor of NWTHL, to acquire the telecommunications and online marketing solutions business owned by NWTHL through the acquisition of the entire issued share capital of Concord Ideas Ltd. and Simple Click Investments Limited (the "Target Companies") for a cash consideration calculated on a cash-free, debt-free basis, of $650 million (subject to certain closing and post-closing adjustments). In addition, on 31 March 2016, HKBNGL and NWTHL also entered into a rebate agreement whereby HKBNGL will provide cash rebates for services provided by the Group, the Target Companies and their subsidiaries to New World Development Company Limited (a company whose shares are listed on The Stock Exchange of Hong Kong Limited, stock code: 17) and Chow Tai Fook Enterprises Limited, in each case together with their respective subsidiaries and related parties (within the meaning of Hong Kong Financial Reporting Standard 24 (Related Party Disclosures)) based on 50% of settled invoices up to $50 million in aggregate. The Acquisition was completed on 31 March 2016. After the Acquisition, each of Concord Ideas Ltd. and Simple Click Investments Limited became an indirect wholly-owned subsidiary of the Company. Details of the Acquisition are disclosed in the circular of the Company dated 1 March 2016 and the announcement dated 18 February 2016.

Other than the aforementioned Acquisition, the Group did not make any significant investments, acquisitions or disposals in relation to its subsidiaries and associated companies during the six months ended 29 February 2016 and up to the date of this interim report.

TALENT REMUNERATION

As at 29 February 2016, the Group had 2,531 permanent full-time Talents (31 August 2015: 2,430 Talents). The Group provides remuneration package consisting of basic salary, bonus and other benefits. Bonus payments are discretionary and dependent on both the Group's and individual performances. The Group also provides comprehensive medical insurance coverage, competitive retirement benefits schemes, and Talent training programmes.

To attract, retain and motivate skilled and experienced Talents, the Company adopted a Co-Ownership Plan II (the "Plan") on 21 February 2015. Co-Ownership is a powerful expression of the commitment and belief our Talents have in the Group. Unlike the more traditional approach of giving stock options to a very limited group of senior executives, the Company's Co-Ownership is open to all supervisors and above level Talents, spanning the Group's operations across Hong Kong and Guangzhou. Under "Co-Ownership Plan II", we now have over 270 Co-Owners, representing a majority of our supervisors and above level Talents and over 10% of our entire workforce. On their own volition, they invested their personal savings in the amount of between two to six months of salary to acquire the Company's shares at full market price. The shares are then matched with free shares at a certain ratio vested over three years.

Please refer to "Share Incentive Scheme" on page 57 of this report for a summary of the Plan.

Nurturing Our Growth

As HKBN notches another half year of achievements, we look back at the key initiatives that strengthen our foundation for growth of HKBN, our Talents, and care for the community. We have always celebrated innovation and pursued new opportunities that enable us to improve who we are and maximise the impact of everything we do – all for the continual expansion and development of HKBN.

A New Era of Over-the-Top (OTT) Entertainment

With the entertainment landscape at a crossroads for unprecedented change, the disruptive arrival of Over-the-Top content services in Hong Kong means the evolving demand for speedier, reliable fibre broadband will only flourish as a result. Seeing these opportunities, and given HKBN's unique position as an OTT carrier-neutral ISP in Hong Kong, we have been able to aggressively leverage partnerships with multiple OTT carriers to create true value for customers as a strategy for growth. In doing so, we purposely involved a large number of Talents and Co-Owners to participate in key strategic events such as our press conferences and announcements. On top of showing the solidarity we share, these efforts also provide our Talents with engaging exposure to some unique experiences.

TALENT DEVELOPMENT PARTNERSHIP

In line with our drive to accelerate growth of HKBN, support for continuous learning and development of our Talents remains essential. Throughout the past six months, we have nurtured our Talents to better themselves by stepping beyond their own comfort zones via a variety of initiatives, including a radical new programme which, like our Co-Ownership scheme, engenders entrepreneurial thinking for innovation and more alignment with shareholders. More than ever, we regard Talent development as a kind of dual-win partnership; when Talents improve, the results are reflected in HKBN's overall growth.

pain/GAIN Co-Grow Scheme

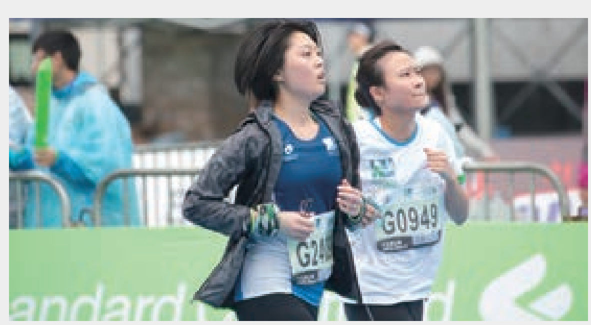
Launched in February 2016, this all-new programme encourages our Talents to take a much more entrepreneurial approach to the work they do. Radical by design, the pain/GAIN Co-Grow programmme gives Talents a platform to take ownership of their responsibilities, and importantly, encourages them to outperform by way of a risk-reward approach. Through this, Talents who feel confident, whether it is about exceeding a lofty KPI target or the viability of an innovative idea, can pledge their own money and earn three-fold rewards should they succeed. Like our approach to Co-Ownership, this scheme creates greater alignment between Talents and shareholders, as well as enhances our ability to organically deliver results and innovation.

Next Station: University II

Following on the success from the original Next Station: University 2009-2014 programme (which saw 30 HKBN Talents realise their life-long dreams), Next Station: University (NSU) II officially commenced in January 2016 with the enrollment of 40 HKBN students. Once again, this three-year sponsorship programme will empower our Talents to fulfill the dream of earning a Bachelor's Degree in Business from Glyndŵr University, UK. In return, each of the 40 NSU students, on top of fulfilling the curricular requirements, must initiate a 3-year plan centred on career development and enrichment. In addition, the students will all be asked to apply the knowledge they acquire towards a Corporate Social Investment (CSI) project to benefit our community.

Hong Kong Marathon 2016

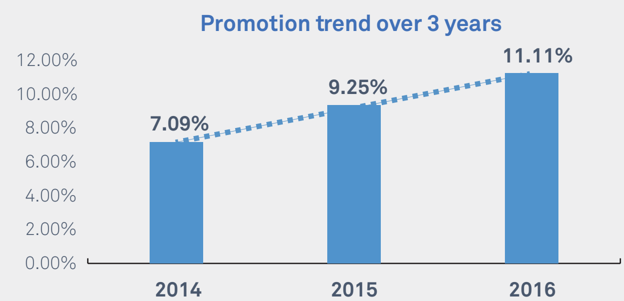
As always, we continued to stay active with our participation at the Hong Kong Marathon 2016. And to inspire our Talents to pursue breakthroughs on both an individual and team level, we developed a special co-reward scheme which incentivised those who commit to and surpass a running-time target. In total, 125 HKBN participants ran in events at this year's marathon, of which over 53% joined the 42km marathon or half marathon.



Training and Promotion

Over the past six months, ongoing development of core skills and proficiencies saw our Talents undertake a total of 1,426 aggregate hours in training. The range of competencies in focus covered everything from communication and language to problem solving and leadership thinking.

Keeping with our determination to help Talents thrive, this year a total of 226 Talents from Hong Kong and Guangzhou were able to earn promotions. This result, an 11.11% increase, represents continued year-on-year growth of internal promotions that fill our Talent pipeline demands relative to HKBN's total workforce.



HR Innovation Awards

At the outset (October 2015) of this financial year, our holistic Talent-centric, corporate culture approach resulted in nine outstanding awards conferred by HR Innovation Awards 2015. Together, these nine awards are a recognition of the comprehensive lengths we go to in engaging and developing our Talents into a competitive advantage. They include:

HR Grand Winner 2015
Excellence in Employee Engagement (Gold)
Excellence in Recruitment & Retention Strategy (Gold)
Excellence in CSR Practices (Gold)
Excellence in Compensation & Benefits Strategy (Silver)
Excellence in Employee Work-Life Balance (Silver)
Excellence in Employer Branding (Silver)
Excellence in Employee Development (Silver)
Excellence in Training, Learning & Development Programmes (Silver)

Corporate Social Investment (CSI) for the Community

With our approach to social responsibility firm on empowerment rather than mere cash donations, we continued to be hands-on, working to create sustainable long-term impact for our communities. Throughout the past six months, our Talents have strived to "Make our Hong Kong a better place to live" thanks to a steady stream of programmes designed to benefit and empower people in need.

St. James' Settlement x HKBN Hot Meal Service Programme

As part of our HKBN annual management experiential trip, 35 HKBN Talents completed a two-day 145 km charity bike ride across the hills of Kenting, Taiwan

in November 2015. On top of encouraging our team of managers to step outside their comfort zones, this journey enabled us to channel our energies on the road into a force for good for the St. James' Settlement People's Food Bank.

Thanks to the generous contributions from HKBN friends and partners, as well as our HKBN Talent CSI Fund for matching their donations with a $500,000 pledge, the total amount earned was over $1.1 million, equivalent to more than 35,000 hot meals for 100 local families.

HKBN TALENT CSI FUND VOLUNTEER INITIATIVES

Since its inception in July 2015, our independently-financed HKBN Talent CSI Fund has approved a total of $1.2 million in support of 11 community projects ran by our Talents. The following highlight some of the work that has been done:

Running Mentors

Combining community teamwork with our participation at the Hong Kong Marathon 2016, we organised a 'Running Mentorship' programme in collaboration with the Hong Kong Playground Association to bring together 12 HKBN mentors with over 30 local youths. In helping these youths gain the persistence to overcome running distance challenges, we hope they will in turn build increased capacity to overcome life challenges. Our mentors provided marathon training once a week for six months, and in the process also served as life coaches.

Care for Elderly with Dementia

Seniors with dementia are often affected by mental decline, the severity of which can interfere with their ability to function normally on a daily basis. As a result, they are confined to stay indoors and become isolated from society. In partnership with the YWCA, this five-month programme involves 17 HKBN volunteers who help address the specific needs of elderly suffering from the disease. To serve them, our volunteers have undergone special training on how they can effectively interact during scheduled home visits. In addition, interactive games and outdoor activities are being planned so that these individuals can reconnect with the community under the care of our Talents.

Fairtrade Football

HKBN enthusiastically took part in this year's Fair Trade Charity Football event in support of its 'Kick-away Poverty" cause. Forming two football teams, all activities, including fundraising, internal promotion, scheduling and others have been organised by Talents themselves. In total, our HKBN Talents raised a total of $40,200 towards Hong Kong Fair Trade.

ECO-INITIATIVES

As a responsible business, we are always looking for opportunities to operate in an environmentally-conscious manner. The following illustrates the forward-looking approach we have taken:

Something from Nothing

This green initiative follows a remarkably innovative approach to transform the way we consume energy. In August 2015, HKBN appointed an energy consultant to conduct a thorough energy audit and identify the potential for energy savings. Setting this initiative apart, HKBN will not be required to invest any money for office upgrades of its energy savings facilities. The capital investment for all concurred retrofitting will be fully funded by the consultant. Long term, our consultant will share a fraction of the energy cost savings as compensation.

The first phase of improvement works primarily focuses on raising the efficiency of air-conditioning and lighting systems. This will, for example, comprise installation of sensors for fresh air fans and the replacement of florescent tubes with LEDs.

Overall, it is estimated this partnership can help HKBN save $1.74 million in capital investment and garner $3.5 million of operating expenditure savings over the next five years. Annually, about 412 tonnes of carbon emissions, equivalent to 10% of our 2015 total emissions, will be eliminated.

A Peek Inside HKBN

We see HKBN as one elite sports team rather than a family. Together, we embrace change and are always striving to outperform ourselves. With a unique approach to communications – through some of our off-the-cuff internal memos, Talent blogs and emails – we're able talk flat to inspire and motivate each other regardless of rank or title.

From: William Yeung
Sent: Monday, March 14, 2016 6:55 AM
To: HK Point 3x up Talents; GZ Point 3x up Talents
Subject: Our execution

Majority of investors trust our execution ability.

Some do have concern on HKT's response with a price war when we say we are determined to hit 100k net gain per year for 1m sub.

In fact, HKT just launched $98 for 100m GPON in public estates and HOS estates since their $68 ADSL 100m couldn't stop our sub growth though hurting our ARPU and revenue growth. (See attached)

Our residential pricing strategy is NOT on broadband-only, but "broadband + OTT" that HKT alone cannot match. It's also difficult for both HKT and Now TV to get together with low-price bundle as this hurts a lot.

On ES, anything below 15% growth is failure in investors' eyes because we are very small in revenue market share, therefore we should have much room for growth.

All depend on our execution!

Cheers

William Yeung

CEO & Co-Owner
Hong Kong Broadband Network Limited

From: NiQ Lai
Sent: Tuesday, April 05, 2016 7:11 AM
To: All HKBN Talents
Subject: Managers versus Leaders

Dear All Fellow HKBNers (including warm welcome to our new joiners from NWT),

Since our 2012 Management Buy Out, we have developed a great team of managers but to sustain our HKBN for the next 10 years and beyond, i.e. succession past our current generation of CXOs, we need to develop a great team of leaders. The difference is that managers execute orders well but a leader initiates ideas. It is only via consistently driving new ideas can a company prosper over time, as execution will be copied over time. A leader by definition needs to stand out from the crowd, dare to be different, dare to be wrong at times and dare to lead.

Please see attached for full memo.

Cheers,

NiQ Lai

Head of Talent Engagement, CFO & Co-Owner
Hong Kong Broadband Network Limited

From: NiQ Lai
Sent: Saturday, November 28, 2015 7:28 AM
To: HK Point 3x up Talents; GZ Point 3x up Talents
Subject: The joy of ride through the pain; the pride in giving 100%

Dear All Fellow Point 4up and future Point 4up,

I am too filled with pride to wait to Monday to send this email out. Yesterday, all 35 cyclist completed the 145 km (yes, we exceeded the 137 km challenge). We had a "quitters" bus at the back of the riders with capacity for 10 but this was not needed as HKBNers do not quit.

For the far majority of us, and certainly for me, this challenge took 100% of physical and mental exertion to complete. Think about this 100% effort! Think about the fact that most people just cruise through life, seldom ever pushing ourselves to our absolute 100% limits. Think about the last time we truly pushed ourselves to our 100% limit. I realized that I would have given up much earlier during the ride, had it not been the team spirit between HKBNers, i.e. none of us wanted give up. A couple of us actually fell down but just got band aided up and continued riding to the finish.

I am so proud of my fellow HKBNer cyclists …

Cheers from Kenting, with very sore biker thighs and ass,

NiQ Lai

Head of Talent Engagement, CFO & Co-Owner
Hong Kong Broadband Network Limited

From: William Yeung
Sent: Monday, April 11, 2016 7:04 AM
To: All HKBN Talents
Subject: 不要擦鞋 (No flattery)

有新同事加入， 我要在此鄭重一提:

我們公司重視真正的工作表現及能力。

我們十分鄙視及討厭任何人擦鞋或奉承上司。

我們支持健康而自願參與的活動。

我們不支持任何人(不論新人或舊人)勉強其他人(尤其職位比你低的) 參與不健康的活動。

請緊記。

如有問題或投訴， 可向 TM 或 我直接提出。

祝工作愉快！

(For NiQ/Gary/Billy info, this reminds team members : we only look at performance and capabilities, we hate/despise flattery or butter up or unhealthy team activities)

William Yeung

CEO & Co-Owner
Hong Kong Broadband Network Limited

Upgrade from E-to-Ee (Engineer to Entrepreneurial engineer)

By Gary McLaren
Chief Technology Officer and Co-Owner

A once introverted engineer who'd rather focus on technical problems than manage people, Gary reveals the evolutionary shift in his approach to drive change for multinationals, tech start-ups and even Australia's National Broadband Network. After twenty years in the business of disruption – and a reputation as a prominent information and communications technology expert – Gary attributes much of his success to entrepreneurial thinking.

I started my career as a young engineer working in big companies like Siemens and Telstra in Germany and Australia.

Initially, I was very happy doing software design, testing, coding and learning all about telecommunications.

But after 10 years things changed. I had learnt as much as I was going to on the technology side of things. I felt frustrated about the lack of career opportunities in Telstra for engineers. I could see that if I did not change I would be doing the same job for the next 20 years.

As CTO of NBN Co. I was leading the engineering for an ambitious national broadband project worth over $A40 billion.

I now realised that entrepreneurship is a combination of continuous learning, risk taking and exercising business judgement. It was great to be part of a team that creates, executes and delivers.

My first reaction to this realisation was to find something to study – I think I am addicted to learning. Mastering something new is what drives me maybe more than anything else. I started a law degree part-time purely out of curiosity to see whether I could do it.

I also changed my job after 8 years at Telstra...

Please scan the QR code on the top right corner to read Gary's blog in its entirety.

Through a combination of hard work and taking calculated risks on both cash and "sweat equity" investments, I had moved from engineer to entrepreneur after 20 years.

Turning a New Leaf in My Golden 40s

By Tony Chan
Manager – Sales, Enterprise Solutions and Co-Owner

Having accrued a 20 year career as a seasoned credit control specialist, Tony was asked to do the unthinkable – start all over again. Filled with heartfelt emotion, Tony recounts his bewildering transfer to the Enterprise Solutions division as one full of doubt, anxiety and most of all hardship. But while he would suffer one setback after another, an indomitable spirit helped see him through tough financial lows to evolve, and conquer his own lack of experience.

We all know that changing is hard, and honestly it gets harder as we become older. After spending half of my life working at the same company, in the same location and doing the same work every day, I have however set off on an entirely new path: to reinvent my career with another new peak.

With 20 years of expertise in credit control, I once thought that this would be my lifelong career. Frankly, I neither would nor could think of taking any change of this. But despite all that, fate stepped in – Two years ago the company arranged for me to transfer to the Sales Department.

Seriously? Sales?!
Can I?
Starting from scratch in my 40s?
Is this even possible?
A stream of doubts, fears, and anxiety entered my mind...

A lovely family portrait with wife and child.

After making mistakes again and again, the best description I can give about myself was of guilt and self-indictment. Even worse, there is still a sales team that is under my supervision. If you ask me, have I ever considered giving up? My answer would be "yes".

When your mind is set, nothing is difficult on this earth. It is easy to say this, but actions speak louder than words. My experience tells me it is possible to do so.

Please scan the QR code on the top right corner to read Tony's blog in its entirety.

A snapshot taken with my Enterprise Solutions teammates.

From Property Agent to HKBN Co-Owner

By Mikron Ng
Director – Customer Acquisition and Co-Owner

A long serving HKBN Talent, Mikron's 17 year progression has not always been smooth sailings. A former real estate agent, Mikron retells a journey of early success, and a setback that threatened his will to continue. But with determination and some sound advice from our CEO, he fearlessly embraced each new role, and eventually became an important senior executive and Co-Owner of HKBN.

With over 17 years of evolutionary growth at HKBN, Mikron currently oversees two business units comprised of over 1,000 sales people.

Like many ordinary people in Hong Kong, I started my career as a salesperson, i.e. a property agent in a small firm called Treasure Land Property Agency... In the first year and a half, just before the property bubble burst in 1997, it was not difficult for me to make transactions and earn a decent income. However, I eventually resigned at the end of 1998 because of poor market conditions...

...As a result, my performance became outstanding after two years. I elevated my departmental ranking from the bottom two to the top three out of 39 departments in three years.

My early years at HKBN.

Seizing the moment, I immediately applied for a corporate sales position at City Telecom, an energetic, young, innovative and growing company... In the first six years, I began as a Corporate Account Manager. I did very well. So after two years, I was promoted to be a manager to oversee several sales teams. With the business expansion, I headed up a sales team of 150 people...

In 2005, after six months of taking on the sales teams, what I noticed was everything was entirely different than I expected. I lost direction and thought everything was unmanageable. So, I started to have second thoughts. I wanted to give up and find a new job...

Please scan the QR code on the top right corner to read Mikron's blog in its entirety.

To lead others with change, you must be brave enough to endure personal risk. During a downturn, you should be positive and persistent...

Sharing a proud moment as one of my team members graduates from HKBN's five-year Next Station: University programme.

Shooting for the Stars: a $1 Million Challenge

By Erica Tsang
Graduate Technical Trainee

What we learn from inexperience can positively define who we become. Graduate Technical Trainee, Erica, reflects on how her involvement in helping organise a 145 km charity ride across Kenting, Taiwan would free her mind of constraints – particularly the shortcomings that come with setting comfortable targets.

The 2015 Management Experiential Trip was about physically challenging our top managers with a 145 km cycling tour in Kenting, Taiwan to raise at least HK$1 million in support of St. James' Settlement People's Food Bank and deliver over 35,000 boxed meal for the needy. In total, 35 Talents – myself included as a Graduate Technical Trainee – joined the trip to form the 'Le Tour de Force' team.

Originally, our fundraising target was only $180K. This, plus a $180K donation matched by our HKBN Talent CSI Fund would give us a total of $360K. However, soon after blasting out our plan to all participants, I received a long distance call followed by emails from our Chief Talent & Finance Officer and Co-Owner, NiQ Lai. He felt the target was far too low and we should aim higher.

Often people tend to set comfortable goals that are easily achievable, so they can feel content after completing such targets. The thought of failure prevents them from aiming big.

The target was then raised from $180K + $180K to $500K + $500K, meaning that our target almost tripled. The $1 million target seemed unattainable, but if we could complete 50% of the target, the result would still be better than achieving 100% of our $360K original target.

Though we had to do more, in the end, we achieved something unexpected and far greater. If we had not expanded our target, we would have stopped after reaching the initial $360K objective. Instead, we raised over $1.1 million.

Please scan the QR code on the top right corner to read Erica's blog in its entirety.

To encourage Talents and their charitable efforts, a 'smoothie-making bike' helped illustrate how our kinetic energies could be harnessed into food.

Fundraising for St. James' Settlement People's Food Bank was the result of cycling 145 km in Kenting, Taiwan.

Make our Hong Kong a Better Place to Live with Next Station: University

Underlying everything we do at HKBN is the love we have for our home, Hong Kong. That's why we're always striving to go further, exhaustively exploring any opportunities for our business and practises, as well as how we engage our Talents, to bring material improvements for life in our city.

Achieving the dream of a higher education can be the start of betterment for a person and their family. As a company with over 2,500 Talents, we are mindful there are still a number of less fortunate Talents who, for various reasons, simply could not pursue a university degree in their youth. HKBN's Next Station: University (NSU) programme was designed to give our Talents a second chance at fulfilling this goal, and as a result, empower them and their families to seize a life-changing opportunity for the future. By reliving this educational odyssey, our participants overcome the challenge of balancing career, life and academic commitments – and inspire HKBN's 2,500-plus families with their perseverance.

Open Letter to HKBN's Next Station University Champions

Dear Next Station University Champions,

As you approach the summit of Graduation after an almost 5 year climb, it must be gratifying to look back at the heights that you have climbed. We know all of you had to overcome various challenges such as balancing a full time career, work related restructuring, change in family status such as getting married and having children, health issues, etc, etc.

Of all the projects that that we have been involved in our almost 10 year with HKBN Group, Next Station University is by far the one that we are most proud of. It is easy for the company to simply "gift" HK$80,000-90,000 cash cost of sponsorship to each of the students, but for us to "gift" the Next Station University degree, you needed to earn it with your hard work. Remember that Next Station University truly is a "gift" as the degree and experience belongs to you rather than the company.

Let's look forward to after graduation on some Do's and Don'ts.

Do propose to the company what you would like to do with your new skills. Do proactive speak with your managers and Talent Management to fight for PowerBar upgrades to your careers (if you find resistance from your supervisor, Do come see us directly). Do propose (give and take) rather than ask (just take). Do deliver exceptional performance before you propose.

Don't expect magic after graduation. Don't just sit there waiting for the company to give you new opportunities as this will not happen. Don't get complacent, as Next Station University is a major milestone rather than the finish line for your career development. Next Station University will open new opportunities but you have to earn it and fight for it.

At HKBN we offer a lot of "gifts" that must be earned. We "gift" Standard Charterer Marathon entry sponsorship to hundreds of HKBNers but it is up to us to get healthy enough to finish the run. We "gift" annual experience trips to our managers but it is up to us how much we personally gain from the trips via an open mind and the pre and post trip engagements.

As pending Next Station University graduates, we are extremely proud of you and you are our Champions that inspire our whole company.

NiQ Lai
Head of Talent Engagement, CFO and Co-Owner

William Yeung
CEO and Co-Owner

NSU I (2009 - 2014)

Under this five-year programme organised in association with the Hong Kong Management Association, we supported 30 Talents from Hong Kong to earn a Bachelor's Degree in Business Administration from the University of Wales. With a significant majority of the tuition fee sponsored by HKBN, our 30 Talents completed their degrees by attending courses taught by accredited professors at our office.

NSU II (2016 - 2018)

After seeing 30 of our Talents graduate from NSU and the impact it has brought, we proceeded to organise NSU II. In its second rendition, NSU II gives 40 Talents another chance to step up and take charge over the future as they undertake a three-year curriculum to pursue a BA in Business from Glyndŵr University, UK. On top of fulfilling the curricular requirements, our students must also submit a three-year plan of their own professional development. And in keeping with our Core Purpose to make our Hong Kong a better place to live, each student must also apply what they learn for the good of our communities.

Students of Next Station: University II 2016-2018

No.	Name	Title	Year Join	No.	Name	Title	Year Join
1	Alan CHAN	Technical Support Officer	2001	21	Ka Fu LEUNG	Senior Service Technician	2010
2	Alan CHAN	Assistant Manager - Business Development	2000	22	Wing Hang LI	Senior Sales Executive	2011
3	Fai CHAN	District Service Engineer	2006	23	Chris NG	District Service Engineer	2005
4	Ivan CHAN	Assistant Shop Supervisor	2005	24	Tsz Cheung NGAI	Engineer	2002
5	Kit CHAN	Logistics Executive	2006	25	Steve MAK	Area Service Manager	2009
6	Lok CHAN	Senior Online Services Executive	2007	26	Kim Pang PONG	Field Supervisor	2009
7	Nicky CHAN	District Service Network Consultant and Co-Owner	2000	27	Grace POON	Senior Officer - Operation & Sales Support	2004
8	Andy CHENG	Engineer	2004	28	Gary TANG	Senior Engineer and Co-Owner	2007
9	Floyd CHENG	Senior Technical Support Executive	2001	29	Ben TO	Senior Project Officer	2006
10	Edward CHIANG	Assistant Shop Supervisor	2011	30	Joe WAN	Assistant Manager - Sales	2015
11	Jimmy CHOI	Project Coordinator	2006	31	Danny WONG	Senior Engineer and Co-Owner	2004
12	Chun HO	Unit Manager and Co-Owner	2006	32	June WONG	Officer - Credit & Collection and Co-Owner	2004
13	Alex HUI	Technical Support Officer and Co-Owner	1999	33	Kay WONG	Senior Technical Support Executive	2008
14	Ka Man HUNG	Unit Manager	2013	34	Kelvin WONG	Assistant Engineer	2011
15	Ben KWOK	Engineer	2014	35	Stephen WONG	Engineer	2012
16	Danny KWOK	Senior Programmer	2000	36	Karina YAU	Project Coordinator	2007
17	Paul LAI	Engineer and Co-Owner	2007	37	San Pan YING	District Service Engineer	2002
18	Dumas LEE	Engineer and Co-Owner	1999	38	Sunny YIP	Assistant Manager - Content Operations	2008
19	Chris LEUNG	Assistant Engineer	2006	39	Marco YUEN	District Service Engineer	2014
20	Hiu Fung LEUNG	Engineer and Co-Owner	2000				

Seizing a Better Future

Jacky Lo
Senior District Service Network Consultant and Co-Owner
NSU I Graduate

A sibling to two university educated brothers, Jacky Lo never had the opportunity at a post-secondary degree. Since joining HKBN in 2002, he honed his career as a Certified Professional Engineer for broadband installation, serving customers on the frontlines. While progress was fair – he earned several job promotions – Jacky understood that without higher learning, his potential for advancement would remain hindered by a glass ceiling. To further his prospects, as well as to secure a better future for his family, Jacky enrolled in and completed the five-year NSU I programme.

"As a frontline team leader, I've watched this company expand at an incredible pace. I realised that if I didn't do more to change my position, the future would be bleak. I'd either remain where I was or be forced to go backwards. To upend this outcome, I looked for change. That's why when NSU I came knocking, I jumped at the chance.

I've always wanted to resume my learning. But without support from my family, this entire journey would have been much more difficult. Looking back at the graduation ceremony, I can recall feeling overwhelmed with emotion. Truthfully, my family members were happier than I was of this achievement.

After earning my degree, people tell me that I have been able to look at things with a wider, more strategic perspective. When approaching any situation, I am now more proactive about finding ways to make an impact on projects. Fortunately, the company has recognised this. Since my graduation, I've been promoted, and now oversee the work of over 70 Talents.

Even though my son is still young, I want to say to him that as long as you have determination, nothing is ever too late. Plus, to inspire others not to give up so easily on their dreams, I have taken part in outreach programmes to share my experiences with high school students."

Go-getting Husband and Wife Team

Karina Yau, Project Coordinator, &
Ivan Chan, Senior Shop Assistant
NSU II Participants

As the very first married couple to simultaneously enroll in the NSU programme, both Karina and Ivan are ready to give themselves and the future of their family a status update. A long serving HKBNer who has worked retail since 2005, Ivan has always aspired to expand his career beyond the retail space. His partner Karina, having held a wide range of positions in her nine years with HKBN, is looking to focus on building and elevating her career. Their enrollment and the special dynamic they bring as young parents, epitomises the NSU programme and its purpose for changing lives. Together, they inspire us with their determination for a better future.

Ivan: "I had wanted to join NSU I, but for various reasons, I simply did not have time. This time, I cannot let NSU II slip by without trying. As a frontline Talent, given that our busiest days are during weekends, my participation doesn't come easy. I must thank my teammates and supervisors, who adjusted their schedules so I could attend classes. They truly have sacrificed a lot!

Having worked in retail for so many years, I knew that something had to be done to improve my situation. While it's true that we are now sacrificing a lot, I want to use this experience to tell my son we are pursuing something very important – higher education. I would like to use the next three years to change our lives, and remind everyone that learning has nothing to do with age."

Karina: "Initially, I was hesitant because the two of us joining would make things rather difficult. But after some consideration, I realised that with the benefit of HKBN's 9 to 5 working hours I have a reasonable amount of time to spend with our son. After he goes to bed, I proceed onto my studies. As a mother, it's natural to want to settle down and keep things simple. But I want to step outside my comfort zone and show our child I can succeed despite the adversity.

In the nine years with HKBN, I have held many positions in various departments. With support from my current boss, I want to change and fully concentrate on self-improvement to develop my career. It's tough, but I can rely on my parents who help by looking after our son during weekend classes."

Review Report

REVIEW REPORT TO THE BOARD OF DIRECTORS OF HKBN LTD.

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 37 to 55 which comprises the consolidated statement of financial position of HKBN Ltd. (the "Company") as of 29 February 2016 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of the interim financial report 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 29 February 2016 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

20 April 2016

Consolidated income statement for the six months ended 29 February 2016 – unaudited

(Expressed in Hong Kong dollars)

		Six months ended	
	Note	**29 February 2016 $'000**	28 February 2015 $'000
Revenue	4	**1,225,539**	1,126,111
Other net income	5(a)	**8,194**	9,841
Network costs and costs of sales		**(136,504)**	(128,851)
Other operating expenses	5(b)	**(847,045)**	(814,147)
Finance costs	5(d)	**(66,336)**	(198,501)
Share of losses of joint ventures		**(396)**	–
Profit/(loss) before taxation	5	**183,452**	(5,547)
Income tax	6	**(48,200)**	(41,141)
Profit/(loss) for the period attributable to equity shareholders of the Company		**135,252**	(46,688)
Earnings/(loss) per share	7		
Basic		**13.5 cents**	(4.7) cents
Diluted		**13.5 cents**	(4.7) cents

The notes on pages 43 to 55 form part of this interim financial report. Details of dividend payable to equity shareholders of the Company are set out in note 13(a).

Consolidated statement of comprehensive income for the six months ended 29 February 2016 – unaudited

(Expressed in Hong Kong dollars)

	Six months ended	
	29 February 2016 $'000	28 February 2015 $'000
Profit/(loss) for the period	**135,252**	(46,688)
Other comprehensive income for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of a subsidiary outside Hong Kong, with nil tax effect	**(2,241)**	(2,065)
Total comprehensive income for the period attributable to equity shareholders of the Company	**133,011**	(48,753)

The notes on pages 43 to 55 form part of this interim financial report.

Consolidated statement of financial position at 29 February 2016 – unaudited

(Expressed in Hong Kong dollars)

	Note	At 29 February 2016 $'000	At 31 August 2015 $'000
Non-current assets			
Goodwill		**1,594,110**	1,594,110
Intangible assets		**1,298,083**	1,330,501
Property, plant and equipment	8	**1,961,034**	1,969,803
Interests in joint ventures		**9,497**	9,893
Other non-current assets		**16,970**	19,503
		4,879,694	4,923,810
Current assets			
Inventories		**36,306**	14,373
Accounts receivable	9	**94,529**	81,685
Other receivables, deposits and prepayments	9	**195,076**	201,910
Amount due from a joint venture		**803**	329
Cash and cash equivalents	10	**271,049**	328,950
		597,763	627,247
Current liabilities			
Accounts payable	11	**21,639**	6,561
Other payables and accrued charges	11	**260,311**	217,394
Deposits received		**34,177**	33,385
Deferred services revenue – current portion		**57,933**	55,168
Obligations under granting of rights – current portion		**9,024**	9,024
Amount due to the former substantial shareholder		**–**	33,372
Amounts due to joint ventures		**10,000**	10,000
Contingent consideration – current portion		**–**	2,457
Tax payable		**86,661**	121,222
		479,745	488,583
Net current assets		**118,018**	138,664
Total assets less current liabilities		**4,997,712**	5,062,474

Consolidated statement of financial position at 29 February 2016 – unaudited (continued)

(Expressed in Hong Kong dollars)

	Note	At 29 February 2016 $'000	At 31 August 2015 $'000
Non-current liabilities			
Derivative financial instrument		**19,906**	13,413
Deferred services revenue – long-term portion		**22,843**	13,844
Obligations under granting of rights – long-term portion		**47,379**	51,891
Deferred tax liabilities		**417,583**	438,916
Provision for reinstatement costs		**12,050**	11,334
Bank loan	12	**3,027,532**	3,018,889
		3,547,293	3,548,287
NET ASSETS		**1,450,419**	1,514,187
CAPITAL AND RESERVES	13		
Share capital		**101**	101
Reserves		**1,450,318**	1,514,086
TOTAL EQUITY		**1,450,419**	1,514,187

The notes on pages 43 to 55 form part of this interim financial report.

Consolidated statement of changes in equity for the six months ended 29 February 2016 – unaudited

(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company						
	Note	Share capital $'000	Share premium $'000	Capital reserve $'000	Other reserve $'000	(Accumulated losses)/ retained profits $'000	Exchange reserve $'000	Total $'000
Balance at 1 September 2014		8	1,757,197	–	–	(116,675)	2,315	1,642,845
Changes in equity for the six months ended 28 February 2015:								
Loss for the period		–	–	–	–	(46,688)	–	(46,688)
Other comprehensive income		–	–	–	–	–	(2,065)	(2,065)
Total comprehensive income		–	–	–	–	(46,688)	(2,065)	(48,753)
Issue of shares	13(b)(ii)	100	1,160,685	–	–	–	–	1,160,785
Elimination on the completion of the Share Transfer	13(c)	(8)	(1,757,197)	–	596,420	–	–	(1,160,785)
Dividend declared prior to the Reorganisation	13(a)(iii)	–	(230,158)	–	–	–	–	(230,158)
Balance at 28 February 2015 and 1 March 2015		100	930,527	–	596,420	(163,363)	250	1,363,934
Changes in equity for the six months ended 31 August 2015:								
Profit for the period		–	–	–	–	150,956	–	150,956
Other comprehensive income		–	–	–	–	–	(2,234)	(2,234)
Total comprehensive income		–	–	–	–	150,956	(2,234)	148,722
Capitalisation issue	13(b)(iii)	1	(1)	–	–	–	–	–
Equity-settled share-based transactions	13(d)	–	–	1,531	–	–	–	1,531
Balance at 31 August 2015 and 1 September 2015		101	930,526	1,531	596,420	(12,407)	(1,984)	1,514,187
Changes in equity for the six months ended 29 February 2016:								
Profit for the period		**–**	**–**	**–**	**–**	**135,252**	**–**	**135,252**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**(2,241)**	**(2,241)**
Total comprehensive income		**–**	**–**	**–**	**–**	**135,252**	**(2,241)**	**133,011**
Dividend approved in respect of the previous year	13(a)(ii)	**–**	**(201,133)**	**–**	**–**	**–**	**–**	**(201,133)**
Equity-settled share-based transactions	13(d)	**–**	**–**	**4,354**	**–**	**–**	**–**	**4,354**
Balance at 29 February 2016		**101**	**729,393**	**5,885**	**596,420**	**122,845**	**(4,225)**	**1,450,419**

The notes on pages 43 to 55 form part of this interim financial report.

Condensed consolidated cash flow statement for the six months ended 29 February 2016 – unaudited

(Expressed in Hong Kong dollars)

	Six months ended	
	29 February 2016 $'000	28 February 2015 $'000
Operating activities		
Cash generated from operations	**462,707**	313,476
Hong Kong Profits Tax paid	**(54,147)**	(81,968)
Tax paid outside Hong Kong	**(1,947)**	(2,523)
Purchase of tax reserve certificate	**(208)**	–
Net cash generated from operating activities	**406,405**	228,985
Investing activities		
Payment for purchase of property, plant and equipment	**(177,931)**	(120,549)
Proceeds from sale of property, plant and equipment	**1,054**	988
Payment for contingent consideration	**(2,457)**	(4,195)
Other cash flows arising from investing activities	**647**	1,909
Net cash used in investing activities	**(178,687)**	(121,847)
Financing activities		
Proceeds from bank loan, net of transaction costs	**–**	3,009,843
Payments of transaction costs for banking facilities	**–**	(12,439)
Payment for early redemption of senior notes	**–**	(3,095,624)
Interest paid on bank loan	**(37,667)**	(6,812)
Interest paid on senior notes	**–**	(82,124)
Interest paid on interest-rate swap	**(14,336)**	–
Payments of amount due to the former substantial shareholder	**(33,372)**	–
Dividend paid	**(201,133)**	–
Other cash flows arising from financing activities	**–**	(4,060)
Net cash used in financing activities	**(286,508)**	(191,216)
Net decrease in cash and cash equivalents	**(58,790)**	(84,078)
Cash and cash equivalents at the beginning of the period	**328,950**	435,630
Effect of foreign exchange rate changes	**889**	1,200
Cash and cash equivalents at the end of the period	**271,049**	352,752

The notes on pages 43 to 55 form part of this interim financial report.

Notes to the unaudited interim financial report

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report of HKBN Ltd. (the "Company") and its subsidiaries (together the "Group") has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 20 April 2016.

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"), 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 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.

MLHL transferred, by way of distribution, all of the Company's shares held by it to its shareholders on 11 March 2015.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 12 March 2015 (the "Listing"). Upon the Listing, all of the shares offered were sold by the then shareholders, the Company did not issue any new shares.

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.

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 interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements of the Group for the year ended 31 August 2015, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 August 2015. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG 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. KPMG's independent review report to the Board of Directors is included on page 36.

The financial information relating to the financial year ended 31 August 2015 that is included in the interim financial report as comparative information does not constitute the Group's financial statements for that financial year but is derived from those financial statements.

Notes to the unaudited interim financial report

(Expressed in Hong Kong dollars unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. None of these developments have had a material effect on how the Group's results and financial position for the current and prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in the interim financial report, 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 revenue and profit from operations of the Group are primarily derived from its activities in Hong Kong.

4 REVENUE

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.

Revenue 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 during the period is as follows:

	Six months ended	
	29 February 2016 $'000	28 February 2015 $'000
Residential revenue	**898,951**	871,671
Enterprise revenue	**269,381**	229,328
Product revenue	**57,207**	25,112
	1,225,539	1,126,111

Notes to the unaudited interim financial report

(Expressed in Hong Kong dollars unless otherwise indicated)

5 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging/(crediting):

	Six months ended 29 February 2016 $'000	Six months ended 28 February 2015 $'000
(a) Other net income		
Interest income	**(647)**	(1,909)
Net foreign exchange (gain)/loss	**(1,802)**	724
Amortisation of obligations under granting of rights	**(4,512)**	(4,512)
Change in fair value of contingent consideration	**–**	(2,165)
Other income	**(1,233)**	(1,979)
	(8,194)	(9,841)
(b) Other operating expenses		
Advertising and marketing expenses	**222,367**	191,409
Depreciation	**178,654**	183,693
Loss/(gain) on disposal of property, plant and equipment, net	**242**	(33)
Impairment losses on accounts receivable	**8,933**	12,028
Talent costs (note 5(c))	**223,069**	198,989
Amortisation of intangible assets	**56,557**	55,083
Listing expenses	**–**	52,419
Transaction costs in connection with business combination (note 18)	**26,914**	–
Others	**130,309**	120,559
	847,045	814,147
(c) Talent costs		
Salaries, wages and other benefits	**342,343**	310,628
Contributions to defined contribution retirement plan	**24,304**	24,233
Equity-settled share-based payment expenses	**4,354**	–
Cash-settled share-based payment expenses	**289**	–
	371,290	334,861
Less: Talent costs capitalised as property, plant and equipment	**(13,279)**	(12,467)
Talent costs included in advertising and marketing expenses	**(134,942)**	(123,405)
	223,069	198,989

Talent costs include all compensation and benefits paid to and accrued for all individuals employed by the Group, including directors.

Notes to the unaudited interim financial report

(Expressed in Hong Kong dollars unless otherwise indicated)

5 PROFIT/(LOSS) BEFORE TAXATION (CONTINUED)

Profit/(loss) before taxation is arrived at after charging/(crediting): (continued)

	Six months ended	
	29 February 2016 $'000	28 February 2015 $'000
(d) Finance costs		
Interest on bank loan	**45,884**	10,173
Interest on interest-rate swap, net	**13,959**	462
Interest on senior notes	**–**	66,826
Fair value loss on interest-rate swap	**6,493**	13,206
Loss on extinguishment of senior notes	**–**	96,234
Originating fee for banking facility expired	**–**	11,600
	66,336	198,501
(e) Other items		
Operating lease charges in respect of land and buildings: minimum lease payments	**17,340**	18,151
Operating lease charges in respect of telecommunications facilities and computer equipment: minimum lease payments	**61,415**	61,708
Research and development costs	**8,389**	9,896
Cost of inventories	**40,007**	23,159

6 INCOME TAX

	Six months ended	
	29 February 2016 $'000	28 February 2015 $'000
Current tax – Hong Kong Profits Tax	**67,581**	62,777
Current tax – Outside Hong Kong	**1,952**	2,388
Deferred tax	**(21,333)**	(24,024)
	48,200	41,141

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (six months ended 28 February 2015: 16.5%) of the estimated assessable profits for the six months ended 29 February 2016.

Income tax expense for the current taxation outside Hong Kong is mainly related to the income tax in the People's Republic of China (the "PRC") and is similarly calculated using the estimated annual effective rate of taxation that is expected to be applicable in the PRC.

Notes to the unaudited interim financial report

(Expressed in Hong Kong dollars unless otherwise indicated)

7 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to ordinary equity shareholders of the Company of $135,252,000 (six months ended 28 February 2015: loss of $46,688,000) and the weighted average number of ordinary shares in issue less shares held for the Co-Ownership Plan II, of 1,000,000,000 ordinary shares (six months ended 28 February 2015: 1,000,000,000 ordinary shares). The calculation is based on the assumption that 1,000,000,000 ordinary shares were in issue as if these ordinary shares issued at the date the Company became the holding company of the Group were outstanding throughout both periods presented.

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings/(loss) per share is based on the profit attributable to ordinary equity shareholders of the Company of $135,252,000 (six months ended 28 February 2015: loss of $46,688,000) and the weighted average number of ordinary shares in issue less shares held for the Co-Ownership Plan II after adjusting for the dilutive effect of the Company's Co-Ownership Plan II, calculated as follows:

	Six months ended	
	29 February 2016 '000	28 February 2015 '000
Weighted average number of ordinary shares less shares held for the Co-Ownership Plan II	**1,000,000**	1,000,000
Effect of the Co-Ownership Plan II	**1,761**	–
Weighted average number of ordinary shares (diluted)	**1,001,761**	1,000,000

8 PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 29 February 2016, the Group's additions of property, plant and equipment with a cost of $195,430,000 (six months ended 28 February 2015: $164,883,000), including the telecommunication, computer and office equipment of $188,444,000 (six months ended 28 February 2015: $147,337,000).

During the six months ended 29 February 2016, the Group transferred certain property, plant and equipment with a net book value of $24,139,000 to intangible assets relating to contractual right to receive future economic benefits.

During the six months ended 29 February 2016, the Group disposed of certain property, plant and equipment with a net book value of $1,296,000 (six months ended 28 February 2015: $955,000), resulting in a loss on disposal of $242,000 (six months ended 28 February 2015: gain on disposal of $33,000).

Notes to the unaudited interim financial report

(Expressed in Hong Kong dollars unless otherwise indicated)

9 ACCOUNTS RECEIVABLE, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

As of the end of the reporting period, the ageing analysis of accounts receivable, based on the invoice date and net of allowance for doubtful debts, is as follows:

	At 29 February 2016 $'000	At 31 August 2015 $'000
Within 30 days	**70,119**	60,383
31 to 60 days	**17,817**	14,542
61 to 90 days	**5,964**	4,619
Over 90 days	**629**	2,141
Accounts receivable, net of allowance for doubtful debts	**94,529**	81,685
Other receivables, deposits and prepayments	**195,076**	201,910
	289,605	283,595

The majority of the Group's accounts receivable is due within 30 days from the date of billing. Subscribers with receivable that are more than 3 months overdue are requested to settle all outstanding balances before further credit is granted.

Other receivables, deposits and prepayments consist of rental deposit, interest receivable, unbilled revenue, prepayments and other receivables. All of the other receivables, except for rental deposits and other receivables amounted to $9,414,000 (31 August 2015: $8,963,000), are expected to be recovered within one year.

10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the consolidated statement of financial position and condensed consolidated cash flow statement comprise:

	At 29 February 2016 $'000	At 31 August 2015 $'000
Cash at bank and in hand	**271,049**	328,950

Notes to the unaudited interim financial report

(Expressed in Hong Kong dollars unless otherwise indicated)

11 ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUED CHARGES

As of the end of the reporting period, the ageing analysis of accounts payable, based on the invoice date, is as follows:

	At 29 February 2016 $'000	At 31 August 2015 $'000
Within 30 days	**12,054**	2,537
31 to 60 days	**5,088**	12
61 to 90 days	**534**	11
Over 90 days	**3,963**	4,001
Accounts payable	**21,639**	6,561
Other payables and accrued charges	**260,311**	217,394
	281,950	223,955

12 BANK LOAN

At 29 February 2016, the Group has term and revolving credit facilities agreement of $3,300,000,000 (31 August 2015: $3,300,000,000) in aggregate with various international banks.

At 29 February 2016, the Group has a bank loan with principal amount of $3,100,000,000 (31 August 2015: $3,100,000,000). The bank loan is interest-bearing at Hong Kong Inter-bank Offered Rate plus a margin of 1.85% (31 August 2015: 2.06%) per annum payable quarterly.

The bank loan is recognised initially at fair value less attributable transactions costs. Subsequent to initial recognition, the bank loan is stated at amortised cost with any difference between the amount initially recognised and interest payable using the effective interest method. To calculate the effective interest in each reporting period, the effective interest rate is applied to the amortised cost of the bank loan at the end of the previous reporting period.

The effective interest rate of the bank loan as of 29 February 2016 is 3.1% (31 August 2015: 3.2%). At 29 February 2016, the amortised cost of the bank loan is $3,027,532,000 (31 August 2015: $3,018,889,000).

The bank loan is unsecured and covered by a cross guarantee arrangement issued by the Company, MLCL, HKBN Group Limited ("HKBNGL") and Hong Kong Broadband Network Limited, and repayable in full upon final maturity on 20 January 2020.

Notes to the unaudited interim financial report

(Expressed in Hong Kong dollars unless otherwise indicated)

13 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

(i) Dividends payable to equity shareholders attributable to the interim period

	Six months ended	
	29 February 2016 $'000	28 February 2015 $'000
Interim dividend declared after the interim period of 20 cents per ordinary share (six months ended 28 February 2015: Nil cents per ordinary share)	**201,133**	–

The interim dividend has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period

	Six months ended	
	29 February 2016 $'000	28 February 2015 $'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of 20 cents per ordinary share (six months ended 28 February 2015: Nil cents per ordinary share)	**201,133**	–

(iii) Dividend of US$29,660,000 (equivalent to $230,158,000) declared to the former immediate holding company prior to the completion of the Reorganisation was approved on 18 February 2015 and recognised as dividend payable to the former immediate holding company as at 28 February 2015. The dividend was paid on 9 March 2015.

Notes to the unaudited interim financial report

(Expressed in Hong Kong dollars unless otherwise indicated)

13 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Share capital

	No. of shares	$'000
Authorised:		
At 26 November 2014 (date of incorporation), 31 August 2015, 1 September 2015 and 29 February 2016 (note (i))	3,800,000,000	380
Ordinary shares, issued and fully paid:		
At 26 November 2014 (date of incorporation) (note (i))	1	–
Issue of shares (note (ii))	999,999,999	100
Capitalisation issue (note (iii))	5,666,666	1
At 31 August 2015, 1 September 2015 and 29 February 2016	1,005,666,666	101

Notes:

(i) The Company was incorporated on 26 November 2014 with an authorised share capital of $380,000 divided into 3,800,000,000 ordinary shares of $0.0001 each. On the same date, one ordinary share of $0.0001 was allocated and issued at par.

(ii) On 17 February 2015, the Company issued additional 999,999,999 ordinary shares of $0.0001 each to MLHL in consideration for the transfer by MLHL of the entire issued share capital of MLCL, with a carrying amount of $1,160,785,000, to the Company. The Company credited all 1,000,000,000 ordinary shares outstanding as of 17 February 2015 as fully paid, amounting to $100,000. The remaining of $1,160,685,000 was recorded in the share premium account.

(iii) On 12 March 2015. the Company capitalised an amount of $567 standing to the credit of the share premium account by applying such sum in paying up in full at par of 5,666,666 ordinary shares for allotment and issue to the appointed trustee, in which the shares are held on trust by the appointed trustee until their release to the beneficiaries upon the vesting of the Restricted Share Units ("RSUs") granted to the directors and talents of the Group pursuant to the Co-Ownership Plan II ("the Plan").

(c) Other reserve

Upon the completion of the Share Transfer, the Company became the holding company of the Group, and the combined share capital and share premium prior to the Share Transfer, amounting to $8,000 and $1,757,197,000 respectively, were eliminated against the investment in MLCL with a carrying amount of $1,160,785,000. The remaining balance of $596,420,000 was recorded in the other reserve.

Notes to the unaudited interim financial report

(Expressed in Hong Kong dollars unless otherwise indicated)

13 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Equity-settled share-based transactions

On 21 February 2015, the Company adopted the Plan relating to the grant of RSUs to directors and talents of the Group. The purpose of the Plan is to attract, retain and motivate skilled and experienced talents of the Group. The RSUs are the contingent rights to receive the Company's shares at the relevant matching ratio in respect of any shares purchased by the talents, subject to certain terms, conditions and undertakings.

On 29 June 2015 and 18 August 2015, 2,723,000 RSUs and 133,000 RSUs were granted to talents of the Group in Hong Kong by the Company under the Plan respectively. The directors estimated the weighted average fair value of each RSU at the grant date to be $8.50.

On 20 November 2015, 159,000 RSUs were granted to talents of the Group in Hong Kong by the Company under the Plan. The directors estimated the weighted average fair value of each RSU at the grant date to be $10.28.

The shares are held on trust by the appointed trustee until their release to the beneficiaries upon the vesting of the RSUs. For the RSUs granted on 29 June 2015, 25%, 25% and 50% of the RSUs will vest on 29 June 2016, 29 June 2017 and 29 June 2018, respectively. For the RSUs granted on 18 August 2015, 25%, 25% and 50% of the RSUs will vest on 18 August 2016, 18 August 2017 and 18 August 2018, respectively. For the RSUs granted on 20 November 2015, 25%, 25% and 50% of the RSUs will vest on 20 November 2016, 20 November 2017 and 20 November 2018, respectively.

14 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial liabilities measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value 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 value 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 value measured using significant unobservable inputs

Notes to the unaudited interim financial report

(Expressed in Hong Kong dollars unless otherwise indicated)

14 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial liabilities measured at fair value (continued)

(i) Fair value hierarchy (continued)

	Fair value at 29 February 2016 $'000	Fair value measurement as at 29 February 2016 categorised into Level 1 $'000	Level 2 $'000	Level 3 $'000
Recurring fair value measurement				
Financial liabilities:				
Derivative financial instrument:				
–Interest-rate swap	**19,906**	**–**	**19,906**	**–**

	Fair value at 31 August 2015 $'000	Fair value measurement as at 31 August 2015 categorised into Level 1 $'000	Level 2 $'000	Level 3 $'000
Recurring fair value measurement				
Financial liabilities:				
Derivative financial instrument:				
–Interest-rate swap	13,413	–	13,413	–
Contingent consideration	2,457	–	–	2,457

During the six months ended 29 February 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (year ended 31 August 2015: $Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Valuation techniques and inputs used in Level 2 fair value measurement

The fair value of interest-rate swap is the estimated amount that the Group would receive or pay to terminate the swap at the end of the reporting period, taking into account the current interest rates and the current creditworthiness of the swap counterparty.

(iii) Information about Level 3 fair value measurement

The fair value of the contingent consideration at 31 August 2015 was determined considering the expected payment, discounted to present value using a risk-adjusted discount rate of 18%.

Notes to the unaudited interim financial report

(Expressed in Hong Kong dollars unless otherwise indicated)

14 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial liabilities measured at fair value (continued)

(iii) Information about Level 3 fair value measurement (continued)

The movement during the period in the balance of Level 3 fair value measurement is as follows:

	At 29 February 2016 $'000	At 31 August 2015 $'000
Contingent consideration		
At the beginning of the period/year	**2,457**	9,575
Settlement of contingent consideration for the period/year	**(2,457)**	(4,195)
Change in fair value during the period/year	**–**	(2,923)
At the end of the period/year	**–**	2,457

(b) Fair values of financial assets and liabilities carried at other than fair value

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 29 February 2016 and 31 August 2015.

15 CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

	At 29 February 2016 $'000	At 31 August 2015 $'000
Purchase of telecommunications, computer and office equipment		
Contracted but not provided for	**132,214**	94,112

16 CONTINGENT LIABILITIES

	At 29 February 2016 $'000	At 31 August 2015 $'000
Bank guarantee in lieu of payment of utility deposits	**3,622**	3,622

At 29 February 2016 and 31 August 2015, the directors did 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 $Nil during the period (year ended 31 August 2015: $Nil).

Legal contingencies

The Group is a defendant in certain lawsuits as well as the named party in other proceedings arising in the ordinary course of business. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, management believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group.

Notes to the unaudited interim financial report

(Expressed in Hong Kong dollars unless otherwise indicated)

17 MATERIAL RELATED PARTY TRANSACTIONS

Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors of the Company, is as follows:

	Six months ended	
	29 February 2016 $'000	28 February 2015 $'000
Short-term employee benefits	**14,797**	18,007
Post-employment benefits	**1,238**	1,161
Equity compensation benefits	**939**	–
	16,974	19,168

18 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 18 February 2016, HKBNGL (a subsidiary of the Company and as the purchaser), the Company (as the purchaser's guarantor), New World Telephone Holdings Limited ("NWTHL") (as the seller) and New World Development Company Limited ("NWD") (as the seller's guarantor) entered into a share purchase agreement (the "Share Purchase Agreement"), pursuant to which, among other things, HKBNGL has conditionally agreed to purchase, and NWTHL has conditionally agreed to sell, the entire issued share capital of Concord Ideas Ltd. ("Concord") and Simple Click Investments Limited ("Simple Click") (the "Acquisition") for a cash consideration calculated on a cash-free, debt-free basis, of $650,000,000 (subject to certain closing and post-closing adjustments). In addition, on 31 March 2016, HKBNGL and NWTHL entered into a rebate agreement whereby HKBNGL will provide cash rebates to NWTHL for services provided by the Group, Concord and Simple Click and their subsidiaries to NWD and Chow Tai Fook Enterprises Limited and their subsidiaries and related parties based on 50% of settled invoices up to $50,000,000 in aggregate.

The Group intends to finance the Acquisition by a five-year bullet term loan facility of $700,000,000 ("Term Loan") initially underwritten by JPMorgan Chase Bank, N.A., Hong Kong Branch.

The Acquisition and Term Loan were approved in an extraordinary general meeting held on 16 March 2016 and the completion of the Acquisition took place on 31 March 2016. The Term Loan of $700,000,000 has been drawdown on the same day to settle the cash consideration of the Acquisition.

The Acquisition is to be accounted for as a business combination in accordance with HKFRS 3, *Business Combinations*. Up to the approval date of this interim financial report, the directors are still in the process of determining the fair values of the net identifiable assets of the Acquisition.

No adjustments have been made to this interim financial report as a result of the above event.

Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 29 February 2016, the Directors and chief executives of the Company had the following interests and short positions in the shares, underlying shares (in respect of positions held pursuant to equity derivatives), and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein; or (c) were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules"):

Long position

Ordinary shares of HK$0.0001 each in the Company

Name of Director		Number of shares held	Number of underlying shares held under equity derivatives (Note 1)	Total number of shares held	Percentage of the issued share capital of the Company
Mr. Bradley Jay HORWITZ	(Note 2)	100,000	–	100,000	0.01%
Mr. William Chu Kwong YEUNG	(Note 3)	26,199,298	238,608	26,437,906	2.63%
Mr. Ni Quiaque LAI	(Note 4)	32,391,520	158,132	32,549,652	3.24%

Note:

1. *These represent the number of restricted share units (the "RSU") which will be vested in such Directors under the Co-Ownership Plan II adopted by the Company on 21 February 2015.*

2. *Mr. Bradley Jay HORWITZ is personally interested in 100,000 ordinary shares.*

3. *Among 26,437,906 ordinary shares which Mr. William Chu Kwong YEUNG are personally interested in, 238,608 RSUs that were granted to him pursuant to the Co-Ownership Plan II adopted by the Company on 21 February 2015, which were subject to certain vesting conditions, remained unvested.*

4. *Among 32,549,652 ordinary shares which Mr. Ni Quiaque LAI are personally interested in, 158,132 RSUs that were granted to him pursuant to the Co-Ownership Plan II adopted by the Company on 21 February 2015, which were subject to certain vesting conditions, remained unvested.*

Other than the interests disclosed above, none of the Directors nor the chief executives nor their associates had any interests or short positions in any shares, underlying shares (in respect of positions held pursuant to equity derivatives) or debentures of the Company or any of its associated corporations as at 29 February 2016.

Other Information

SHARE INCENTIVE SCHEME

Co-Ownership Plan II (the "Plan")

To attract, retain and motivate skilled and experienced Talents, the Company adopted the Plan on 21 February 2015. Under the Plan, the Board may, in its absolute discretion, invite participants to purchase shares of the Company and agree to grant them a contingent right to receive shares (i.e. RSU) at the relevant matching ratio in respect of any shares purchased, subject to certain terms, conditions and undertakings. The total number of shares that may underlie the RSUs granted pursuant to the Plan shall be (i) 10% of the shares in issue on the Listing Date or (ii) 10% or less of the shares in issue as at the date following the date of approval of the renewed limit (as the case may be). The Plan 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 it is terminated in accordance with the terms of the Plan, after which period no further RSUs shall be offered or granted.

In order to enable the Plan trustee to release shares to participants upon vesting of each RSU, the Company allotted and issued, on the Listing Date, by way of capitalisation issue 5,666,666 ordinary shares to the Plan trustee. Such shares represented approximately 0.56% of the total issued share capital of the Company on the Listing Date. The Plan trustee will hold such shares on trust until their release to participants upon vesting of the RSUs.

Details of movements of the Plan during the six months ended 29 February 2016 are as follows:

		Number of RSUs								
								To be vested on 29 June/18 August/20 November (As at 29 February 2016)		
Participants	Date of grant	Granted	As at 1 September 2015	Granted during the period	Forfeited during the period	Vested during the period	As at 29 February 2016	2016	2017	2018
Mr. William Chu Kwong YEUNG*	29 June 2015	238,608	238,608	–	–	–	238,608	59,652	59,652	119,304
Mr. Ni Quiaque LAI*	29 June 2015	158,132	158,132	–	–	–	158,132	39,533	39,533	79,066
Other Participants	29 June 2015	2,326,246	2,318,415	–	86,506	–	2,231,909	557,890	557,890	1,116,129
Other Participants	18 August 2015	273,612	273,612	–	–	–	273,612	68,386	68,386	136,840
Other Participants	20 November 2015	158,567	–	158,567	–	–	158,567	39,639	39,639	79,289
Total		**3,155,165**	**2,988,767**	**158,567**	**86,506**	**–**	**3,060,828**	**765,100**	**765,100**	**1,530,628**

* *Director of the Company*

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the "Share Incentive Scheme" above, at no time during the six months ended 29 February 2016 was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

Other Information

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 29 February 2016, to the best knowledge of the Directors and chief executives of the Company, the following persons (other than any Directors or chief executives of the Company) were substantial shareholders, had notified the Company of their relevant interests in shares and underlying shares (in respect of positions held pursuant to equity derivatives) representing 5% or more of the issued share capital of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept under Section 336 of Part XV of the SFO:

Long position

Ordinary shares of HK$0.0001 each in the Company

Name of shareholder	Note	Number of ordinary shares beneficially held	Percentage of the issued voting shares of the Company
Canada Pension Plan Investment Board	(a)	182,405,000	18.14%
GIC Private Limited	(b)	90,002,797	8.95%
The Capital Group Companies, Inc.	(c)	60,580,000	6.02%
JPMorgan Chase & Co.	(d)	59,927,465	5.96%
Mondrian Investment Partners Limited	(e)	58,460,500	5.81%
Matthews International Capital Management, LLC	(f)	51,130,000	5.08%

Note:

(a) Canada Pension Plan Investment Board is the beneficial owner of 182,405,000 ordinary shares of the Company.

(b) 90,002,797 ordinary shares are directly held by City-Scape Pte Ltd, which 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 Private Limited.

(c) 60,580,000 ordinary shares are directly held by Capital Research and Management Company, which is a direct wholly-owned subsidiary of The Capital Group Companies, Inc.. As such, The Capital Group Companies, Inc. is deemed to have the equity interests in the Company held by Capital Research and Management Company.

(d) 59,927,465 ordinary shares held by JPMorgan Chase & Co. are held as to 42,989,500 ordinary shares in the capacity of investment manager and 16,937,965 ordinary shares in the capacity of custodian corporation/approved lending agent.

Among 59,927,465 ordinary shares held by JPMorgan Chase & Co., 161,500 ordinary shares are directly held by JF International Management Inc., 41,435,500 ordinary shares are directly held by JF Asset Management Limited, 1,392,500 ordinary shares are directly held by JPMorgan Asset Management (Taiwan) Limited, and 16,937,965 ordinary shares are directly held by JPMorgan Chase Bank, N.A..

Each of JF International Management Inc., JF Asset Management Limited and JPMorgan Asset Management (Taiwan) Limited is wholly-owned by JPMorgan Asset Management (Asia) Inc., which is in turn wholly-owned by JPMorgan Asset Management Holdings Inc. Each of JPMorgan Asset Management (Asia) Inc. and JPMorgan Asset Management Holdings Inc is therefore deemed to be interested in an aggregate of 42,989,500 ordinary shares.

Each of JPMorgan Chase Bank N.A. and JPMorgan Asset Management Holdings Inc is wholly-owned by JPMorgan Chase & Co.. JPMorgan Chase & Co. is therefore deemed to be interested in an aggregate of 59,927,465 ordinary shares.

(e) 58,460,500 ordinary shares are held by Mondrian Investment Partners Limited in the capacity of investment manager.

(f) 51,130,000 ordinary shares are held by Matthews International Capital Management, LLC in the capacity of investment manager.

Other Information

Other than the interests disclosed above, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares (in respect of positions held pursuant to equity derivatives) of the Company as at 29 February 2016.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 29 February 2016.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of 20 HK cents (28 February 2015: Nil) per ordinary share for the six months ended 29 February 2016 to the shareholders whose names appear on the register of members of the Company on Monday, 9 May 2016. The interim dividend will be payable in cash on Friday, 20 May 2016.

Whilst dividend policy of the Company is to pay not less than 90% of our Adjusted Free Cash Flow ("AFCF") with an intention to pay 100% of our AFCF in respect of the relevant year/period, after adjusting for potential debt repayment, if required, the Company is recommending to pay above this range at 109% for this interim period as we had incurred additional upfront marketing expenses in the first half of our financial year to promote OTT content access (such as the English Premier League 2016/17 season commencing in August 2016) as part of our accelerated subscriber acquisition programmes for the full year.

REVIEW OF INTERIM FINANCIAL INFORMATION

The Audit Committee has reviewed with the management and the external auditor the unaudited interim results of the Group for the six months ended 29 February 2016, the accounting principles and practices adopted by the Group, as well as discussion on auditing, internal control, risk management and financial reporting matters of the Group.

The unaudited interim financial report of the Group for the six months ended 29 February 2016 has been reviewed by the Company's external auditor 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 and reviewed by the Audit Committee of the Company.

UPDATE ON DIRECTOR'S INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors of the Company are set out below:

Ms. Deborah Keiko ORIDA was appointed as a non-executive Director and a member of the nomination committee of the Company on 20 November 2015.

Mr. Quinn Yee Kwan LAW, an independent non-executive Director of the Company, was appointed as an independent non-executive Director as well as members of audit committee, and nomination and remuneration committee of Bank of Tianjin Co., Ltd. whose shares are listed on the Main Board of the Stock Exchange on 30 March 2016.

Other Information

CORPORATE GOVERNANCE

The Company has complied with all the code provisions as set out in the "Corporate Governance Code and Corporate Governance Report" (the "CG Code") contained in Appendix 14 to the Listing Rules on the Stock Exchange throughout the six months ended 29 February 2016 except for the following deviation:

Code Provision A.5.1 of the CG Code provides that the nomination committee should be chaired by the chairman of the board or an independent non-executive director. However, the nomination committee of the Company is chaired by Mr. William Chu Kwong YEUNG ("Mr. Yeung"), an executive Director and Chief Executive Officer of the Company. By considering that each independent non-executive Director of the Company has been appointed as the chairman of the board, audit committee and remuneration committee respectively, the Board appointed Mr. Yeung as the chairman of the nomination committee to make sure that each director, especially the independent non-executive Directors could dedicate sufficient time to perform his role. Since Mr. Yeung is involved in the day-to-day management of the Company and can provide valuable insight on the suitability of a proposed director, the Board considers that he is capable of assuming the responsibility of the chairman of nomination committee by leading the process of identifying suitable candidates and making recommendations to the Board. As at the date of this report, the nomination committee comprises a majority of independent non-executive Directors, which ensures a balance of power and representation of independent non-executive Directors.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by Directors of the Company. Having made specific enquiries with all Directors, they confirmed that they have complied with the required standard as set out in the Model Code for the six months ended 29 February 2016.

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

Hong Kong, 20 April 2016

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