香港寬頻
HONG KONG BROADBAND NETWORK

HKBN Ltd.
香港寬頻有限公司

SURGING FORWARD

Annual Report 2016

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

These powerful arms belong to HKBN Talents: Ben, Billy, Dallas, Herman, Jason, John, Johnson, Kim, Marco, Mavis, Shan, William and Yathin

In the western approach to management, there is an analogy made about Talents boarding a bus with the CEO. What this reference implies is: CEOs are at the helm while everyone else is merely along for the ride. At HKBN, instead of a bus, we see ourselves as a dragon boat gliding at a full sprint where each Talent actively participates by rowing and ensuring that movements stay in-sync. As a sport, a successful dragon boat performance hinges on spectacular teamwork, the same kind embodied by the HKBN ethos.

THE PURSUIT OF EXCELLENCE

Through an indomitable spirit, great athletes inspire us by pushing the very limits of human achievement – time and again. At HKBN, the business approach we champion shares many parallels with the sporting world. The unshakable competitive desire of our Talents to outperform defines our legacy to expand boundaries and create new paradigms in technology, service, innovation and accountability for both customers and shareholders.

WELCOME TO HKBN'S ANNUAL REPORT

2016 has been an extremely busy year. On top of providing shareholders with a view of our financial and business performance, this report also highlights how a LIFE-work priority focus has played a strategic role in channeling Talent happiness into enhanced proficiency at work. As always, this report continues our proud tradition of showcasing the lively ways we engage, nurture and develop our Talents. In addition, our staunch dedication to conducting business responsibly, as well as efforts to do good for our community and our environment are featured herein.

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HKBN DRAGON BOAT TEAM (FROM LEFT TO RIGHT)

KIM HUE
Manager – Marketing Communications and Co-Owner
joined in 2014

SHAN TAM
Manager – Internal Audit and Co-Owner, joined in 2009

BILLY TSANG
Senior Service Technician
joined in 2003

JOHNSON CHU
Senior Manager – Strategic Planning and Co-Owner
joined in 2012

MAVIS CHOW
Graduate Technical Trainee and Co-Owner, joined in 2015

BEN KWOK
Engineer
joined in 2014

YATHIN CHAN
Network Technician
joined in 2014

JASON TAM
Manager – IT System Operations and Co-Owner
joined in 2009

JOHN ZHANG
Network Support
joined in 2013

DALLAS CHANG
Senior Unit Manager, Residential Services and Co-Owner
joined in 2008

HERMAN HUI
Senior Officer – Marketing Communications
joined in 2012

MARCO LI
Manager – Marketing and Co-Owner, joined in 2011

WILLIAM WONG
Engineer
joined in 2003

This report is published in both English and Chinese. Where the English and the Chinese texts conflict, the English text prevails.

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 Caymen KY1-1104
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

12th Floor, Trans Asia Centre
18 Kin Hong Street, Kwai Chung
New Territories
Hong Kong

CORPORATE INFORMATION

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
Hong Kong

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, Central
Hong Kong

COMPANY'S WEBSITE

www.hkbnltd.net

STOCK CODE

1310

2016 IN NUMBERS

19% revenue growth

103,000 new residential broadband subscriptions

Network covers 2.2million homes passed

Network covers 2,300 commercial buildings

40.1% market share of residential broadband services

857,000 residential broadband subscriptions (100Mbps to 1000Mbps)

Enterprise revenue growth 70%

2016 IN NUMBERS

50,000
enterprise customers

Over
340
Co-Owners

Over
3,000
Talents

28,000
training hours provided

2,710
corporate social investment hours volunteered

CSI projects impacted
721
families and individuals

2.9%
reduction in total carbon emissions*

*Data recorded from June 2015 to May 2016

CEO & CTFO LETTER

NIQ LAI
Chief Talent & Financial Officer and Co-Owner
joined in 2004

WILLIAM YEUNG
Chief Executive Officer and Co-Owner
joined in 2005

DEAR FELLOW SHAREHOLDERS,

FY16 was a transformative year for our company.

In residential, we evolved from offering just a double-play of broadband and fixed voice to full service quad-play by first partnering with OTT providers to offer content, and then later in the calendar year, partnering with two major mobile network operators to offer mobile services.

We roughly estimate the addressable market for double-play at \$250 per household per month or \$5 billion[1]/year. This figure expands to \$400 per household per month or \$8 billion[1]/year when we include content, and further expands to \$1,000 per household per month or \$24 billion[1]/year when we include mobile service for a full quad-play offering. With 898,000 residential customers, we have a total billing market share of 44%[2], which suggests room for growth relative to our 7%[3] revenue market share of the expanded quad-play market.

In enterprise solutions, we completed the acquisition of New World Telecom ("NWT") in March 2016, and so far, the integration has been very smooth. In particular, the voluntary election by 54 former NWT Talents to become Co-Owners of our company with investments of up to one year's worth of salary, showcases the aligned conviction we have to make this integration work.

As a company run by >340 Co-Owners, we have a clear long term alignment of interest with shareholders, as we are shareholders ourselves.

Sincerely yours,

William YEUNG
Chief Executive Officer
and Co-Owner

NiQ LAI
Chief Talent & Financial Officer
and Co-Owner

Note 1: The addressable market size of double-play, triple-play and quad-play are calculated by multiplying the estimated number of addressable households (2 million) within the Group's coverage by the service penetration rate and the estimated annualized ARPU for respective services.

Note 2: Billing market share is calculated by dividing the number of residential customers by the estimated number of addressable households (2 million) within the Group's coverage.

Note 3: Revenue market share of the expanded quad-play market share is calculated by dividing the residential revenue generated in FY16 \$1.8 billion by the estimated quad-play market size \$24 billion.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

STANLEY CHOW NI QUIAQUE LAI BRADLEY JAY HORWITZ

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

WILLIAM CHU KWONG YEUNG

DEBORAH KEIKO ORIDA

QUINN YEE KWAN LAW

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

CHAIRMAN AND INDEPENDENT NON-EXECUTIVE DIRECTOR

Bradley Jay HORWITZ, aged 61, was appointed as an Independent Non-executive Director, the Chairman of the Board and a member of the Audit Committee and the Nomination Committee of the Company on 6 February 2015. Mr. Horwitz has over 30 years of experience in the wireless and telecommunication industry. Mr. Horwitz founded Trilogy International Partners in 2005 and has been the President and Chief Executive Officer of the company since it was founded. Trilogy International Partners was established to acquire wireless international assets in Haiti and Bolivia and to develop additional international wireless assets, primarily in South America and the Caribbean. Prior to establishing Trilogy International Partners, Mr. Horwitz served as President of Western Wireless International, having founded the company in 1995 while also serving as an Executive Vice President of Western Wireless Corporation. Previously, Mr. Horwitz was a founder and Chief Operating Officer of SmarTone Mobile Communications Limited and he worked in various management capacities for McCaw Cellular including serving as Vice President of international operations. Mr. Horwitz graduated from San Diego State University, U.S. with a Bachelor of Science Degree in August 1978.

EXECUTIVE DIRECTORS

William Chu Kwong YEUNG, aged 55, is the Chief Executive Officer of the Group, an Executive Director, the Chairman of the Nomination Committee and a member of the Remuneration Committee of the Company. Mr. Yeung joined the Group in October 2005 as the Chief Operating Officer, overseeing customer engagement, relationship management and network development. In November 2008, Mr. Yeung was appointed as the Chief Executive Officer with the responsibility of developing corporate strategies and overseeing operations. Prior to joining the Group, Mr. Yeung was a Director of customers division at SmarTone Mobile Communications Limited, and served as a police inspector with the Hong Kong Police Force. Mr. Yeung obtained a Bachelor of Arts Degree from Hong Kong Baptist University in December 1992 and obtained a Master of Business Administration Degree from the University of Strathclyde, U.K. in November 1995 and a Master of Science Degree in Electronic Commerce and Internet Computing from the University of Hong Kong in November 2001. In 2010, Mr. Yeung was recognised as Champion of Human Resources by The Hong Kong HRM Awards. Mr. Yeung is a proud Co-Owner of the Company.

Ni Quiaque LAI (also known as NiQ LAI), aged 46, is the Chief Talent and Financial Officer of the Group, and an Executive Director of the Company. Mr. Lai joined the Group in May 2004 and has over 20 years of experience in the telecommunications, research and finance industries. Prior to joining the Group, Mr. Lai was an analyst and the Director and Head of Asia Telecom Research for Credit Suisse, where he was involved in numerous global fund raising initiatives for a wide range of Asian telecom carriers. Prior to Credit Suisse, Mr. Lai held positions in HKT, as a strategic planning manager, and Kleinwort Benson Securities (Asia). He graduated from the University of Western Australia with a Bachelor of Commerce Degree in April 1990 and obtained an Executive Master of Business Administration Degree from Kellogg-HKUST, Hong Kong in June 2009. Mr. Lai is a fellow member of Hong Kong Institute of Certified Public Accountants (HKICPA) and CPA Australia, and a member of the Hong Kong Institute of Directors. In 2009, he was recognised as Champion of Human Resources by The Hong Kong HRM Awards, and was selected by *Global Telecoms Business* in 2013 as one of the Top 50 CFOs in the industry to watch. In March 2016, he was recognised as 1st for Best CFO by *FinanceAsia* Survey of Asia's Best Companies 2016 (Hong Kong). Mr. Lai is a proud Co-Owner of the Company.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Deborah Keiko ORIDA, aged 49, was appointed as a Non-executive Director and member of the Nomination Committee of the Company with effect from 20 November 2015. Ms. Orida is the Managing Director, Head of Private Equity, Asia at Canada Pension Plan Investment Board ("CPPIB"), a substantial shareholder (as defined in Part XV of the Securities and Futures Ordinance) of the Company. She joined CPPIB in Toronto in 2009, and is currently based in Hong Kong where she has been located since August 2012. Ms. Orida currently leads CPPIB's private investments in Asia with a focus on both direct private equity investments and fund commitments. Prior to joining CPPIB, Ms. Orida was an investment banker at Goldman Sachs & Co. in New York and Toronto where she advised management teams and boards on mergers and acquisitions and financing transactions. Prior to Goldman Sachs & Co., Ms. Orida was a securities lawyer at Blake, Cassels & Graydon in Toronto. Ms. Orida previously served on the Board of Directors and Investment Committee of the Bridgepoint Health Foundation and was the chair of the Board of Directors of Vitalhub Corp., a mobile healthcare start-up company. Ms. Orida holds a Master of Business Administration from The Wharton School and a Bachelor of Laws and a Bachelor of Arts from Queen's University, Canada.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Stanley CHOW, aged 52, was appointed as an Independent Non-executive Director, the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company on 6 February 2015. Mr. Chow has over 21 years of experience as a corporate lawyer in Hong Kong and Canada, including over 18 years of experience in dealing with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during his time in private practice and as a senior manager in the Stock Exchange's Listing Division. Mr. Chow was a partner in the Hong Kong office of Latham & Watkins, an international law firm, from March 2009 to February 2014 where he was the local department chair of the corporate department in Hong Kong. He was also a member of the firm's Initiatives Committee from March 2012 to February 2014. Prior to joining Latham & Watkins, Mr. Chow practised law with Allen & Overy, another international law firm, from November 1996 to January 2009 where he was a partner in its Hong Kong office for over 8 years. As a corporate lawyer in Hong Kong, Mr. Chow has advised on a broad range of corporate finance and mergers and acquisitions transactions, including in the context of the Stock Exchange and the Listing Rules. Prior to Mr. Chow's time in private practice, he was a senior manager in the Stock Exchange's Listing Division from May 1995 to October 1996 and also practised law with Canadian law firms in Hong Kong and Canada. Mr. Chow is a member of The Law Society of Hong Kong's Company Law Committee and was admitted as a solicitor in Hong Kong in 1995 and in England and Wales in 1994. He was also admitted as a barrister and solicitor in British Columbia, Canada in 1994 and in Ontario, Canada in 1991. Mr. Chow graduated from Queen's University, Canada with a Bachelor of Commerce (Honours) Degree in May 1986 and obtained a Juris Doctor with Honour Standing from the University of Toronto, Canada in June 1989.

Quinn Yee Kwan LAW, SBS, JP, aged 63, was appointed as an Independent Non-executive Director, the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Company on 6 February 2015. Mr. Law presently serves as a council member cum Audit Committee Chairman at the Hong Kong University of Science and Technology, and the Deputy Chairman of Professional Conduct Committee of the Hong Kong Institute of Certified Public Accountants. Mr. Law is currently an Independent Non-executive Director of Bank of Tianjin Co., Ltd. (stock code: 1578) and ENN Energy Holdings Limited (stock code: 2688), both of which are listed on the Main Board of the Stock Exchange. From 1 March 2008 to 1 March 2013, Mr. Law was the Deputy Chairman and Managing Director of the Urban Renewal Authority, a statutory organisation in Hong Kong. Mr. Law is a Fellow of the Hong Kong Institute of Certified Public Accountants and is also a Fellow of the Association of Chartered Certified Accountants. Mr. Law was admitted as an Associate of the Institute of Chartered Secretaries and Administrators on 11 November 1980. In view of Mr. Law's experience in reviewing or analysing audited financial statements of private and public companies, the Directors believe that Mr. Law has the appropriate accounting or related financial management expertise for the purposes of Rule 3.10 of the Listing Rules.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

William Chu Kwong YEUNG, aged 55, is the Chief Executive Officer of the Group, an Executive Director, the Chairman of the Nomination Committee and a member of the Remuneration Committee of the Company. Mr. Yeung joined the Group in October 2005 as the Chief Operating Officer, overseeing customer engagement, relationship management and network development. In November 2008, Mr. Yeung was appointed as the Chief Executive Officer with the responsibility of developing corporate strategies and overseeing operations. Prior to joining the Group, Mr. Yeung was a Director of customers division at SmarTone Mobile Communications Limited, and served as a police inspector with the Hong Kong Police Force. Mr. Yeung obtained a Bachelor of Arts Degree from Hong Kong Baptist University in December 1992 and obtained a Master of Business Administration Degree from the University of Strathclyde, U.K. in November 1995 and a Master of Science Degree in Electronic Commerce and Internet Computing from the University of Hong Kong in November 2001. In 2010, Mr. Yeung was recognised as Champion of Human Resources by The Hong Kong HRM Awards. Mr. Yeung is a proud Co-Owner of the Company.

Ni Quiaque LAI (also known as NiQ LAI), aged 46, is the Chief Talent and Financial Officer of the Group, and an Executive Director of the Company. Mr. Lai joined the Group in May 2004 and has over 20 years of experience in the telecommunications, research and finance industries. Prior to joining the Group, Mr. Lai was an analyst and the Director and Head of Asia Telecom Research for Credit Suisse, where he was involved in numerous global fund raising initiatives for a wide range of Asian telecom carriers. Prior to Credit Suisse, Mr. Lai held positions in HKT, as a strategic planning manager, and Kleinwort Benson Securities (Asia). He graduated from the University of Western Australia with a Bachelor of Commerce Degree in April 1990 and obtained an Executive Master of Business Administration Degree from Kellogg-HKUST, Hong Kong in June 2009. Mr. Lai is a fellow member of Hong Kong Institute of Certified Public Accountants (HKICPA) and CPA Australia, and a member of the Hong Kong Institute of Directors. In 2009, he was recognised as Champion of Human Resources by The Hong Kong HRM Awards, and was selected by *Global Telecoms Business* in 2013 as one of the Top 50 CFOs in the industry to watch. In March 2016, he was recognised as 1st for Best CFO by *FinanceAsia* Survey of Asia's Best Companies 2016 (Hong Kong). Mr. Lai is a proud Co-Owner of the Company.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Selina CHONG, aged 54, the Chief Marketing Officer of the Group. Ms. Chong joined the Group in 2012 and is a seasoned strategic marketing and brand specialist, responsible for cementing HKBN as the telecom service provider brand of choice and brand by default in Hong Kong. Ms. Chong earned her marketing expertise through senior positions at a number of multinational and local corporations that include American Express, Citibank, Fidelity Investments and Octopus Cards. Over the years, not only has Ms. Chong changed employers when she changed jobs, but she made a point to switch industries as well. Her reason is simple: get out of the comfort zone, stay hungry, and become a better marketer with cross-over ideas. She is recognised as one of 50 CMOs to Watch by *Global Telecoms Business*. Ms. Chong holds a Bachelor's Degree in Science from the University of Toronto, Canada, and a Master in Business Administration Degree from McMaster University, Canada. Ms. Chong is a proud Co-Owner of the Company.

Chan Fai HO (also known as Eric HO), aged 59, the Chief Information Officer of the Group. Mr. Ho joined the Group in July 2012 and is responsible for the Group's information technology strategy development and leads the IT Department to optimise business support and processes through IT system development, integration and management. Prior to joining HKBN, Mr. Ho was Head of IT and Service Platform at SmarTone Mobile Communications Limited, and before that, he held senior IT positions at Huawei Software Technology, Emperor International Holdings, Westpac, CSL and Bank of America. Mr. Ho was recognised with a Medium Enterprise CIO of the Year Award jointly conferred by *Computerworld Hong Kong* and *CIO Connect* in 2013. Mr. Ho holds a Bachelor's Degree in Science from the University of Hong Kong, a Master Degree in Business Administration Degree from Oklahoma City University, U.S., and a Master in Accountancy Degree from Charles Sturt University, Australia. Mr. Ho is a proud Co-Owner of the Company.

William Tak Wa YEUNG (also known as Billy YEUNG), aged 50, the Chief Operating Officer – Enterprise Solutions of HKBN Enterprise Solutions Limited, a wholly-owned subsidiary of the Company (changed position from Chief Commercial Officer – Enterprise Solutions to Chief Operating Officer – Enterprise Solutions with effect on 1 November 2016). Mr. Yeung joined the Group in January 2013 and leads a team of sales professionals to service corporates of all sizes and carrier customers. In 1995, Mr. Yeung pioneered the Netplus regional Internet backbone for telecommunication carriers in Asia Pacific. While at PCCW, Mr. Yeung developed the Netvigator Internet service. In 2004, Mr. Yeung branched out to spearhead Y5Zone in Hong Kong. In nine years, he steered the company to become one of the largest wholesale Wi-Fi suppliers in Hong Kong, which was acquired by HKBN Group Limited in January 2013. Mr. Yeung holds a Master of Business Administration Degree from the University of Birmingham, U.K. Mr. Yeung is a proud Co-owner of the Company.

Gary MCLAREN, aged 53, the Chief Technology Officer of the Group. Mr. McLaren joined the Group in June 2015 and is responsible for network development and operations, including broadband networking, IP-TV, wireless applications as well as VoIP networks. A native of Australia, Mr. McLaren has over 30 years of experience in bringing new digital technologies to market with a specialised focus on broadband network development. He has worked in Australia, Germany, Singapore and now Hong Kong, where he is leading HKBN's cutting edge technology deployments. Prior to joining HKBN, he was CTO of NBN Co and held senior corporate executive positions at technology startups (Utiba Pte, Request DSL) and multinationals (Telstra and Siemens). Mr. McLaren holds a Bachelor's Degree in Law and a Bachelor's Degree in Engineering (Electrical), both from the University of Melbourne. Mr. McLaren is a proud Co-Owner of the Company.

2016 MILESTONES

OCT 2015

- HKBN and Ocean Park launch the first phase of Ocean Park's Wi-Fi service, covering 12 facilities and attractions

OCT 2015

- HKBN wins 17 awards from 2015 HKCCA Awards presented by Hong Kong Call Centre Association

OCT 2015

- HKBN redefines OTT entertainment in Hong Kong with Letv partnership

OCT 2015

- HKBN becomes the biggest winner at Human Resources Innovation Awards 2015, walking away with its top accolade, the HR Grand Winner 2015, plus eight other prestigious awards

2016 MILESTONES

JAN 2016

- Next Station: University II programme supports 38 HKBN Talents to study for a bachelor's degree

MAR 2016

- HKBN completes acquisition of New World's telecom and online marketing solution businesses, strengthening HKBN's presence and capability in the enterprise market

MAR 2016

- HKBN and Ocean Park launch park-wide unlimited Wi-Fi service and upgraded mobile app with innovative functions

APR 2016

- HKBN partners with TVB to provide myTV SUPER OTT and home broadband bundle services

2016 MILESTONES

MAR 2016

- HKBN ranks top 3 amongst Hong Kong companies in the *FinanceAsia* Survey:
  - 3rd for Best Managed Company
  - 2nd for Most Committed to Corporate Governance
  - 2nd for Best Investor Relations
  - 2nd for Best Corporate Social Responsibility
  - 1st for Best CFO

APR 2016

- HKBN achieves 800,000 residential subscriptions

JUNE 2016

- HKBN wins Next Top Service Award 2016 – Internet Service Providers and Best Staff Award – 1st Runner-up by *Next Magazine*

JUNE 2016

- HKBN extends Co-Ownership II Plan to new joiners and ex-New World Telecom Talents, bolstering the number of HKBN Co-Owners to over 340

2016 MILESTONES

JUNE 2016

- HKBN is conferred a Special Achievement in Geographic Information System (SAG) Award from US-based Esri, a leader in GIS technology

JUL 2016

- HKBN is licensed to offer mobile virtual network operator services

AUG 2016

- HKBN announces signing memoranda of understanding with China Mobile Hong Kong and SmarTone respectively, and the trial launch of mobile services

AUG 2016

- HKBN's fibre optic backbone network reaches 2.2 million homes passed, representing a coverage of about 81% of Hong Kong's total residential units

SEIZING OPPORTUNITIES

In both business and sport, timing is everything. When opportunities arise, the best way forward is to strike with conviction. In 2016, we've executed a number of bold new moves that promise to enhance the future of our business.

(FROM LEFT TO RIGHT CLOCKWISE)

KARINA TSOI
Associate Director - Corporate Sales, Enterprise Solutions and Co-Owner, joined in 1998

SAMUEL HUI
Manager - Business Development and Co-Owner, joined in 2016

MIKI CHENG
Account Executive
joined in 2015

LO CHUN WANG
Network Technician
joined in 2008

KEY FINANCIAL AND OPERATIONAL SUMMARY

(Unless otherwise stated, all monetary figures from this report are in Hong Kong dollars)

TABLE 1: FINANCIAL HIGHLIGHTS

For the year ended 31 August

	2016	2015	Increase/Decrease YoY
Key financials ($'000)			
Revenue	**2,784,007**	2,341,113	+19%
– Residential	**1,814,940**	1,756,511	+3%
– Enterprise	**810,831**	475,738	+70%
– Product	**158,236**	108,864	+45%
Profit for the year	**244,679**	104,268	>100%
Adjusted Net Profit [1,2]	**372,672**	359,955	+4%
EBITDA [1,3]	**1,006,387**	978,622	+3%
EBITDA margin [1,4]	**36.1%**	41.8%	-5.7pp
Adjusted Free Cash Flow [1,5]	**406,447**	391,622	+4%
Reconciliation of Adjusted Net Profit [1,2]			
Profit for the year	**244,679**	104,268	>100%
Amortisation of intangible assets	**119,758**	110,167	+9%
Deferred tax arising from amortisation of intangible assets	**(19,008)**	(18,177)	+5%
Loss on extinguishment of senior notes	**–**	96,234	-100%
Originating fee for banking facility expired	**–**	11,600	-100%
Listing expenses	**–**	55,863	-100%
Transaction costs in connection with business combination	**27,243**	–	+100%
Adjusted Net Profit	**372,672**	359,955	+4%

KEY FINANCIAL AND OPERATIONAL SUMMARY

For the year ended 31 August

	2016	2015	Increase/Decrease YoY
Reconciliation of EBITDA & Adjusted Free Cash Flow [1,3,5]			
Profit for the year	**244,679**	104,268	>100%
Finance costs	**141,891**	260,023	-45%
Interest income	**(922)**	(2,794)	-67%
Income tax	**89,875**	85,582	+5%
Depreciation	**383,863**	365,513	+5%
Amortisation of intangible assets	**119,758**	110,167	+9%
Listing expenses	**–**	55,863	-100%
Transaction costs in connection with business combination	**27,243**	–	+100%
EBITDA	**1,006,387**	978,622	+3%
Capital expenditure	**(392,553)**	(324,084)	+21%
Net interest paid	**(104,228)**	(138,543)	-25%
Other non-cash items	**3,169**	(7,479)	n/a
Income tax paid	**(106,068)**	(85,864)	+24%
Changes in working capital	**(260)**	(31,030)	-99%
Adjusted Free Cash Flow	**406,447**	391,622	+4%

KEY FINANCIAL AND OPERATIONAL SUMMARY

TABLE 2: OPERATIONAL HIGHLIGHTS

For the year ended 31 August

	2016	2015	Increase/Decrease YoY
Residential business			
Residential homes passed ('000)	**2,202**	2,143	+3%
Subscriptions ('000)			
– Broadband	**857**	754	+14%
– Voice	**520**	534	-3%
Market share [6]			
– Broadband	**40.1%**	36.6%	+3.5pp
– Voice	**22.0%**	22.0%	+0.0pp
Residential customers ('000)	**898**	822	+9%
Broadband churn rate [7]	**0.8%**	0.6%	+0.2pp
Residential ARPU [8]	**$173**	$183	-5%
Enterprise business			
Commercial building coverage ('000)	**2.3**	2.0	+15%
Subscriptions ('000)			
– Broadband	**47**	35	+34%
– Voice	**120**	98	+22%
Market share [6]			
– Broadband	**17.8%**	14.3%	+3.5pp
– Voice	**6.5%**	5.3%	+1.2pp
Enterprise customers ('000)	**50**	39	+28%
Broadband churn rate [9]	**1.3%**	0.8%	+0.5pp
Enterprise ARPU [10]	**$1,234**	$1,010	+22%

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 for the year plus amortisation of intangible assets (net of deferred tax credit and direct cost incurred in corresponding period), non-recurring finance costs and other non-recurring items. Non-recurring finance costs, in the year under review, include loss on extinguishment of senior notes and originating fee for banking facility expired. Other non-recurring items, in the year under review, include listing expenses and transaction costs in connection with business combination.

(3) EBITDA means profit for the year plus finance costs, income tax expense, listing expenses, transaction costs in connection with business combination, depreciation and amortisation of intangible assets (net of direct cost incurred in corresponding period) 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 and other non-cash items. Working capital includes other non-current assets, inventories, trade receivables, other receivables, deposits and prepayments, trade payables, deposits received and deferred services revenue. Other non-cash items, in the year 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.

(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 financial 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 telecom business (excluding revenue from IDD services) by the average number of enterprise customers and further dividing by the number of months in the relevant period. Average number of enterprise customers is calculated by dividing the sum of enterprise customers 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. For reference, enterprise ARPU on August 2016 is approximately $1,421, calculated by dividing the revenue generated in the relevant month from the enterprise telecom business from both HKBN and NWT businesses (excluding revenue from IDD services) by the number of enterprise customers of both HKBN and NWT in the respective month.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 August 2016, the Group continued to deliver a solid set of operational and financial results, which was underpinned by our partnerships with over-the-top ("OTT") content providers and doubling of scale in the enterprise market after the acquisition of New World Telecom ("NWT acquisition"). As a result, our group revenue, EBITDA and Adjusted Free Cash Flow increased year-on-year by 19%, 3% and 4% to $2,784 million, $1,006 million and $406 million respectively.

- Residential revenue grew by 3% year-on-year to $1,815 million as we accelerated gains in residential broadband subscriptions by working closely with two major OTT partners, TVB and LeEco, to launch our best value content-bundled service in the market. As growth in market share was the Group's key strategic focus for the year, we traded off 5% decline in residential APRU to $173/month to achieve accelerated 103,000 net additions (2015: 62,000 net additions) for a total of 857,000 residential broadband subscriptions. Our market share by broadband subscriptions increased to 40.1% as of 31 August 2016, up from 36.6% as of 31 August 2015.

- Enterprise revenue grew by 70% year-on-year to $811 million driven primarily by the 5 months of consolidation on our NWT acquisition. Excluding the contribution from the NWT acquisition, our enterprise revenue grew by 20% year-on-year to $570 million, resulted from our continued focus on the small and medium-sized enterprise (SME) segment. Strengthening the Group's presence in the enterprise market, the NWT acquisition has provided a broad range of complementary services to the existing business. During the year ended 31 August 2016, we achieved net additions of 11,000 to 50,000 enterprise customers while increasing our enterprise ARPU by 22% at $1,234, as a result of integrating with the NWT acquisition businesses. Our market share by broadband subscriptions increased to 17.8% as of 31 August 2016, up from 14.3% as of 31 August 2015.

- Product revenue grew by 45% year-on-year to $158 million, representing 6% of revenue. This increase was primarily due to promotional offers that bundled LeEco with our residential broadband services.

Network costs and costs of sales rose by 47% year-on-year to $451 million due to the incremental network costs for the operations of NWT.

Other operating expenses increased by 17% year-on-year to $1,873 million. Excluding the 5-month incremental operating expenses incurred by the NWT acquisition of $135 million and the impact of listing expenses and transaction costs in connection with business combination of $56 million and $27 million respectively, such expenses rose by 9% year-on-year mainly due to the incremental advertising and marketing expenses and the Talent costs to drive the accelerated growth of residential broadband subscription.

Finance costs decreased by 45% year-on-year to $142 million mainly due to the dropping of one-off finance costs of $108 million relating to the refinancing of 5.25% senior notes incurred last year and the reduction in the average cost of debt following the refinancing transaction completed last year.

Income tax increased by 5% to $90 million mainly due to the steady business performance during the year. 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 18% and 17% for the year ended 31 August 2016 and 2015 respectively.

Profit attributable to equity shareholders increased to $245 million.

Adjusted Net Profit, excluding the impact of amortisation of intangible assets, non-recurring finance costs and non-recurring items, increased by 4% year-on-year to $373 million.

EBITDA rose by 3% year-on-year to $1,006 million, whilst EBITDA margin decreased to 36.1% due to lower EBITDA margin of the NWT acquisition and the incremental advertising and marketing expenses to drive accelerated subscription growth this year.

Adjusted Free Cash Flow rose by 4% year-on-year to $406 million mainly due to an increase in EBITDA and a decrease in net interest paid as a result of refinancing transaction last year, offset by an increase in capital expenditure.

Net additions to property, plant and equipment amounted to $412 million for the year ended 31 August 2016, as compared to $380 million last year. Such increase was mainly due to accelerated growth in residential broadband subscription and certain upgrade of our network infrastructure.

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:

- 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 Co-Ownership scheme to HKBN Talents;
- Through MVNO partnering with two major mobile network operators to deliver high quality mobile services, we plan to leverage our quad-play bundle plans to disrupt the legacy broadband, fixed-voice, multimedia content and mobile standalone services; and
- Execute the synergy plan from integration of the NWT acquisition and to further grow our enterprise solutions business.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 August 2016, the Group had total cash and cash equivalents of $355 million (31 August 2015: $329 million) and gross debt (principal amount of outstanding borrowing) of $3,800 million (31 August 2015: $3,100 million), which led to a net debt position of $3,445 million (31 August 2015: $2,771 million).

- The Group's gearing ratio, which was expressed as a ratio of the gross debt over total equity, was 2.8x as at 31 August 2016 (31 August 2015: 2.0x).
- The Group's net debt to EBITDA ratio, which was expressed as a ratio of the gross debt net of cash and cash equivalents over EBITDA, was 3.4x as at 31 August 2016 (31 August 2015: 2.8x).

In March 2016, the Group has entered into a five-year bullet term loan of $700 million ("Term Loan") underwritten by JPMorgan Chase Bank, N.A., Hong Kong Branch to finance the NWT acquisition which resulted in the increase of the Group's gearing ratio and net debt to EBITDA ratios.

With the inception of the new bank loan, the Group's weighted average debt maturity was slightly extended to 3.6 years as of 31 August 2016. The existing debt maturity profile maintains the Group's flexibility to either refinance or renew it on maturity or earlier through sources that it deems appropriate at that time. This also provided us with flexibility to plan for various sources of financing arrangements 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 31 August 2016 and 31 August 2015. As at 31 August 2016, the Group had an undrawn revolving credit facility of $200 million (31 August 2015: $200 million).

Under the liquidity and capital resources condition as at 31 August 2016, the Group can fund its capital expenditures and working capital requirements for the financial year ending 31 August 2017 with internal resources and the available banking facilities.

HEDGING

The Group's policy is to partially 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 31 August 2016 and 31 August 2015, no assets of the Group were pledged to secure its loans and banking facilities.

CONTINGENT LIABILITIES

As at 31 August 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.

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, 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 NWT 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.

On 6 July 2016, HKBNGL as seller and Dynamic Team Holdings Limited as purchaser entered into a sale and purchase agreement to sell 51% of the issued share capital of Simple Click Investments Limited for a total consideration of $8 million (the "Disposal"). The Disposal was completed on 6 July 2016. After the Disposal, Simple Click Investments Limited became a 49%-owned associate of the Company. Details of the Disposal are disclosed in the announcements of the Company dated 6 and 15 July 2016.

Other than the aforementioned NWT Acquisition and Disposal, the Group did not make any significant investments, acquisitions or disposals in relation to its subsidiaries and associated companies during the year ended 31 August 2016.

TALENT REMUNERATION

As at 31 August 2016, the Group had 3,024 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 programs.

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 340 Co-Owners, representing a majority of our supervisors and above level Talents which constitutes over 11% of our entire workforce. On their own volition, they invested their personal savings in the amount of between two to twelve 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 36 for a summary of the Plan.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited consolidated financial statements for the year ended 31 August 2016.

PRINCIPAL ACTIVITIES

HKBN Ltd. (the "Company", together with its subsidiaries, the "Group") is an investment holding company. The Group is Hong Kong's largest provider of residential high speed fibre broadband (symmetrical 100Mbps to 1,000Mbps) services by number of subscriptions, and a fast growing enterprise solutions provider. The Group offers a wide range of telecommunications solutions for residential and enterprise markets, encompassing broadband, Wi-Fi, cloud solutions, data connectivity, data facilities, system integration and voice communications. Through partnerships with OTT service providers, the Group also offers OTT entertainment to the market.

BUSINESS REVIEW

The business review of the Group for the year ended 31 August 2016 is set out in the sections headed "CEO & CTFO letter" and "Management's Discussion and Analysis" on pages 6 and 7 and pages 26 to 29 of this annual report respectively. Description of the principal risks and uncertainties facing the Group can be found in the section headed "Principal Risks and Uncertainties" on pages 30 and 31 of this report, whereas the financial risk management of the Group can be found in Note 31 to the consolidated financial statements. In addition, discussions on the Group's environmental policies and performance, relationships with key stakeholders, and compliance with the applicable laws and regulations which have a significant impact on the Group can be found from pages 31 and 32.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors are aware that the Group is exposed to a variety of risks, some are specific to the industry in which the Group operates while others are common risks that most businesses face. Procedures have been established by the Directors to ensure significant risks that may adversely affect the Group's operation and performance are identified and corresponding measures are in place to mitigate those risks. The following are the most significant risks identified at this time. If any of these events occur, the Group's businesses, financial conditions, results of operations and/or prospects of the Group could be materially and adversely affected. These key risks are by no means exhaustive or comprehensive, and there may be other risks, in addition to those highlighted below, which are not known by the Group or which may not appear significant now but could turn out to be so in the future.

Key risks related to the Group's businesses and to the industries in which the Group operates include:

Competition – The Group operates in markets which may be subject to pricing and other competitive pressures. The effects of competition on our business are uncertain and are dependent on a variety of factors, including economic conditions, regulatory developments, technological developments, the behaviour of customers and competitors, and the effectiveness of measures we adopt in response to the competition we face.

Finance – A significant amount of indebtedness and the majority of our indebtedness bear floating interest rates determined by reference to HIBOR, which is subject to market movements and may increase in the future. Although the Group has in the past and will continue to enter into interest rate swaps to hedge against our interest rate risk, any significant increase in interest rates could increase our finance costs and adversely affect our profitability.

Service Availability – The provision of the Group's services depends on the quality, stability, resilience and robustness of our integrated network. Of particular note, damage to our network operations centre and/or several of our hub sites could pose a significant impact on the ability of our network to function properly. Our network is vulnerable to damage or cessation of operations from fire, natural disasters, power loss, telecommunications failures, network software flaws, vandalism, acts of terrorism, cyber-attacks and computer viruses, transmission cable cuts and other events beyond our control.

Technology – The telecommunications industry is characterised by rapidly changing technology and industry standards, evolving customer demands and services with increasingly short life cycles. If we cannot implement new technology expediently and offer new services demanded by our customers in a timely manner and at competitive prices, our business, financial condition, operations and prospects could be adversely affected.

Economic Environment – As the Group provides services solely in Hong Kong, our financial position and the results of our operations will be affected by the conditions of the telecommunications market in Hong Kong, which cannot be offset by developments in other international markets. Negative developments in, or the general weakness of, the Hong Kong economy, which may be influenced by changes in the Hong Kong regulatory environment, increasing levels of unemployment or changes in demand and usage habits of Hong Kong consumers, may have a direct adverse effect on the spending patterns of retail and business customers, both in terms of the services they subscribe to and their usage levels. We have limited control over any of these factors.

People – The Group's success is dependent upon continued service from Talents employed by our Group. The ability to grow depends largely on our ability to attract, train, retain, and motivate highly skilled and qualified managerial, sales, marketing, administrative, operational, and technical personnel. The loss of key personnel, or the inability to find additional qualified personnel, could materially and adversely affect the Group's prospects and results of operations.

Regulatory and Operational Compliance – The Group operates in markets and industries which require compliance with numerous regulations, including but not limited to, the Telecommunications Ordinance (Cap. 106), the Trade Descriptions Ordinance (Cap. 362), the Competition Ordinance (Cap. 619), the Personal Data (Privacy) Ordinance (Cap. 486), the Employment Ordinance (Cap. 57), and the applicable regulations, guidelines, policies and licensing terms issued or promulgated under or in connection with these statutes. The failure to comply with such regulations may adversely affect the Group's reputation, operations and financial performance.

ENVIRONMENTAL POLICIES AND PERFORMANCE

As an environmentally responsible corporate citizen, the Group is committed to continuously improve its environmental performance and leverage stakeholder support to co-create a sustainable future. The Corporate Social Investment team takes a leading role in formulating and driving the Group's environmental and community initiatives, with a mission to make our Hong Kong a better and greener place to live.

More information of the Group's environmental performance is set out in the section headed "Our Respect for the Environment" on pages 96 to 101.

RELATIONSHIPS WITH KEY STAKEHOLDERS

Talents

Our success and ability to grow hinges largely on the Group's belief that our people are Talents, not assets. Across all facets of our business, we espouse a corporate culture that champions entrepreneurship, continuous learning & development, and LIFE-work priority. This Talent-first approach to business helps propel our capabilities to innovate and stay competitive.

To foster an even closer alignment of interests between Talents and the Group's shareholders, our unique Co-Ownership plan allows individual Talents to invest their own savings in the amount of between 2 to 12 months of salary to acquire HKBN stock at full market price. The shares are then matched with free shares at a certain ratio vested over three years. Through this dual role as both investor and Talent, our Co-Owners perform with an unmatched level of responsibility and passion.

Adhering to the Group's pay-for-performance corporate approach, we have in place a fair and effective performance appraisal system and incentive bonus schemes. Every year, we identify the bottom 5% of our underachieving performers and invite them to undergo an enhancement programme. If their performance remains out of alignment, they are asked to leave. Through this, the Group is better equipped to concentrate on nurturing and rewarding our top 95% performers.

More information of the Group's Talent culture is set out in the sections headed "Our Talent Culture" and "LIFE-work Priority" on pages 52 to 77 and 78 to 87.

Customers

Bearing in mind customers are one of our key stakeholders, the Group has always endeavored to provide customers with world-class service experiences. As customer communication plays a vital role in their overall service experience, we continue to provide multiple channels across offline and online platforms, including HKBN's customer service hotlines and the online customer service chat system, to address and cater to all customers.

To better leverage the convenience of an online one-stop personalised account management system, our "HKBN My Account" platform allows all customers to perform a myriad of account-related services, via HKBN's website and the My Account smartphone app, that range from checking the latest service details and bill statements, making instant payments to editing of account information, and more.

Suppliers

The Group is committed to conducting supplier-related procurement activities using the highest standards of quality and integrity. Echoing our Core Purpose to 'make our Hong Kong a better place to live', diversity in the number of different suppliers is preferred. In addition, the Group prioritises efforts, whenever possible, to source materials, products and services through different social enterprises and ethically-responsible means.

To enrich the quality of our procurement activities, the Group has introduced criticality assessment along with guidelines to measure and consider supplier sustainability with regards to labour, health & safety, and environmental impact. In order to effectively manage our suppliers and mitigate any potential supplier risks, individual operating units from the Group are mandated to conduct supplier performance assessments on a regular basis. This supplier management framework helps monitor supplier performance, and when necessary, escalate and rectify any issues in a proactive manner.

COMPLIANCE WITH THE APPLICABLE LAWS AND REGULATIONS WHICH HAVE A SIGNIFICANT IMPACT ON THE GROUP

The Group and its activities are subject to various applicable legal and regulatory requirements. They include but are not limited to the Telecommunications Ordinance (Cap. 106), the Trade Descriptions Ordinance (Cap. 362), the Personal Data (Privacy) Ordinance (Cap. 486), the Competition Ordinance (Cap. 619), the Employment Ordinance (Cap. 57) and the Listing Rules. Through the implementation of various internal controls and approval procedures, and appropriate in-house training provided to different business units within the Group, the Company has complied in all material respects with all relevant laws and regulations that have significant impact on the operations of the Group for the year ended 31 August 2016, including the following laws and regulations.

Personal Data Privacy Ordinance ("PDPO")

The Group has not been subject to any substantial penalty and has through various in-house training sessions and meetings with affected business units, ensured that personal data is fully protected. During the year, there was an on-going court case involving the Group in relation to compliance with PDPO which is still pending completion of the court process.

Telecommunications Ordinance ("TO")

As licensees under the TO and in the interest of the public, the Group has to provide certain interconnection services and share any facilities owned by them. If licensees fail to co-operate with the Communications Authority ("CA"), fines may be imposed. Although there was an OFCA compliance investigation case regarding non observance of one of the Group's license conditions, the Group was not subject to any financial penalty.

Trade Descriptions Ordinance ("TDO")

The CA has concurrent jurisdiction with the Customs and Excise Department in the enforcement of the TDO. To ensure compliance with the TDO, all sales and marketing materials are reviewed to ensure compliance and refresher training sessions are offered to sales and marketing business units from time to time. False trade descriptions of goods and services, misleading omissions, bait advertising etc. are prohibited under the TDO. If any of the aforesaid offences are committed, it may result in criminal prosecution and a maximum penalty of HK$500,000 and five years imprisonment could be imposed.

Competition Ordinance ("CO")

The CA has concurrent jurisdiction with the Competition Commission ("CC") in the enforcement of the CO, namely in relation to telecommunications and broadcasting licensees. To ensure compliance with the CO, training sessions are conducted for all business units before the CO came into effect on December 2015 and a compliance manual was prepared as guidelines for Talents involved in sales, marketing, bids, pricing, contracts, strategy formation. Under the CO, agreements or concerted practices between undertakings that have the object or effect of preventing, restricting or distorting competition in Hong Kong is prohibited. Likewise, an undertaking that has a substantial degree of market power is also prohibited from abusing its power through engaging in conduct that has its object or effect of preventing, restricting or distorting competition in Hong Kong. Failure to comply with these competition rules could result in the Competition Tribunal imposing a fine of up to 10% of the gross Hong Kong turnover of the Group (up to three years) and Directors may be disqualified for up to five years.

CONSOLIDATED FINANCIAL STATEMENTS

The financial performance of the Group for the year ended 31 August 2016 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 110 to 182 of this annual report.

RECOMMENDED DIVIDEND

The Directors now recommend the payment of a final dividend of 20 cents per ordinary share (2015: 20 cents per ordinary share) to the shareholders on the register of members on Wednesday, 4 January 2017, amounting to approximately $201,133,000 (2015: $201,133,000).

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Details of the principal subsidiaries, associates and joint ventures of the Group at 31 August 2016 are set out in notes 12, 13 and 14 to the consolidated financial statements, respectively.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 28 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets, equity and liabilities of the Group for the last five financial years/period is set out on pages 183 and 184 of this annual report.

RETIREMENT SCHEMES

Details of the retirement schemes of the Group are set out in note 8 to the consolidated financial statements.

BANK LOAN

Particulars of bank loan of the Group as at 31 August 2016 are set out in note 20 to the consolidated financial statements.

DONATIONS

During the year ended 31 August 2016, the Group made charitable and other donations totalling approximately $7,500 (2015: $1,002,000).

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 August 2016, the Company's reserves available for distribution to shareholders were $1,100,781,000 (2015: $1,102,712,000).

Under the Companies Law (2013 Revision) of the Cayman Islands and the articles of association of the Company (the "Articles"), no dividend shall be declared or payable except out of the profits and reserves of the Company lawfully available for distribution including share premium.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company during the year ended 31 August 2016 and up to the date of this report were:

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 as a Non-executive Director and a member of Nomination Committee on 20 November 2015)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Stanley CHOW[2,4,5]
Mr. Quinn Yee Kwan LAW, SBS, JP[1,4,6]

Note:

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*

A full list of names of the Directors of the Group's subsidiaries can be found in the Company's website at www.hkbnltd.net under "Our Company/Corporate Governance".

Currently, all Directors are subject to retirement by rotation at least every three years and re-election in accordance with the Listing Rules and the Articles. At least one-third of Directors shall retire from office every year at the Company's annual general meeting.

In accordance with article 16.18 of the Articles, Mr. Ni Quiaque Lai, an Executive Director of the Company, and Mr. Quinn Yee Kwan Law, an Independent Non-executive Director of the Company, shall retire from office at the forthcoming annual general meeting and shall be eligible for re-election. All remaining Directors shall continue in office.

The Company has received, from each of the Independent Non-executive Directors, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the Independent Non-executive Directors are independent.

No Directors proposed for re-election at the forthcoming annual general meeting have a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 August 2016.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 August 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 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 set out in Appendix 10 of the Listing Rules (the "Model Code"):

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)	26,712,915	373,512	27,086,427	2.69%
Mr. Ni Quiaque LAI	(Note 4)	32,744,282	252,840	32,997,122	3.28%

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 27,086,427 ordinary shares which Mr. William Chu Kwong YEUNG are personally interested in, 373,512 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 32,997,122 ordinary shares which Mr. Ni Quiaque LAI are personally interested in, 252,840 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 31 August 2016.

INTERESTS IN COMPETING BUSINESSES

During the year ended 31 August 2016, none of the Directors are considered to have an interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

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 year ended 31 August 2016 are as follows:

			Number of RSUs								
			As at	Granted	Forfeited	Vested	As at	To be vested on 20 June/29 June/18 August/20 November (As at 31 August 2016)			
Participants	Date of grant	Granted	1 September 2015	during the year	during the year	during the year	31 August 2016	2016	2017	2018	2019
Mr. William Chu Kwong YEUNG*	29 June 2015	238,608	238,608	–	–	59,652	178,956	–	59,652	119,304	–
Mr. Ni Quiaque LAI*	29 June 2015	158,132	158,132	–	–	39,533	118,599	–	39,533	79,066	–
Other Participants	29 June 2015	2,326,246	2,318,415	–	133,567	553,058	1,631,790	–	543,818	1,087,972	–
Other Participants	18 August 2015	273,612	273,612	–	–	68,386	205,226	–	68,386	136,840	–
Other Participants	20 November 2015	158,567	–	158,567	135,776	–	22,791	5,696	5,696	11,399	–
Mr. William Chu Kwong YEUNG*	20 June 2016	194,556	–	194,556	–	–	194,556	–	48,639	48,639	97,278
Mr. Ni Quiaque LAI*	20 June 2016	134,241	–	134,241	–	–	134,241	–	33,560	33,560	67,121
Other Participants	20 June 2016	1,752,685	–	1,752,685	3,581	–	1,749,104	–	437,220	437,220	874,664
Total		**5,236,647**	**2,988,767**	**2,240,049**	**272,924**	**720,629**	**4,235,263**	**5,696**	**1,236,504**	**1,954,000**	**1,039,063**

* *Director of the Company*

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the "Share Incentive Scheme" above, at no time during the year ended 31 August 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.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 August 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)	181,048,500	18.00%
GIC Private Limited	(b)	91,096,297	9.06%
Matthews International Capital Management, LLC	(c)	60,350,000	6.00%
Mondrian Investment Partners Limited	(d)	56,390,500	5.61%

Note:

(a) *Canada Pension Plan Investment Board is the beneficial owner of 181,048,500 ordinary shares of the Company.*

(b) *91,096,297 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) *60,350,000 ordinary shares are controlled by Matthews International Capital Management, LLC in the capacity of investment manager.*

(d) *56,390,500 ordinary shares are controlled by Mondrian Investment Partners Limited in the capacity of investment manager.*

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 31 August 2016.

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS

None of the related parties transactions as disclosed in note 34 to the consolidated financial statements for the year ended 31 August 2016 constituted connected transaction or continuing connected transaction as defined under Chapter 14A of the Listing Rules.

There are no connected transactions (defined under Chapter 14A of the Listing Rules) of the Company during the year under review. No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year under review.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 August 2016, the aggregate amount of revenue attributable to the Group's five largest customers were approximately 1.7% of the Group's total revenue and the revenue attributable to the Group's largest customer were approximately 0.6% of the Group's total revenue.

For the year ended 31 August 2016, the aggregate amount of purchases and costs incurred attributable to the Group's five largest suppliers were approximately 7.1% of the Group's total purchases and costs incurred, and purchases and costs incurred from the largest supplier accounted for approximately 1.8% of the total purchases and costs incurred.

At no time during the year, did a Director, an associate of a Director or a shareholder of the Company, which to the knowledge of the Directors owns more than 5% of the Company's issued share capital, have an interest in the share capital of any of the five largest customers or suppliers of the Group.

UPDATE ON DIRECTORS' 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 since the date of the Company's 2016 interim report on 20 April 2016 are set out below:

Mr. Quinn Yee Kwan LAW, an Independent Non-executive Director of the Company, was appointed as the Deputy Chairman of Professional Conduct Committee of the Hong Kong Institute of Certified Public Accountants on 1 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 year ended 31 August 2016.

DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

The emoluments of the Directors of the Company are recommended by the Remuneration Committee and are decided by the Board, having regard to the Group's operating results, individual performance and comparable market statistics.

Details of the remuneration of the Directors and those of the five highest paid individuals of the Group for the year ended 31 August 2016 are set out in notes 5 and 6 to the consolidated financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 40 to 51 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

On the basis of information that is publicly available to the Company and within the knowledge of the Directors of the Company, the Company has maintained a sufficient public float as required under the Listing Rules during the year ended 31 August 2016 and up to the date of this annual report.

INDEMNITY OF DIRECTORS

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the Directors of the Company is currently in force and was in force throughout this year.

SUBSEQUENT EVENT

No significant events occurred after the end of the reporting period.

PROFESSIONAL TAX ADVICE RECOMMENDED

If the shareholders of the Company are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the shares of the Company, they are advised to consult an expert.

AUDITOR

The financial statements have been audited by KPMG who shall retire and being eligible, offer itself for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

William Chu Kwong YEUNG
Executive Director
Hong Kong, 9 November 2016

CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of a good standard of corporate governance practices by emphasising transparency, accountability and responsibility to our stakeholders, which are considered essential to safeguard the integrity of the Group's operations and maintain stakeholder trust in the Company.

CORPORATE GOVERNANCE PRACTICES AND CORPORATE GOVERNANCE CODE

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 year ended 31 August 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 annual 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.

BOARD OF DIRECTORS

ROLES AND RESPONSIBILITIES

The overall management of the Company's business is vested in the Board. The Board takes responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems, and monitoring the performance of the senior management. The Directors make decisions objectively in the interests of the Company.

Physical Board meetings are normally held. Matters which are immaterial and may not cause potential conflicts of interest will be dealt with by way of written resolutions. The Company Secretary prepares minutes which are recorded in sufficient detail of matters considered by the Board and the decisions reached, with the final version open for inspection at any reasonable notice by any Director. The Chairman seeks to ensure that all Directors are properly briefed on issues arising at board meetings with reasonable meeting notice.

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer, Chief Talent & Financial Officer and the senior management of the Company. The delegated functions and work tasks are periodically reviewed.

BOARD COMPOSITION

The Board currently comprises six Directors, including two Executive Directors (Mr. William Chu Kwong YEUNG and Mr. Ni Quiaque LAI), one Non-executive Director (Ms. Deborah Keiko ORIDA) and three Independent Non-executive Directors (Mr. Bradley Jay HORWITZ (Chairman), Mr. Stanley CHOW and Mr. Quinn Yee Kwan LAW). The Directors' biographical details are set out in the "Board of Directors and Senior Management" section on pages 8 to 15. None of the members of the Board are related to one another.

BOARD DIVERSITY

The Board has adopted a policy on the diversity of Board members, according to which, selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The Board should also have a balanced composition of Executive, Non-executive and Independent Non-executive Directors to ensure that active, unbiased and diverse advice is brought to the Company and that there is a strong independent element on the Board which can effectively exercise independent judgment.

An analysis of the Board's current composition based on the measurable objectives is set out below:

		Number of Directors
Gender	Male	5
	Female	1
Designation	Executive Directors	2
	Non-executive Director	1
	Independent Non-executive Directors	3
Ethnicity	Chinese	4
	Non-Chinese	2
Age Group	46-55	4
	56-65	2

EDUCATIONAL BACKGROUND

	Number of Directors
Science	2
Business Administration	3
Arts	2
Commerce	2
Accounting & Finance	2
Legal	2

BUSINESS EXPERIENCE

	Number of Directors
Telecommunications	3
Legal	2
Banking	2
Accounting & Finance	2

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and the Chief Executive Officer are served by Mr. Bradley Jay HORWITZ and Mr. William Chu Kwong YEUNG separately. The Chairman is responsible for leadership of the Board and for ensuring that the Board functions effectively and acts in the best interests of the Company. In performing the role of Chairman, responsibilities mainly include:

(a) providing leadership and ensuring effective performance by the Board of its responsibilities, including that it acts in the Company's best interests;

(b) ensuring that all key and appropriate issues are discussed by the Board in a timely manner;

(c) leading the Board in establishing good corporate governance practices and procedures for the Group;

(d) encouraging constructive and timely communication between the Board and the management; and

(e) ensuring effective communication with shareholders and ensuring that their views are communicated to the Board.

Subject to specific delegations by the Board from time to time, in performing the role of Chief Executive Officer, responsibilities include:

(a) leading the management in the daily operations of the Group;

(b) recommending policies, business plans and strategic directions for Board approval;

(c) ensuring the strategies and policies approved by the Board are effectively implemented; and

(d) keeping the Board informed of material developments in the Group's business.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 August 2016, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors with at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise, and appointed Independent Non-executive Directors representing at least one-third of the Board.

In addition, the Company has received from each of the Independent Non-executive Directors a confirmation of their independence for the year ended 31 August 2016 pursuant to Rule 3.13 of the Listing Rules, and considered all of them to be independent.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The appointment of a new Director is made on the recommendation of the Nomination Committee and the Board and by the shareholders in a general meeting. Any Director who is appointed by the Board to fill a casual vacancy on the Board shall retire at the first general meeting after appointment. Any Director who is appointed as an addition to their number shall hold office only until the next following annual general meeting.

Currently, all Directors are subject to retirement by rotation at least every three years and re-election in accordance with the provision of the Listing Rules and the Articles. At least one-third of Directors shall retire from office every year at the Company's annual general meeting.

DIRECTORS' TRAINING

According to the code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. As such, briefing materials are provided to newly appointed Director to ensure that Director is familiar with the role of the Board, the legal and other duties and responsibilities as Director as well as the business and corporate governance practices of the Company.

All Directors have provided a record of the training they received during the year ended 31 August 2016 to the Company, which includes attending seminars, giving talks at seminars and/or reading materials relevant to the Company's business or to the Directors' duties and responsibilities.

DIRECTORS' LIABILITY INSURANCE AND INDEMNITY

The Company maintains appropriate liability insurance to indemnify its Directors for their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis. During the year ended 31 August 2016, no claims were made against the Directors.

MEETINGS

The Board meets on a regular and on an ad hoc basis, as required by business needs. The attendance of each Director at the Board meetings, committee meetings and general meeting during the year ended 31 August 2016 is set out in the following table.

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	General Meeting
	Number of Meetings Attended/Held				
Chairman and Independent Non-executive Director					
Bradley Jay HORWITZ	10/10	3/3	N/A	1/1	0/2
Executive Directors					
William Chu Kwong YEUNG	10/10 (Note)	N/A	2/2 (Note)	1/1	2/2
Ni Quiaque LAI	10/10 (Note)	N/A	N/A	N/A	2/2
Non-executive Director					
Deborah Keiko ORIDA (appointed on 20 November 2015)	8/8	N/A	N/A	0/0	1/2
Independent Non-executive Directors					
Stanley CHOW	10/10	3/3	2/2	1/1	1/2
Quinn Yee Kwan LAW	10/10	3/3	2/2	1/1	2/2

Note:
Director(s) attended the meeting but abstained from voting due to the conflict of interests.

BOARD COMMITTEES

The Board has established the Remuneration Committee, the Nomination Committee and the Audit Committee.

REMUNERATION COMMITTEE

The Remuneration Committee was established with written terms of reference which are available for view on the Company's website and HKEXnews website.

The Remuneration Committee currently comprises three members, namely Mr. Stanley CHOW, Mr. Quinn Yee Kwan LAW and Mr. William Chu Kwong YEUNG. The Chairman of the Remuneration Committee is Mr. Stanley CHOW, an Independent Non-executive Director of the Company. The majority of the Remuneration Committee members are Independent Non-executive Directors.

The primary responsibilities of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration, make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, make recommendations to the Board on the remuneration of Non-executive Directors and review and approve the compensation arrangement for Directors and senior management in the event of loss or termination of office.

During the year ended 31 August 2016, the Remuneration Committee held two physical meetings to review the remuneration package and discretionary bonus of Directors, senior management and Talents, as well as review the remuneration policy of the Company. Written resolutions were also passed by the Remuneration Committee on 20 June 2016 regarding the grant of restricted share units under the Plan and recommended for the Board's approval.

Pursuant to B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 August 2016 is set out in note 6 to the consolidated financial statements.

NOMINATION COMMITTEE

The Board has a Nomination Committee with written terms of reference in compliance with the CG Code, setting out the duties (containing the minimum specific duties as set out in the CG Code) and authority of the Nomination Committee. The terms of reference of Nomination Committee are available for view on the Company's website and HKEXnews website. The principal duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) required of the Board, make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identify individuals suitably qualified to become Directors and select or make recommendations to the Board on the selection of individuals nominated for directorships, assess the independence of Independent Non-executive Directors of the Company, and make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

The Nomination Committee currently comprises five members, namely Mr. Stanley CHOW, Mr. Bradley Jay HORWITZ, Ms. Deborah Keiko ORIDA, Mr. Quinn Yee Kwan LAW and Mr. William Chu Kwong YEUNG (Chairman of the Nomination Committee). The Chairman of the Nomination Committee is Mr. William Chu Kwong YEUNG, an Executive Director of the Company.

During the year ended 31 August 2016, the Nomination Committee held one physical meeting to review the independence of Independent Non-executive Directors, and to consider the re-election of the Directors at the forthcoming annual general meeting of the Company.

AUDIT COMMITTEE

The Audit Committee was established with written terms of reference which are available for view on the Company's website and HKEXnews website.

The Audit Committee meets, at least twice a year, with the external auditor to discuss their audit plan and any area of major audit and internal control concern during the audit or review. At least once a year the Audit Committee meets with the external auditor without Executive Directors present.

The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor and any questions of its resignation or dismissal, review of the Company's financial information and oversight of the Company's financial reporting system and internal control system and procedures. It is also responsible for reviewing the interim and final results of the Company.

The audited consolidated financial statements for the year ended 31 August 2016 have been reviewed by the Audit Committee.

The Audit Committee currently comprises three members, namely Mr. Quinn Yee Kwan LAW, Mr. Stanley CHOW and Mr. Bradley Jay HORWITZ. The Chairman of the Audit Committee is Mr. Quinn Yee Kwan LAW, an Independent Non-executive Director of the Company. All of the Audit Committee members are Independent Non-executive Directors. None of the members of the Audit Committee are a former partner of the Company's existing external auditor.

Audit Committee held three physical meetings with the following summary of work performed during the year ended 31 August 2016:

- met with the external auditor to discuss the general scope of their audit work and report;
- reviewed the internal audit work plan, internal control and risk management systems of the Company; and
- reviewed the unaudited interim results for the six months ended 29 February 2016.

CORPORATE GOVERNANCE FUNCTIONS

The Board is primarily responsible for performing the corporate governance functions of the Company, including the following, which are contained in the Corporate Governance Manual adopted by the Board on 6 February 2015:

- developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board;
- reviewing and monitoring the training and continuous professional development of Directors and senior management;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring this policy and any other codes of conduct or policies applicable to Talents, Directors and officers of the Company; and
- reviewing the Company's compliance with CG Code and disclosure in the Corporate Governance Report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Group adopted an integrated framework of internal controls in consistence with the "Committee of Sponsoring Organisations of the Treadway Commission" framework (the "framework") outlines 17 components, principles, and factors necessary to effectively manage its risks through the implementation of internal controls.

Under this framework, management is responsible for the design, implementation and maintenance of internal control to ensure appropriate policies and control procedures have been designed and established to safeguard our assets against improper use or disposal; relevant laws, rules and regulations are adhered to and complied with; and that reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements.

THREE LINES OF DEFENSE

Our risk management structure is based on the best practices model known as the "Three Lines of Defense" model.

1. Operation management manages risk through identification and mitigating risks identified.

2. Internal Risk Management team ensures appropriate actions were taken on risks affecting the Group's business and operations.

3. Internal Audit and Risk Department provides independent assurance to Management Committee and the Board concerning the effectiveness of management of risk and internal control.

The Board has the overall responsibility for maintaining sound and effective risk management and internal control systems for the Group. Major risks that may impact on the Group's performance are appropriately identified and managed to provide reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate the risk of failure to achieve business objectives. They are regularly reviewed and updated.

First Line of Defense – Risk Management

Key Group's Policy

Company Policy and Business Conduct regulates behaviour of our Talents. In 2016, we have revamped the policy with the objective to enhance permeation of the Group's integrity and ethics values while fundamentally existing principles would remain unchanged. This policy is available on the Group intranet for Talents to access.

Whistleblowing Policy is in place to facilitate employees and other stakeholders to report on any suspected misconduct or malpractice within the Group in confidence and without fear of reprisal, victimisation, subsequent discrimination, disadvantage or dismissal. The policy is posted on the Company's website and intranet. Internal Audit and Risk Department promptly follows up incidents, investigation results are then communicated to the Management Committee and Audit Committee with approved recommendations implemented by the responsible parties.

Anti-corruption and Conflict of Interest Policy outlines acceptable and non-acceptable behaviors to ensure compliance with anti-corruption laws, such as the Prevention of Bribery Ordinance (Cap. 201) ("the Ordinance"). This includes compliance with all laws, domestic and foreign, prohibiting improper payments, gifts or inducements of any kind to and received from any person, including officials in the private or public sector, customers and suppliers. It also provides definite guidelines on standards of Talent behavior and how Talents should respond to different situations in business dealings so as to ensure reputation of the Group will not be tarnished by Talent dishonesty, disloyalty or corruption, and maintain integrity and effectiveness of the Group as a whole. Members of management are required to declare potential conflict of interests annually.

Continuous Disclosure Obligation Procedures are in place to prevent potential inside information from being captured and that confidentiality of such information is maintained.

Operating Policies

IT Policy establishes the policies related to Information Technology ("IT") of the Group. It provides guidance on how to protect the Group's information systems in a manner that achieves a balance of cost effectiveness, reasonableness, an adequate level of protection, and helps to facilitate compliance with regulatory, business, and IT requirements. The policy is reviewed annually.

Finance Department Operating Manual and Procurement Policy are maintained by Finance Department which outlines internal control points related to revenue recognition process, procurement and payment process, budgetary process and financial reporting process, ensuring accuracy, consistency, validity and integrity of financial reporting.

Departmental Operating Procedures are established for major operations for each department. What Could Go Wrong ("WCGW") are identified and controls are established to mitigate the risks.

Departmental Risk Registers are submitted by department heads to Internal Risk Management team on an annual basis to ensure proper remediation actions are in place to address identified risks.

Second Line of Defense – Risk Oversight

The Internal Risk Management team, composed of nominated department heads and executives, facilitates the implementation of the risk management framework. It is responsible for understanding the risks affecting the organisation and ensuring major risks are addressed with appropriate actions.

The Group Risk Register is the result of a top down risk assessment from the corporate level and is complemented by a bottom up approach of separate risk registers reported by different departments.

The Departmental Risk Register assesses risks in five categories: business, financial, operational, compliance and external. The Internal Risk Management team meets regularly to identify and evaluate major risks that could have material effects to the Group based on its potential financial impact and likelihood of occurrence. For all key risks, existing controls are identified and assessed with respective improvement plans.

The Board reviewed the key risks and their management plan proposed by the Internal Risk Management team annually.

Third Line of Defense – Independent Assurance

Internal Audit

The Group's internal audit function is performed by the Internal Audit and Risk Department. It is responsible for conducting independent reviews of the adequacy and effectiveness of the Group's internal control and risk management systems. It also assesses the risks inherent in particular business or functional areas, including fraud or corruption, and conducts reviews or audits to provide reasonable, though not absolute, assurance that adequate governance and controls are in place to address such risks.

Internal Audit and Risk Department has a reporting line to the Chief Executive Officer and has direct access to the Chairman of the Audit Committee. Internal audit reports on control effectiveness are submitted to the Audit Committee in line with the agreed audit plan. An annual audit plan is prepared based on those major risks identified during the latest risk review and on the Departmental Risk Register. This audit plan is subject to change according to the outcome of continuous risk review process, and any proposed changes to the audit plan will be communicated to and approved by the Audit Committee accordingly.

During 2016, the Internal Audit and Risk Department conducted selective reviews of the effectiveness of its system of internal controls of the Group over financial, operational, compliance controls and risk management functions, putting key emphasis on the Company's network operation, compliance with competition laws and regulation.

The Audit Committee, on behalf of the Board, assesses the effectiveness of the internal control systems on a regular basis by reviewing the Internal Audit and Risk Department's work and findings.

External Auditors/Consultants

External auditors and consultants further supplement the third line of defense by providing independent assessment on the Group's processes, especially on significant risk and control issues identified over the financial reporting process during the course of their audit work. The external auditor reports any control weaknesses identified to the Audit Committee.

RISK MANAGEMENT FRAMEWORK

The Group Adopted Enterprise Risk Management ("ERM") Framework

The Group adopts an "enterprise-wide approach" for the management of key business risks. This approach to risk management provides uniform processes to identify, assess, treat, monitor and communicate key risks.

Phase 1:
Set criteria against risks will be assessed based on our Group's objectives.

Phase 2:
Being part of our strategic planning process and day-to-day management of the business, internal and external events that may affect the achievement of our Group's objectives are identified.

Phase 3:
During this phase, we identify the cause and source of the risks, and rank the potential impact on the business and likelihood of a risk occurring both quantitatively and qualitatively.

Phase 4:
As a cyclical process, a treatment is identified and determined as to whether or not it reduces the residual risk to an acceptable level. If not, further treatments are considered until the residual risks are reduced to an acceptable level.

Phase 5:
Once an appropriate risk treatment has been determined, department heads and the Internal Risk Management team perform ongoing and periodic monitoring of the risk and ensure that appropriate responses, controls and preventive actions are in place.

HKBN 2016 KEY EXPOSURES

Financial risk is reported on note 31 to the consolidated financial statements of this annual report.

For the year under review, the Audit Committee, on behalf of the Board, considered that the Group's internal control and risk management system was reasonably effective and adequate.

AUDITOR'S REMUNERATION

During the year ended 31 August 2016, the remuneration paid or payable to the Company's external auditor, KPMG, is set out as follows:

	$'000
Audit services	2,877
Other services(Note)	4,403
	7,280

Note:
Other services fee includes the review of the Group's interim financial report amounting to $309,000, tax advisory services amounting to $176,000 and other professional fees in connection with business combination amounting to $3,918,000.

DIRECTORS' RESPONSIBILITY AND AUDITOR'S RESPONSIBILITY IN RESPECT OF FINANCIAL STATEMENTS

The statement of the Directors' responsibility and auditor's statement of reporting responsibilities in respect of the financial statements of the Group for the year ended 31 August 2016 are set out on page 108 of this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code 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 year ended 31 August 2016.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide a communication channel between the shareholders and the Board. An annual general meeting of the Company is held each year at a location as may be determined by the Board. Each general meeting, other than an annual general meeting, is called an extraordinary general meeting. The Board may whenever it deems fit convene extraordinary general meetings. Any vote of the shareholders at a general meeting must be taken by poll except where the Chairman of the general meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted by a show of hands.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

An extraordinary general meeting could be convened on the written requisition of any two or more members or any one member which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

PROCEDURES FOR SENDING ENQUIRIES TO THE BOARD

The enquiries must be in writing with the detailed contact information of the requisitionists and deposited with the Board or the Company Secretary at the Company's principal place of business in Hong Kong as below:

HKBN Ltd.
12th Floor, Trans Asia Centre
18 Kin Hong Street, Kwai Chung
New Territories
Hong Kong

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

There are no provisions in the Company's Articles or the Companies Law of the Cayman Islands for shareholders to put forward new resolutions at general meetings. Shareholders who wish to put forward a new resolution may request the Company to convene a general meeting in accordance with the procedures set out on page 50 in the paragraph under "Procedures for Shareholders to Convene an Extraordinary General Meeting". Detailed procedure for shareholders to propose a person for election as a Director is available under the Corporate Governance section of the Company's Website.

SHAREHOLDER COMMUNICATION POLICY

The Company has adopted a Shareholder Communication Policy to set out the Company's procedures in providing shareholders and the investment community with ready, equal and timely access to balanced and understandable information about the Company, in order to help shareholders exercise their rights in an informed manner, and to allow shareholders and the investment community to engage actively with the Company.

INFORMATION DISCLOSURE AND INVESTOR RELATIONS

The Board and the Company maintain an on-going dialogue with the Company's shareholders and the investment community mainly through the Company's financial reports, annual general meetings and other general meetings that may be convened, as well as by making available all the disclosures submitted to the Stock Exchange and its corporate communications and other corporate publications on the Company's website.

CONSTITUTIONAL DOCUMENTS

The constitutional documents of the Company was adopted by special resolution passed on 21 February 2015 and effective on the Listing Date. There is no change on the constitutional documents of the Company during the year ended 31 August 2016.

EMPOWERING TALENTS

At HKBN, every Talent plays a crucial role in our competitive journey. Across all facets of operations, harnessing Talent growth and development are key to maximising business potential, and defines how we expand and evolve.

(FROM LEFT TO RIGHT CLOCKWISE)

NGAI HON LEUNG
Service Technician
joined in 2016

JACKY LO
Senior District Service Network Consultant and Co-Owner
joined in 2002

VINCENT FUNG
Senior Officer - Talent Relations
joined in 2014

AU HO KAI
District Service Engineer
joined in 2002

TONY LI
Assistant District Service Network Consultant, joined in 2001

CY CHAN
Associate Director - Talent Management & Organization Development and Co-Owner
joined in 2011

LOK CHAN
Senior Online Services Executive
joined in 2007

REX SO
Assistant District Service Network Consultant, joined in 2013


18
FC ME
88
11

OUR TALENT CULTURE

To ensure HKBN remains competitive at all times, we espouse a corporate culture that champions entrepreneurship, and crucially, pursues continuous learning & development for our Talents via everything we do. More than any other factor, our 3,000-plus Talents are essential to our success.

TALENT DEVELOPMENT

Like coaches in the sporting world, our work to facilitate ongoing learning and development is absolutely critical for success. In order to cultivate the latitude of knowledge and skillsets needed for different Talents, we continued to initiate a broad array of programmes that help them improve and grow. Throughout the year, we have also tirelessly fostered a culture of empowerment that encourages every Talent to take a proactive stance in their pursuit and development of a better career.

In 2016, approximately 28,000 hours of training covering such broad topics as product knowledge, customer service, language enhancement, career planning and more were provided. Expressed broadly, our development programmes encompass all ranking levels of Talents, whether it is for those who are ready to take on a supervisory role, or Talents poised to become managers, or high potential leaders eager to progress into a senior management position, or even new joiners aspiring to build long-term careers at HKBN.

Complementing our long term strategy to enrichment, we also take a dynamic approach that enables our programmes to respond to an ever changing business environment, and importantly, impart the competencies needed at a particular time.

As part of our regular workshops, we invite external speakers to share their successes with our managerial Talents.

HUMAN RESOURCES INNOVATION AWARDS

At the outset of this financial year (October 2015), our holistic Talent-first culture was recognised through nine outstanding awards conferred by the HR Innovation Awards 2015. Altogether, these nine awards are acknowledgements of the comprehensive lengths we take to engage and develop our Talents into a competitive advantage. The awards 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 Employee Branding (Silver)
- Excellence in Employee Development (Silver)
- Excellence in Training, Learning & Development Programmes (Silver)

TALENT DEVELOPMENT – KEY INITIATIVES FOR 2016

NEXT STATION: UNIVERSITY II

Following the success of the original Next Station: University 2009-2014 programme (which saw 30 HKBNers realise their life-long dreams), Next Station: University (NSU) II officially commenced in January 2016 with the enrollment of 38 HKBN students. Streamlined into a three-year sponsorship programme, NSU II is empowering our Talents to fulfill their dream of earning a Bachelor's Degree in Business from Glyndŵr University, UK. In exchange, each of the 38 NSU II students, on top of completing the curricular requirements, must initiate a 3-year plan centred on career development and enrichment. In addition, the students will be asked to apply their acquired knowledge towards a Corporate Social Investment (CSI) project to benefit our community.

Joined by management, the NSU II freshman class vows to accept nothing but success over their three-year journey.

CareerGPS

Through 1-on-1 interactions, with guidance provided by qualified members from our respective Talent Management and Talent Development departments, the CareerGPS programme helps Talents identify practical ways (such as understanding personal value, finding passion at work, and short and long-term career planning) their professional goals can be achieved. Importantly, this programme equips Talents with the attitude to take continuous ownership, with personal development emphasised by change. Over the past year, a total of 12 consultations were conducted in Hong Kong and Guangzhou.

"SELFIDENCE" PROGRAMME

Towards our junior-level Talents, the need for support is just as significant. To prepare our Talents for the next progressive step in their careers, our work to augment confidence is helping to transform mindsets into skillsets. Launched in July 2016, the "Selfidence" Programme embraces an array of exercises, from how to maintain a positive attitude when faced with challenges to ways personal charisma and confidence can be leveraged for improved presentation skills, to help Talents act and communicate with the attitude of a well trained professional.

"THE NEXT CTO" GRADUATE TRAINEE DEVELOPMENT PROGRAMME

First established in 2015, this long-term management development programme aims to groom a group of seven technical graduate trainees into Talents capable of formulating strategic technology development with the leadership skills to assume a future management role. Throughout the fiscal year, our seven trainees gained exposure to formative opportunities that included job rotations (enterprise solutions consultation, network development and IT), business imperative projects for IT and marketing, and product development for HKBN's mobile services. In addition, they participated in external sharing with companies like LinkedIn, Merck Sharp & Domhe (Asia), and served as host ambassadors at brand building and development events for DBS, Bloomberg, Thomson Reuters, and students visiting from South Africa.

IT ROCKS DEVELOPMENT PROGRAMME

Indicative of how we respond dynamically, this department-specific programme was initiated to enhance the overall efficacy of our Talents from IT. Through a series of applied workshops and user feedback sessions running from November 2015 to July 2016, our IT Talents learned how to better improve daily interpersonal communication, as well as espouse a much more user-centric approach to work. As a result, participants are better equipped to converse through everyday terms (instead of relying on technical verbiage), and implement projects aptly designed with the user experience in mind.

SUMMER INTERNSHIP "CO-OWNERS OF THE FUTURE" 2016

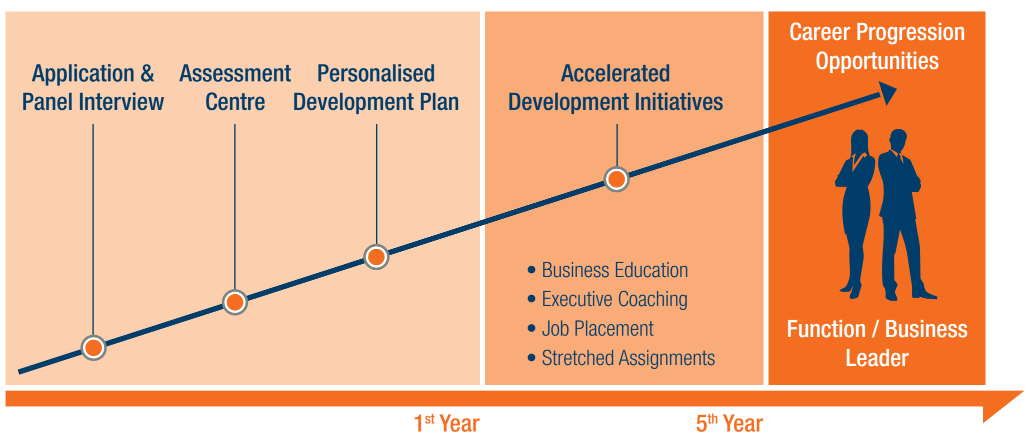
On an annual basis, our "Co-Owners of the Future" summer internship programme has been adventurously designed to challenge individuals who want an inspired head-start for their careers. Believing internships should be about inspiring our next generation of leaders, we steered away from the menial tasks most internships favour. Covering numerous experiences in an intense two-month period (from late June to late August), our 20 interns, arriving from various countries around the world, were given opportunities to engage with business leaders from J. P. Morgan, The Ritz Carlton, Canada Pension Plan Investment Board, Value Partners, Bloomberg, Ocean Park and others, shadow our senior management, harness their entrepreneurial thinking and even participate in Corporate Social Investment initiatives to give back to the community.

Our summer interns at The Ritz-Carlton Victoria Harbour Suite after learning from the hotel's elite business leaders.

EAGLE PROGRAMME

As a group with a long term vision, HKBN deems senior leadership development vital to our succession planning process. As a platform for ambitious managerial Talents, the Eagle Programme was established in February 2016 to groom Talents to step into a senior management position. Following a highly stringent evaluation and selection process, four high potential Talents have been selected to undertake an accelerated five year path of growth and development, tailored around their individual strengths and weaknesses and the Group's business needs. With initial assignments scheduled to stretch through 2017, each of the four Eagle Programme participants will receive regular coaching and mentoring from HKBN's Management Committee to maximise their exposure and broaden their business perspective.

Eagle Programme Roadmap



MANAGEMENT DEVELOPMENT PROGRAMME ON EMPOWERMENT

At HKBN, empowerment plays a huge role in ensuring we can perform and make astute decisions across all levels of our business. Our propensity for delegation starts from the top, and trickles down to entrust Talents with the autonomy necessary to help business grow and outperform. To facilitate our evolution towards a culture of empowerment, we organised a series of ongoing workshops and experience sharing sessions to help our managerial Talents put delegation, motivation and coaching into practise to enhance the output of Talents working under their supervision. Through a holistic approach that features practical sharing from external business leaders, before and after surveys to quantify the enhancements made, and participant feedback garnered to address development needs, this eye-opening programme will transform the efficiency and effectiveness of what we do.

HKBN MEMOS

Members of our management team have a practice of sharing email memos with all our Talents. Covering a variety of topics and intentions – from notes which inspire us to messages extolling LIFE-work priority – these internal memos exemplify the off-the-cuff approach of our Talent communications.

From: NiQ Lai
Sent: Wednesday, September 21, 2016 8:59 AM
To: All HKBN Talents
Subject: At HKBN we choose LIFE over money

Dear All Fellow HKBNers,

Over the Mid-Autumn break, after reading each and every submitted 116 SeoulMate bio a common theme jumped out... we all have incredibly rich and vibrant personal lives outside of HKBN.

At HKBN, we believe "how we make money" is more important than "how much money we make", and we choose LIFE over money... our LIFE-work priority means just that, i.e. we choose LIFE over money, family over colleagues.

At HKBN, we know we don't have to chase money, rather money will chase us if we do the right things ... the right things by being KickAss disruptive in delivering world best value and service to Hong Kongers, and in doing so, destroy legacy inefficiencies (remember the tennis ball game with Do Nothing professor!).

For me, I would not swap my life with successful business icons like who leave behind divorces, broken families etc. For me, Bill Gates, Scott Neeson are better role models for what they are doing post their business success.

In reality, even with LIFE-work priority we have to make some choices. During our 2015 IPO, I decided to stay in HK over the Chinese New Year, whilst my family was in Niseko for our annual family skiing, so that we can push IPO prospectus through the printers. But since that event I have taken a lot of time off with my family.

In the past 18 months after IPO, we have "moved mountains" including adding 150K subs, upgraded from double to quad play, acquired and integrated NWT etc, yet I am happy to say that I have spent more time with my family over the past 18 months than any other period in my entire 26 year career. Today, HKBN is stronger than we have ever been in our 24 year corporate life (City Telecom, the former parent company of HKBN was founded in 1992).

Let's continue to run the talk on our LIFE-work priority, and enjoy "KAWS" (KickingAss with a Smile), knowing that we are doing good to "Make our Hong Kong a better place to live".

Cheers,

NiQ Lai
Chief Talent and Financial Officer & Co-Owner
Hong Kong Broadband Network Limited

From: William Yeung
Sent: Thursday, July 21, 2016 9:14 PM
To: HK Point 3x up Talents ; GZ Point 3x up Talents
Subject: LIFE-work priority even busy

Dear all,

We are chasing 100k net gains in residential subscriber numbers before the end of August, 2016.

We have started to prepare for the very important mobile service under HKBN's brand in August/Sept.

We are also integrating with NWT.

I understand many of us are very busy and stretched.

Again, I want you to set priorities and say NO to certain jobs when comparatively they are not so important and not so urgent.
Pls feel free to tell your boss your recommendation of NOT doing something.

Pls also feel free to take time off to compensate certain extra hours/days worked.

Sincerely,

William Yeung

CEO & Co-Owner
Hong Kong Broadband Network Limited

From: NiQ
To: All HKBN Talents
Date: Monday, October 17, 2016 6:30 AM
Subject: What is your personal Credo

Dear All Fellow HKBNers,

Here is my personal Credo ... What is yours?

I believe that it is important for everyone to have a personal Credo, as this sets the framework for how we approach life. My personal Credo is below:

"Empower Others"
1. Execute on personal LIFE-work priority and enable/encourage others to embrace this as well, i.e. choose LIFE over money.
2. Inspire others to grow beyond their comfort zone to establish HKBN as the largest alternative fixed line carrier. Judge my own success by the success of HKBNers and other stakeholders around us.
3. Prepare HKBN for upcoming M&A, to be in a leadership position when M&A occurs again.

... What is your personal Credo?

Cheers,

NiQ Lai
Chief Talent and Financial Officer & Co-Owner
Hong Kong Broadband Network Limited

EMPOWERMENT UNLEASHED

While most large-scale companies in Hong Kong are mired by a culture of micro-management, HKBN thinks differently. Through believing in the competence and potential of our Talents, we become a much more agile business. At virtually every facet of our operations, Talent initiative and ability is rewarded by ample autonomy to perform, develop, and ultimately, flourish. When this happens, it means we're building a better company where Talents are free to pursue successful careers.

More than 15 years ago, Angus Chan began his journey at HKBN like most inexperienced young people – at the junior level.

"In those days, my job was to speak with customers. I was later promoted to supervise about 15 Talents, and I really loved what I did," he says. "But as the business began shifting towards a fibre network, the demand for broadband installation expertise was huge."

Eager for the opportunity, Angus asked for a transfer – despite having little to no experience installing broadband. "The great thing about HKBN is the transparency of communication. Whenever the company expands in a new area, all our Talents are made aware of the intended targets. Knowing these goals means it's easier for us to say: I can help achieve those numbers. So as long as you dare to try and know what the challenge is, this company is willing to support you," says Angus.

Armed with this insight, Angus has continued to develop through many different roles, leveraging every experience as a springboard for each new success.

"To ensure our work improves, we always try to step outside of our comfort zones. Every quarter, I make it a practice to set better goals," he reveals. "My boss Herman affords me a lot of freedom to handle things my way. When a new project begins, we work out our targets. He listens to my plan and gives helpful feedback, without ever wrestling away control. After that, it's on me to deliver – our goal is to operate as smartly as possible," he says.

Having stepped into a more senior managerial position (Angus is now an Associate Director), he recognises how valuable delegation of work and decision-making can be. "When I was a Senior Manager, I was very hands-on about defining tasks and strategy for my teammates. Nowadays, I want my teammates to thrive like I was able to before. Essentially, I set the goals. After that, they are relatively free to execute – and find satisfaction – in their own way. To make sure things proceed as intended, we meet regularly and review progress, adjusting strategy when required," says Angus.

As Senior Customer Service Officer in 2003

As Senior Network Operation Officer in 2006

Earned Hong Kong Marketing Association Gold Award for Excellence in Training & Development (Skills Training Category) in 2014

MILESTONES

2001-03
As Customer Service Officer, helped improve user experience for Customer Service Hotline

2003-05
Promoted to Senior Customer Service Officer; improved call service efficiency for Hong Kong and Guangzhou Call Centre

2005-07
Became Senior Network Operation Officer; implemented sub-contractor quality control to improve productivity & install rate from 50% to 75%

2007-08
Promoted to Assistant Manager – Network Operation; aided launch to revamp our business into five districts of operations for maximum business opportunity

2008-09
Became Assistant Manager – District Network Service; expanded broadband coverage with 47,000 new homes passed

2009-13
Promoted to Manager – District Network Service; continued to expand broadband coverage for over 100k new homes passed; co-developed new product called "Home Hotspots service"

2013-15
Became Manager – Technical Service; spearheaded CPE certification programme, earning HKBN an Hong Kong Marketing Association Gold Award for Excellence in Training & Development (Skills Training Category)

2015-16
Promoted to Senior Manager – Technical Service; co-initiated automated order and inventory system to improve install rate up to 93%

2016
Promoted to Associate Director – Technical Service; earned *Next Magazine* the 1st Runner Up of Best Staff Award in June 2016

2016: Promoted to Associate Director – Technical Service

Conversation with Herman Pun, Director – Operations Support and Co-Owner (direct supervisor to Angus)

Q: How do you pave the way for Angus' career to shine?

A: I am strength-focused. So I consider it important to unleash the potential of my teammates. The easiest way I can be an effective manager is to offer them more freedom to exercise their competence at work and apply themselves to day-to-day routines. This is how I work with Angus.

Q: What's your empowerment philosophy?

A: Empowerment is praxis; a re-assignment of authority from one side to the other. In a sense, it restructures working relationships, where the weight of responsibilities is rebalanced. This opens the space for my teammates to flex their muscles in terms of decision making and re-examine the limits of their potential.

Q: When delegating, how do you safeguard quality control?

A: The delegation of authority and responsibility go hand in hand. When one takes charge of duty, one becomes responsible for the deliverables, be they good or bad. When this is communicated well, as supervisors, we can worry less about quality control. Having said that, team targets and operational KPIs remain cornerstones of the operation.

Angus Chan
Associate Director – Technical Service and Co-Owner

EMPOWERMENT UNLEASHED

One of Vincent Fung's earliest memories at HKBN was of him getting thrown into deep waters.

"Shortly after joining I was asked to organise a large event," he recalls, "While this kind of job is nothing new, the autonomy afforded to me was. In the past, I was merely an executor. My supervisors basically told me what and how to do things. For every decision, I was obliged to seek consent from someone above."

Vincent, feeling out of his element, was told to accomplish the task independently. "The truth was I came ill prepared to handle the assignment," he admits, "Relying on my old ways, I thought I could use last year's event as a reference and follow what had been done before."

His supervisor was not satisfied. "I was told to put my own stamp on the project," he says. "I suddenly realised that I was no longer an executor."

Vincent's big epiphany moment came when, feeling confident with several large events under his belt, he was invited to be MC of the company's town hall meeting.

"I was hesitant," he says, "I didn't know if I could rise to the challenge. But I knew at HKBN Talents mustn't shy away from new opportunities. And to my own surprise, I was able to engage with the audience of 1,000-plus Talents."

Confirming the trust his superiors had in him, Vincent was handed greater and greater responsibilities. "As I took up the responsibility to lead others," he says, "The lack of managerial experience was apparent. I decided to join the company's 7-month long 'Be a People's Leader' programme. Through this, I learned a lot about leadership and how to groom others."

"From the mindset of a supervisor, when I delegate tasks to a teammate, it means I can concentrate on something new. With only one letter separating 'change' from 'chance', embracing change is the best way to grow at HKBN. To groom my teammates, I often think about my early experience as an executor. In this respect, it's important Talents take ownership to seek change and fulfillment in their work," says Vincent.

Leveraging all that he has learned, Vincent was put in charge of the company's management trips, handling everything from site inspection to conceiving team building exercises for a grueling cycling tour of Taiwan for 35 Talents, and recently, a 5-day military boot camp in Korea for 114 members of management.

As MC for Talent meeting in 2015

As Officer – Corporate Social Investment in 2014

As Officer – Talent Relations in 2015

MILESTONES

Aug-Dec 2014: As Officer – Corporate Social Investment, organised the company Christmas Party for over 1,000 Talents

Jan-Aug 2015: Expanded scope of responsibilities to include environmental initiatives

Mar 2015: Served as MC for the first time at a town hall meeting for over 1,000 Talents

May-Nov 2015: Joined "Be a People's Leader" development programme to enhance leadership skills

Aug 2015: Switched role to focus on Talent Relations

Aug-Nov 2015: Organised charity bike tour of Taiwan for 35 members of management

Mar 2016: Organised town hall meeting for over 1,000 Talents to celebrate the launch of myTV SUPER bundled service

Aug-Oct 2016: Organised management experiential trip to South Korea for 114 participants

Sep 2016: Promoted to Senior Officer – Talent Relations

Conversation with Edith Kam, Manager – Talent Development & Co-Owner
(direct supervisor to Vincent)

Q: How do you pave the way for Vincent's career to shine?

A: It is the supervisor's responsibility to make sure everyone in the team has a chance to grow and succeed. By contrast, it's up to each Talent to decide whether he/she grows or not. When these two come together, the Talent will shine. This has been the case for Vincent.

Q: What's your empowerment philosophy?

A: It is important to find out what a Talent values most. Then, show them trust by involving their contributions, raising their status in front of others, and most important of all, give them confidence to know they can perform without fear of reprimand. When Talents see that you support them, they will establish a greater sense of self-worth, commitment and deliver even better results.

Q: When delegating, how do you safeguard quality control?

A: It is important to understand a Talent's ability and their potential through constant on-the-job communication. When there is a task, the supervisor's job is to do proper guidance and coaching. Once the Talents understand their role, they will actively seek your advice and updates, all whilst striving to excel. As such, this ensures they stay on track.

Vincent Fung

Senior Officer – Talent Relations

CO-OWNERSHIP

In order to foster closer alignment of interests between Talents and shareholders, our unique Co-Ownership plan allows individual Talents to invest their own savings in the amount of between 2 to 12 months of salary to acquire HKBN stock at full market price. The shares are then matched with free shares at ratio of 3 free shares for every 7 paid shares vested over three anniversaries of 25%, 25% and 50%. Through this dual role as both investor and Talent, our Co-Owners are incentivised to perform with an unmatched level of passion and responsibility.

Subsequent to Co-Ownership I (established in 2012), the Co-Ownership II Plan was introduced in 2015, attracting more than 270 Talents to become HKBN Co-Owners. With the completed acquisition of New World Telecommunication in March 2016, Co-Ownership II was further extended to garner participation from the newly integrated Talents. As a result, HKBN is now run by over 340 Co-Owners, representing a majority of our supervisors-and-above-level Talents in Hong Kong and Guangzhou, or over 11% of our entire workforce.

HONG KONG OFFICE

CO-OWNER NAME	BUSINESS TITLE
Au Kar Fai Patrick	Senior Officer – Customer & Technical Service, Enterprise Solutions
Au Ming Lai, Min	Senior Officer – Sales Support, Enterprise Solutions
Au Pik Yan, Becky	Graduate Technical Trainee – 'The Next CTO' Program
Au Wai Ming, Sarah	Officer – Operation, Residential Services
Au Wing Hong, Brian	Senior Officer – Quality Management
Au Yeung Yuen Mei Regina	Senior Manager – Procurement
Chan Bo Chun, Bonnie	Manager – Administration & Corporate Social Investment
Chan Che Lan, Angus	Associate Director – Technical Service
Chan Cheung Ching	Senior Officer – Marketing
Chan Chun Lung, Alvin	Assistant Manager – Network Design & Construction
Chan Chun Yu, CY	Associate Director – Talent Management & Organization Development
Chan Fan Hei, Joe	Senior Account Manager, Enterprise Solutions
Chan Fung Yee, Peggy	Executive Secretary
Chan Hiu Kei, Andrew	Assistant Manager – Systems Integration, Enterprise Solutions
Chan Hiu Ting, Rachel	Senior Account Manager, Enterprise Solutions
Chan Ka Kit, Tony	Manager – Sales, Enterprise Solutions
Chan Ka Yan, Kayan	Graduate Technical Trainee – 'The Next CTO' Program
Chan Kai Fung Jeffrey	Manager – Finance
Chan Kam Kwan, Wendy	Analyst Programmer
Chan Keung, Jacky	Senior Manager – Network Operation
Chan Kin Sun, Sunny	Senior Engineer
Chan Kwok Fai, Patrick	Manager – Sales, Enterprise Solutions
Chan Kwok Wah, Ronald	Engineer
Chan Lik Hang, Lionel	Engineer, Enterprise Solutions
Chan Lui	Senior Engineer
Chan Man Wai, Bob	Senior Network Engineer

CO-OWNER NAME	BUSINESS TITLE
Chan Po Wai, Eric	Assistant Manager – Solutions Consulting, Enterprise Solutions
Chan Pui Lai	Engineer
Chan See Wan, Ada	Senior Internal Auditor
Chan Shing Kit, Leo	Manager – IT
Chan Siu Fung Angus	Assistant Manager – Customer & Technical Service, Enterprise Solutions
Chan Tai, Alvin	Associate Director – Sales, Enterprise Solutions
Chan Tik Sum, Dicky	Engineer
Chan Tin Lok, Dave	Assistant Manager – Information Technology
Chan Wai Hong, Ken	Senior Account Manager, Enterprise Solutions
Chan Wai Hung, Joe	Senior Account Manager, Enterprise Solutions
Chan Wai Tim, Timmy	Engineer
Chan Wing Kin, Nicky	District Service Network Consultant
Chan Wing Sze, Annie	Associate Director – Customer Service
Chan Yiu Man, Vincent	Assistant Manager – Network Operation
Chan Yuen Fong, Ada	Project Officer
Chang Kwok Ho, Dallas	Senior Unit Manager, Residential Services
Chang Sze Cheong, Ken	Associate Director – Carrier Sales, Enterprise Solutions
Chen Lui Kat, Clara	Senior Account Manager, Enterprise Solutions
Chen Xiao Qing, Steven	Officer – System Support
Cheng Chung Man, Michelle	Assistant Company Secretary
Cheng Kit Yan Gladys	Associate Director – Corporate & Digital Communications
Cheng Ning Tat	Assistant Manager – Corporate Sales, Enterprise Solutions
Cheng Siu Mei, Carol	Senior Draftsman
Cheng Sui Wah, Coco	Senior Manager – China Business, Enterprise Solutions
Cheng Wai Keung	Assistant Manager – Network Operation
Cheng Wing Kai	Manager – Network Operation
Cheung Chi Ming, Chris	Manager – Network Operation
Cheung Chung Sze, Josey	Manager – Marketing
Cheung Hiu Lun, Winsy	System Analyst
Cheung Ho Fai Paul	Assistant Manager – Sales, Enterprise Solutions
Cheung Hong Lai, Steven	Senior Officer – Business Process Management
Cheung Ka Ho, Jacky	Manager – Finance
Cheung Man Fai, Eric	Manager – Network Design & Construction
Cheung Mi Yi, Fion	Officer – Sales Support, Enterprise Solutions
Cheung Siu Fun, Cizzy	Assistant Manager – Sales Support, Enterprise Solutions
Cheung Tsz Wai, King	Senior Account Manager, Enterprise Solutions
Cheung Yiu Lung, Samuel	Account Manager, Enterprise Solutions
Cheung Yuk Sun, Andy	Engineer
Chiu Lun Hang, Victor	Senior Manager – Project Management, Enterprise Solutions
Cho Ka Wai, Carol	Senior Officer – Talent Development

CO-OWNER NAME	BUSINESS TITLE
Choi Kai Ming, Ming	Graduate Technical Trainee – 'The Next CTO' Program
Choi Kwok Keung, Eric	Manager – Corporate Sales, Enterprise Solutions
Choi Sau Luen, Germaine	Manager – Digital Communications
Choi Tsz Kin Arthur	Assistant Manager – Network Planning
Chong Selina	Chief Marketing Officer
Chow Hoi Yan, Ringo	Unit Manager, Residential Services
Chow Ka Yan Kelvin	Accounting Assistant
Chow Ka Yi, Mavis	Graduate Technical Trainee – 'The Next CTO' Program
Chow Tak Yin, Yager	District Service Network Consultant
Choy Pak Nin, Hydro	Analyst Programmer
Choy Siu Fung, Winnie	Project Officer
Chu Chi Chung, Daniel	Manager – Network Planning
Chu Kin Leung, Alex	Manager – Sales, Enterprise Solutions
Chu King Shun, Johnson	Senior Manager – Strategic Planning
Chu Pui Ho Raymond	Assistant Manager – Solutions Consulting, Enterprise Solutions
Chu Suk Yee, Monica	Senior Manager – Finance
Chu Ting Ting, Echo	Officer – Operation, Residential Services
Chuen Wai Fan, Demi	Senior Officer – Customer & Technical Service, Enterprise Solutions
Chung Ho Wai, Joe	Unit Manager – Customer Experience & Project Management, Residential Services
Chung Lui Nar, Fiona	Manager – Sales, Enterprise Solutions
Ding Han, Henry	Senior Officer – Organization Development
Eng Tat Hang, Terry	Assistant Manager – Technology Network Development
Fan Shu Yee Cindy	Associate Director – Customer Care & Support
Fok Kwan Wah, William	Engineer
Fok Wai Leung, WL	Associate Director – IT
Foog Wilson Kang Ching	Engineer
Fung Ka Cheong, Tommy	Financial Analyst, Enterprise Solutions
Fung Sze Ming, Ryan	Senior Engineer
Fung Wai Yuk, May	Manager – Sales, Enterprise Solutions
Fung Yun On, Henry	Assistant Manager – Quality Management
Hau Tik Leung, Tony	Account Manager, Enterprise Solutions
Ho Chan Fai, Eric	Chief Information Officer
Ho Chun	Unit Manager, Residential Services
Ho Chun Kit	Senior Officer – Customer Care
Ho Hin Wah, Franco	Analyst Programmer
Ho Hin Wai, Henry	Engineer
Ho Kwok Kay, Bruce	Manager – Product Development & Management
Ho May Kiu, May	Manager – Sales, Enterprise Solutions
Ho Sze Yuen, Kit	Senior Account Manager, Enterprise Solutions

CO-OWNER NAME	BUSINESS TITLE
Ho Wai Man, Raymond	Manager – Technology Network Development
Ho Yin Tsung, Candy	Business Process Analyst
Hong Kin Fat, Kelvin	Manager – International Business, Enterprise Solutions
Hue Khim Ling, Kim	Manager – Marketing Communications
Hui Leong Kin, Ben	Director – Customer Retention & Retail, Residential Services
Hui Sze Man, Sue	Account Manager, Enterprise Solutions
Hui Ying Tat, Alex	Officer – Technical Support
Hui Zin Yiu Samuel	Manager – Business Development
Hung Ka Man	Unit Manager, Residential Services
Hung King Fai, Winnie	Manager – Technology Voice Development
Ip Chi Chuen Bono	District Service Network Consultant
Ip Suk Han Clio	Director – International Business, Enterprise Solutions
Jim Cheung Ko Edward	Head of Corporate Sales, Enterprise Solutions
Kam Wing Kit, Edith	Manager – Talent Development
Kan Wing Cheung, Jerry	Senior Engineer
Ko Ching Yan Loretta	Associate Director – Sales, Enterprise Solutions
Ko Chung Shan, Joanna	Manager – Intelligent Building Access
Kong Tsz Wai, Sally	Associate Director – Quality Management
Kwan Chun Sing Tommy	Assistant Manager – Sales, Enterprise Solutions
Kwan Chung Leung, Alex	Officer – Application Support
Kwan Ka Yau, William	Senior Manager – Network Design & Construction
Kwok Fu Shing, Tommy	Graduate Technical Trainee – 'The Next CTO' Program
Kwok Wai Kin, Stephen	Manager – IT
Kwong Kwok Keung, Ken	Manager – Project Management, Enterprise Solutions
Lai Chi Ho Benny	Senior System Analyst
Lai Kam Wai, Paul	Engineer
Lai Kar Woo Kelvin	Manager – Marketing Communications
Lai Ni Quiaque, NiQ	Chief Talent And Financial Officer
Lai Yiu Kay	Engineer
Lai Yuen Man, Carol	Senior Manager – Marketing
Lam Chi Hang, Kenji	Manager – Business Analysis, Enterprise Solutions
Lam Ka Ling, June	Director – Digital Operations
Lam Pui Pik Monza	System Analyst
Lam Siu Kei, Catherine	Associate Director – Marketing
Lam Wai Chun, Anthony	Manager – Sales, Enterprise Solutions
Lau Ka Shing Stanley	Analyst Programmer
Lau Kin Wah, Andy	Associate Director – Customer Retention & Retail, Residential Services
Lau Mau Chun	Manager – Network Design
Lau Mei Yin, Ivy	Head of Talent Engagement & Corporate Social Investment

CO-OWNER NAME	BUSINESS TITLE
Lau Po Chu, Zoe	Officer – Marketing
Lau Yee Ling, Elaine	Associate Director – Customer Experience & Process Improvement, Enterprise Solutions
Lau Yin Ping, Rebecca	Executive Secretary
Lau Yuen Ching, Nora	Assistant Officer – Customer Service, Enterprise Solutions
Law Chi Kin, Ken	Senior Engineer
Law Ka Ho, Kevin	Senior Engineer
Law Yee Nei, Sharon	Account Manager, Enterprise Solutions
Law Yun Ha, Emily	Officer – Procurement
Lee Chun Ho, Leo	Officer – Pricing & Traffic Management, Enterprise Solutions
Lee Chun Yin, Terry	Senior Engineer
Lee Chung Po Brian	Associate Director – Sales, Enterprise Solutions
Lee Fung Chi, Maisie	Senior Account Manager, Enterprise Solutions
Lee Sai Ting, Dumas	Engineer
Lee Shui Hong	System Analyst
Lee Yuen Lam, Kitty	Manager – Marketing
Leong Man Sze, Money	Officer – Credit & Collection
Leung Chak Sum, Sam	Senior Manager – Carrier Sales, Enterprise Solutions
Leung Chi Hang, Joe	Senior Engineer
Leung Chi Ho Edmund	Assistant Manager – Finance
Leung Chi Wai Philip	Assistant Manager – Procurement
Leung Chi Wai, Van	Senior District Service Network Consultant
Leung Hiu Fung	Engineer
Leung Ka Chun, Eric	Officer – Marketing
Leung Ka Yan, Jenn	Business Analyst – Marketing
Leung Kar Yee, Carrie	Senior Unit Manager – Operation Support, Residential Services
Leung King Chiu, Patrick	Company Secretary & Financial Controller
Leung Pik Lai, Priscilla	Senior Manager – Corporate Sales, Enterprise Solutions
Leung Siu Kei, Franco	Senior System Analyst
Leung Tat Kin, Ken	Assistant Manager, Residential Services
Leung Wai Chun, Cindy	Senior Manager – IT
Leung Wai Hong Franki	Senior Officer – Operation, Residential Services
Leung Wai Lun, Alfred	Senior Engineer
Li Chi Lun Alan	Manager – Digital Operations
Li Fung Kwan, Mice	Executive Secretary
Li Ka Yu, Ryan	Associate Director – Customer Acquisition, Residential Services
Li Lok, Eddy	Senior Unit Manager, Residential Services
Li Man Chung, Craig	Manager – Technical Customer Service, Enterprise Solutions
Li Man Hong, Don	Manager – Solutions Consulting, Enterprise Solutions
Li Ming Ho, Marco	Manager – Marketing

CO-OWNER NAME	BUSINESS TITLE
Li Wai Ching, Phoebe	Assistant Manager – Marketing
Li Yun Lung Henry	Senior Manager – Marketing
Lin Nga Chi, Gigi	Officer – Operations Support
Liu Chi Fai	Senior Manager – Program Management
Liu Chun Ho, Joe	Manager – Telesales, Residential Services
Liu Chung Wah Maggie	Senior Manager – Major Corporate Account Relationships
Liu Kwok Hei	Project Leader
Liu Wai Sze, John	Senior Area Service Manager
Lo Ka Chung, Jacky	Senior District Service Network Consultant
Lo Kin Fung, Jason	Assistant Manager – Finance
Lou Tit Fun, Elsie	Executive Secretary, Enterprise Solutions
Lu Man Lok, Charles	Manager – Corporate Sales, Enterprise Solutions
Lui Chi Wan Stephen	Associate Director – IT
Ma Cheung Tang, Daniel	Assistant Manager – Telesales, Enterprise Solutions
Ma Chung Yeung, Norman	Senior Engineer
Ma Kwan Hon Daniel	Accounting Assistant
Mak Yiu Man, Lawrence	Senior Engineer
McLaren Gary Alexander	Chief Technology Officer
Mei Wai Ming Jacky	Manager – Sales, Residential Services
Mok Ka Ki, Jacky	Officer – Marketing
Mok Yim Ying, Olga	Senior Officer – Business Process Management
Mung Wai Kin, Warren	Manager – Telesales, Residential Services
Ng Chi Ho, Mikron	Director – Customer Acquisition
Ng Kai Wah, Matthew	Assistant Manager – Corporate Sales, Enterprise Solutions
Ng Kim Hung, Kenneth	Director – Program Management & Data Centre Development
Ng Kwok Kei, Eddie	Manager – Sales, Residential Services
Ng Lai King, Yoyo	Senior Manager – Digital Operations
Ng Man Lung, Calvin	Manager – Sales, Residential Services
Ng Man Piu, Bill	Senior Engineer
Ngan Chiu Cheuk, Simpson	Senior Manager – Network Planning & Commercial
Or Yuk Ka, Oscar	Senior Officer – Digital Operations
Pang Shuk Han, Sharon	Assistant Manager – Business Process Management
Pang Siu Wai, Peter	Senior Manager – Sales, Enterprise Solutions
Pun Hei Wa, Herman	Director – Operations Support
Sham Kin Tong	Manager – International Business, Enterprise Solutions
Shek Tsz Dik	Senior Engineer
Shin Tao Wo, Kelvin	Assistant Manager – Customer Service, Enterprise Solutions
Shiu Chui Shan Trasan	Senior Manager – Marketing
Shiu Yung Yin, Elinor	Associate Director – Marketing

CO-OWNER NAME	BUSINESS TITLE
Shum Pak Kin, Ken	Manager – Network Operation
Sin Ho Nam Herman	Senior Officer – Software Quality Assurance
Sy Shun Wai, David	Graduate Technical Trainee – 'The Next CTO' Program
Sze Pik Ki, Joey	Assistant Manager – Digital Communications
Tai Yu King, King	Account Manager, Enterprise Solutions
Tam Man Shan	Manager – Internal Audit
Tam Maria Amy	Head Of Legal And Regulatory Affairs
Tam Ping Shun, Benson	Assistant Manager – Marketing
Tam Shuk Ling, Tina	Senior Engineer
Tam Siu Yee, Kennis	Executive Secretary
Tam Siu Yun, Jason	Manager – IT System Operations
Tam Sze Yan, Bus	Engineer
Tan Sze Jye, CJ	Manager – Investor Engagement & Corporate Finance
Tang Chi Biu Gary	Senior Engineer
Tang Kin Tung	Assistant District Service Network Consultant
Tang Wei Ting	Senior Engineer
Ting Kwok Hung	Assistant Manager – Network Design & Construction
Ting Man Sin, Nick	Assistant Manager – Technology Network Development
To Suk Fai, Toby	Assistant Manager – Marketing
To Wa Chung	Senior Account Manager – Corporate Sales, Enterprise Solutions
Tong Wing Yee, Wing	Manager – Business Process Management
Tsang Ka Po, Erica	Graduate Technical Trainee – 'The Next CTO' Program
Tsang Kwong Yin, Don	Analyst Programmer
Tsang Man To	Senior Engineer
Tsang Tat Hong, Anthony	System Analyst
Tsang Tsz Ming, Mingo	Senior Manager – Sales, Enterprise Solutions
Tse Lai Ping, Betty	Manager – Contract Management, Enterprise Solutions
Tsoi Kam Fung, Karina	Associate Director – Corporate Sales, Enterprise Solutions
Tung Ki Lok, Peter	Associate Director – Pricing & Traffic Management, Enterprise Solutions
Tung Wai Shing, Wilson	Manager – Telesales, Residential Services
Wa Ka Wai, Patrick	Assistant Manager – Strategic Marketing
Wan Chi Yuen	Unit Manager, Residential Services
Watt Chun Man Adrian	Director – Carrier Sales, Enterprise Solutions
Wong Cheuk Ting, Cheuk	Senior System Analyst
Wong Chi Hung, Jerry	Account Manager, Enterprise Solutions
Wong Chi Yip, Randolph	System Specialist
Wong Chung Lam, David	Manager – Building Access
Wong Hing Fan	Engineer
Wong Ho Pan, Kiff	Shop Manager, Residential Services
Wong Ka Ki, Chris	Associate Director – Business & Technical Service, Enterprise Solutions

CO-OWNER NAME	BUSINESS TITLE
Wong Kit Hang, Steven	Assistant Manager – Sales, Enterprise Solutions
Wong Kwai Shim, Bonnie	Senior Officer – Network Operation
Wong Kwok Kin, Rex	Manager – Project Management, Enterprise Solutions
Wong Kwong Ming	Senior Engineer
Wong Man Hau, Tony	Senior Account Manager, Enterprise Solutions
Wong Man Ping Gary	Associate Director – Sales, Enterprise Solutions
Wong Oi Yee, June	Officer – Credit & Collection
Wong Pak Keung, Danny	Senior Engineer
Wong Pak Lin, Thomas	Manager – Product Development & Management
Wong Pui Yi	Manager – International Business, Enterprise Solutions
Wong Sau Ngai, Taylor	Officer – Business Process Management
Wong Siu Kai, Frankie	Assistant Manager – Sales, Enterprise Solutions
Wong Tak Shing, Andy	Senior System Analyst
Wong Tak Shing, Boris	Manager – Sales, Enterprise Solutions
Wong Wai Kei, Gary	Analyst Programmer
Wong Wai Ki, Edwin	Engineer
Wong Wai Shing, Wai Shing	Engineer
Woo Wai Yin, Cody	Assistant Manager – Business Development, Enterprise Solutions
Yau Ka Ming, Steven	Associate Director – Technology Voice Development
Yau Kwok Ming, Thomas	Senior Engineer
Yau Tsz Yan, Andrew	Associate Director – Marketing
Yeung Chi Ho Henry	Associate Director – Network Operation
Yeung Chu Kwong, William	Chief Executive Officer
Yeung Ka Lam, Alvin	Assistant Manager – Sales, Enterprise Solutions
Yeung Kim Ping	Associate Director – Information Technology
Yeung Kwok Chung	Senior Engineer
Yeung Kwong Cheung, Charles	Senior Manager – International Business, Enterprise Solutions
Yeung Man Chung, Wilson	Manager – Application Development
Yeung Tak Wa William, Billy	Chief Operating Officer – Enterprise Solutions
Yeung Wai Him	Engineer
Yeung Wun Wun, Nicole	Manager – International Business, Enterprise Solutions
Yim Chung Hoi Eric	Manager – Product Development & Management
Yip Ka Wai Boris	Manager – Customer Service, Residential Services
Yip Yuen Wai, Jason	Engineer
Yiu Cheung Lung Alex	Senior Officer – Operation, Enterprise Solutions
Yu Lok Yuen, Joe	Senior Engineer
Yue Yun Ting	Senior Engineer
Yuen Man Chung, Benson	Assistant Manager – Solutions Consulting, Enterprise Solutions
Yuen Mei Ting, Winnie	Senior Officer – Talent Management

GUANGZHOU OFFICE

CO-OWNER NAME	BUSINESS TITLE
Chen Minyi, Queenie	Manager – Talent Management
Chen Minyi, Wendy	Unit Manager, Residential Services
Chen Xiaoyan, Bini	Officer – Quality Management
Chou Jianming, Dick	Manager – Tele Promotion, Enterprise Solutions
Deng Qibiao, Benny	Manager – Talent Management & Development
Guan Minying, Annie	Senior System Analyst
Han Xingyi, Shine	Assistant Unit Manager, Residential Services
Huang Bingyong, Allen	System Analyst
Huang Fengling, Kubi	Assistant Manager – Tele Promotion, Enterprise Solutions
Huang Junjie, Vincent	Manager – Tele Promotion, Enterprise Solutions
Lai Suixin, Tracy	Officer – Business Analyst
Li Qianji, Grace	Officer – Talent & Organization Development
Li Yixiao, Michelle	Senior Officer – Talent & Organization Development
Li Yongming, Roy	Senior Unit Manager, Residential Services
Li Zhikai, Zack	Unit Manager, Residential Services
Lin Chongke, Marvin	Analyst Programmer
Lin Wenhui, Venfy	Analyst Programmer
Liu Huimei, May	Officer – Operation Support, Enterprise Solutions
Liu Xuetao, Matt	System Analyst
Liu Yanfen, Evon	Manager – Finance & Administration
Liu Yunjing, Cherry	Senior Programmer

CO-OWNER NAME	BUSINESS TITLE
Lu Jiahao, Aries	Senior Programmer
Ou Jiancong, Jethro	Manager – IT
Ou Weijie, Wiky	Analyst Programmer
Qiu Sibo, Boaris	Manager – IT
Song Dongping, Rebecca	Senior Officer – Finance
Su Jinrong, Fox	System Analyst
Tang Hui, Don	Engineer
Wu Jingyi, Cherrie	Senior Officer – Operation Support, Enterprise Solutions
Xiao Li, Sherry	Senior Officer – Operation Support, Residential Services
Xu Fengyi, Nancy	Manager – Quality Management
Yang Xiao, Terry	Officer – Quality Management
Ye Jieyi, Vivi	Senior Officer – Administration
Yuan Yanlan, Kiki	Senior Unit Manager, Residential Services
Zhang Jian, Jacky	Unit Manager, Residential Services
Zhang Wenqing, Stephanie	System Analyst
Zhang Yanhong, Debora	Senior Officer – Talent Management
Zhi Meihao, Miko	Assistant Manager – Tele Promotion, Enterprise Solutions
Zhong Lisi, Will	Assistant Unit Manager, Residential Services
Zhong Ruiyun, Moon	Officer – Talent & Organization Development
Zhu Junjie, Jason	Senior Programmer

HONG KONG TALENT MEETING

TALENT ENGAGEMENT

Encouraging open and direct discourse, our approach to communication is reflected through various town hall meetings held bi-annually for all Talents in Hong Kong and Guangzhou. These unique gatherings enable our senior management to share the latest business developments and gain concurrence from Talents.

Crowne Plaza Hong Kong Kowloon East
3 March 2016

GUANGZHOU TALENT MEETING

A workforce of over 1200-strong Talents in Guangzhou and Shenzhen is integral to our outstanding service and business success.

Guangzhou Baiyun International Convention Center
14 September 2016

▶ *From inside our brand new Kwai Chung office, the Enterprise Solutions team is ready to take HKBN to new heights.*

▼ *Our marathon participants showcase overwhelming excitement to rise above their respective goals.*

▲ *Talents from Hong Kong and Guangzhou compete for the championship final of the company's basketball tournament.*

▶ *Guangzhou Residential Customer Services team stand proud of their can do spirit.*

▲ *Senior management deliver hot drinks to Talents working outdoors during last winter's intense cold weather.*

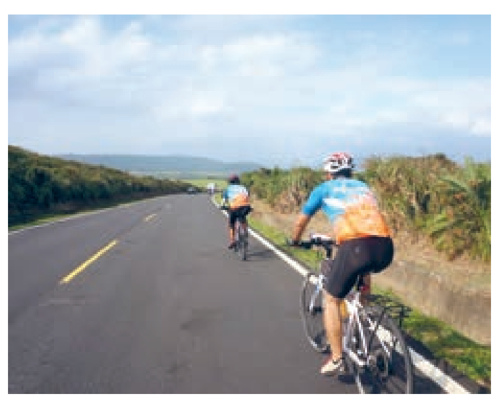
▶ *A toast to Christmas and New Year at our Hong Kong Christmas Party 2015.*

OUR TALENT CULTURE

◀ Over 1,200 Talents turn up for a night to remember at our Guangzhou Christmas Party 2015.

▼ Teams comprising Certified Professional Engineers and Network Design & Construction personnel, play to win in an all or nothing football match.

◀ Guangzhou Talents demonstrate the power of teamwork by building a bridge out of wooden sticks.



▲ Along the route of the Taiwan management trip, our team of riders weave through the scenic beauty that is Kenting.

◀ Arriving at windy Lungpan Park via the Taiwan management trip 2015, our Talents exhibit their elation.


adidas

ENABLING HAPPINESS

At HKBN, life always takes precedence over work. With a stalwart focus on LIFE-work priority, we're dedicated to helping Talents enjoy happy and fulfilled lives whilst balancing prolific careers.

LI FAMILY (FROM LEFT TO RIGHT)

HENRY LI
Senior Manager – Marketing and Co-Owner
joined in 2001

TORRES LI
Son of Co-Owners
6 years old

CHARLOTTE LI
Daughter of Co-Owners
4 years old

WING TONG
Manager - Business Process Management
and Co-Owner, joined in 2001

LIFE-WORK PRIORITY

Instead of work-life balance, we take a much more committed stance by upholding LIFE-work priority, where health and family always comes before work. With this being a significant element of life inside HKBN, we've always strived to ensure that our Talents can work and enjoy happy, productive lives.

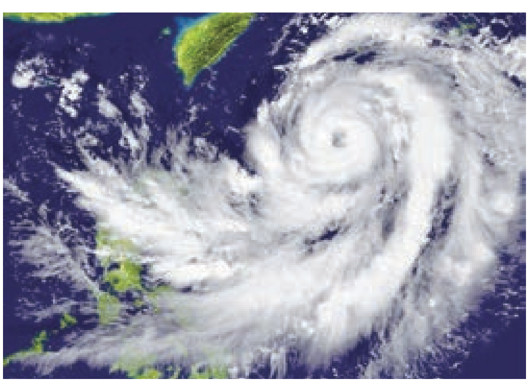
Prioritising Talent well-being, we have worked ardently to introduce measures that bring improved benefits for our Talents, and by extension, their families as well. Behind our commitment, we firmly believe happy and fulfilled Talents are essential to delivering extraordinary results.

Notable perks for HKBN Talents include: a five-day work week, shortened 9 a.m. to 5 p.m. working hours, a 17-day public holiday entitlement for all Talents, flexible working hours, once a month early-off Friday, half-day leave during important festive occasions and much more.

EMBRACING FLEXIBILITY

Our 3,000-plus Talents are all unique in their own way; they are fathers, mothers, sons, daughters, husbands, wives and caregivers. Mindful of this, we implemented a number of enhancements to accommodate their special needs. When necessary, we encourage some Talents to work remotely via mobile office (from home or elsewhere). To address needs that could range from the care of children to the daily commuter grind, our flexible working hours were extended in 2016, giving Talents the choice to start work between 8:30 a.m. to 10 a.m.

Showing empathy for our Talents is exemplary of how we build mutual respect and loyalty. During extraordinary circumstances, such as a severe typhoon or an intense cold snap, we believe by being flexible our Talents can remain safe.



FLEXIBILITY DURING TYPHOON OR RAINSTORM WARNINGS

While most companies in Hong Kong wait until the black rainstorm warning or typhoon signal number 8 is hoisted before releasing their staff, we have sought to give our Talents more options during extraordinary circumstances. Talents in need like those who are pregnant, live in remote areas, are affected by physical inconveniences, are parents of young children and others, are encouraged to leave our office long before the rainstorm or typhoon makes landfall. When the rainstorm or typhoon warning is cancelled and there is a long period until the business day closes, we encourage Talents to work from home via mobile office.

FLEXIBILITY DURING INTENSE COLD WEATHER

During last winter's intense cold weather snap in Hong Kong, we encouraged our Talents to work from home or delay their arrival for duty until 2 p.m. Throughout the day, hot drinks were also offered to Talents, with a special hand delivery service for those who work outdoors.

Besides well-being and special needs, we've also embraced greater flexibility to accommodate our enjoyment of world spectacles such as Euro 2016 and the Rio 2016 Olympics.

FLEXIBLE ENJOYMENT OF EURO 2016 AND RIO 2016 OLYMPIC GAMES

To ensure Talents could fully appreciate the excitement of live competitions from Euro 2016 and the Olympic Games, Talents were given the option to report for duty on or before 2 p.m. the following day (accordingly, duty concludes later in the day). With these arrangements our Talents were able to receive ample rest despite watching long through the night.

FORTHCOMING LIFE-WORK PRIORITY ENHANCEMENTS

Remaining steadfast to improve LIFE-work priority, we continue to proceed with plans to maximise enjoyment, and importantly, offer more time off for our Talents.

Worth noting, our once a month early-off Friday (allowing Talents to leave two hours earlier) will be upgraded to Half-day Off Friday. In addition, we will introduce a number of market-leading enhancements to help Talents enjoy more of life's precious moments with friends and family. New enhancements planned to start in September 2016 are as follows:

- improved Maternity Leave to provide expecting Talents with 16 weeks of full-pay leave;
- upgraded Paternity Leave for 14 days of full-pay leave;
- augmented Marriage Leave to provide both contract and permanent Talents 5 days of paid leave.

LIFE-WORK PRIORITY

The following Talent benefits and entitlements demonstrate how our Group has remained committed to LIFE-work priority:

Five-day work week

17-day public holiday entitlement for all Talents

All HKBN Talents, regardless of job, rank or seniority, enjoy 17 days of public holiday annually

Half-day leave during important festive occasions

On the eve of festive holidays, Talents enjoy a half-day leave to spend more time with family and friends

Marriage leave

Five days of paid Marriage Leave

Upgraded paternity leave

14 days of full-pay Paternity Leave for our male Talents

2-for-1 bonus leave

Talents can flexibly choose to exchange two days of leave for one day of pay, for up to 10 days of leave annually

Shortened working hours

Since July 2015, without cutting pay, we shortened working hours from 8 to 7 hours daily, for a total of 35 hours per week

Flexible working hours

Talents enjoy the choice to begin work between 8:30 a.m. to 10 a.m.

Monthly half-day off Friday

Everyone encouraged to leave the office half day earlier

Upgraded maternity leave

16 weeks of full-pay Maternity Leave for our female Talents

Anniversary leave

One day of paid leave during the month of a Talents' joining to celebrate his/her contributions for a completed year of service

Sabbatical leave

Talents can apply for up to one year of no-pay Sabbatical Leave as an opportunity to pursue a personal goal or dream

Family care leave

One day of paid leave so that Talents can spend quality time together with family

Besides providing LIFE-work priority initiatives, we also proactively encourage our Talents to stay active, interact with colleagues and live healthy lifestyles. The following highlights how we've put this into practice throughout 2016:

IN 21 DAYS – HEALTH CO-INVESTMENT SCHEME

Encouraging Talents to live well with the help of smart devices, this co-investment scheme was first introduced in May 2016. Participants must make a $100 advanced returnable pledge and commit to a specified target (in water intake or footsteps travelled) over a period of 21 days. Each Talent is then given a smart thermos cup or a smart fitness tracker to monitor and record their daily progress. Of the 270 total participants, 195 HKBNers successfully completed the exercise – those who failed saw their $100 pledge donated to the HKBN Talent CSI Fund for charitable purposes.

HONG KONG MARATHON 2016

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

HKBN FOOTBALL & BASKETBALL

Like in previous years, we continued to organise ourselves into different football and basketball teams. For three months, 128 Talents were divided into seven impressive football teams as they performed to win against one another. Similarly, we organised 13 basketball teams, which featured the active participation of 195 Talents from Hong Kong and Guangzhou.

On a daily basis – besides defining our CSI strategies – Ivy is dedicated to making sure HKBN's Talent engagement is the best it can be. Through her work, our Talent-first culture is continuously enhanced to provide the kind of industry-leading benefits that not only augment our ability to attract, incentivise and retain outstanding Talents, but also allow our people to live rich, vibrant lives.

"When you look at Hong Kong, the truth is everyone is busy. Hong Kongers practically have some of the longest working hours in the world, our happiness-index is among the lowest. That's why when we first embarked to develop LIFE-work priority, we sought to balance productivity with measures to ensure our Talents can be happy, feel respected and enjoy freedom to live their lives. Our thinking was simple: when this happens, their families would benefit greatly, and over time, the resulting success would very likely impact other companies. In essence, this policy aligns precisely with our core purpose to 'make our Hong Kong a better place to live'.

The job of my department is to find ways to make our Talents understand we respect their well-being and family above everything. Only when Talents feel that these essentials are cared for, would they have the energy and motivation to perform exceptional work. This has led us to introduce more flexibility, like working from home, options to start earlier or later in the day, more time off to spend with family and friends, as well as deal with life's most important matters, like child birth, marriage or to take a year off to live out a dream. All of these play a significant role in building trust between Talents and our company.

In terms of return on investment, we are proud for doing the right thing. The fact that we're able to deliver solid financial results every year is indicative of our success. We want other companies – not just from our industry but those in hospitality, retail, services and more – to realise that implementing LIFE-work priority does help improve the bottom line; Talents are motivated and happier to perform."

IVY LAU
Head of Talent Engagement
& Corporate Social Investment
and Co-Owner
joined in 2011

LIFE-WORK PRIORITY

JOEY SZE
Assistant Manager - Digital Communications and Co-Owner
joined in 2008

A seasoned HKBNer who has held a variety of marketing positions, Joey is currently responsible for managing our digital communications output. On a daily basis, she helps monitor and find ways to boost web traffic and online experience across different digital HKBN platforms.

“As a person born and raised in Hong Kong, I’ve always wanted to experience what life would be like if I lived overseas for an extended period of time. Last year, I applied for a 1-year Sabbatical Leave and set off on a working holiday voyage to Perth, Australia. Through this experience, I was able to, for the first time, accomplish many things. My biggest gain was being able to meet people from different countries. What I discovered was that people from different backgrounds all have their own distinct set of cultural traditions, behaviour and even differ in the way they communicate. Ever since, I’ve become fascinated to learn more about the world’s peoples and their cultures. Without Sabbatical Leave offered by the company, I don’t think I would have had the courage or opportunity to embark on such a journey.”

As an ambitious young professional in finance and accounting, Sebastian is responsible for financial reporting of our enterprise business. Key duties administered by him include business performance analysis, revenue evaluation and the monitoring of OPEX spending.

“Like many people in finance, I am currently pursuing my studies to become a Certified Public Accountant (CPA). To keep up with studies, I’ve benefitted greatly from our shortened 9 to 5 working hours, like arriving home with time to spare for homework. I’ve also used our 2-for-1 Bonus Leave entitlements to purchase additional days off just for examinations. Add to this our special Exam Leave, and it’s easy to see how my studies have benefitted.

Like other colleagues, I was able to watch the Olympics late into the morning hours this summer, fully benefiting from the flexible working arrangement which allowed us to start work at 2 pm and leave later in the day.

While this focus on LIFE-work priority requires a substantial investment from the company, I believe it is worth it. Our Talents come to work happier, and when we leave for Early-Off Friday, we often spend time together, which means teamwork and bonding becomes a lot stronger.”

SEBASTIAN YU
Accounting Assistant
joined in 2013

LIFE-WORK PRIORITY

DAISY LEE
Senior Officer – Talent Management
joined in 2013

A seasoned Talent management specialist in China, Daisy joined the HKBN team in Shenzhen as a result of the New World Telecom acquisition earlier this year. At HKBN, she works to ensure Talent remuneration, benefits and engagement are competitive and meaningful.

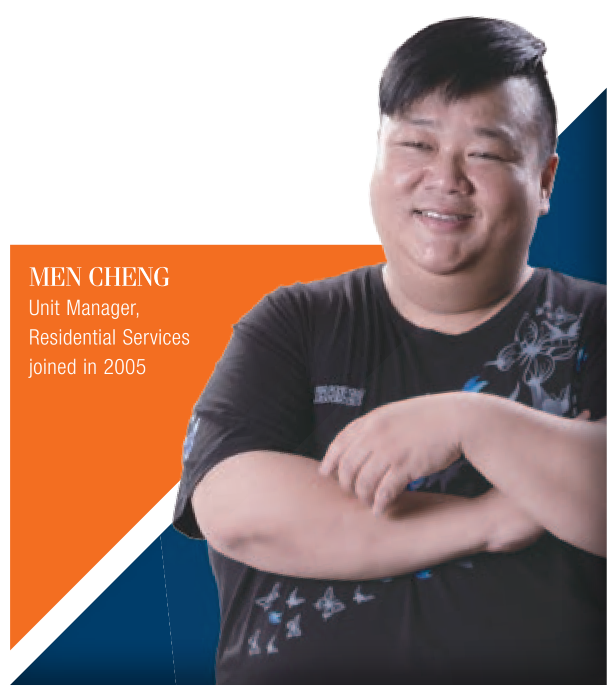
"From the perspective of the Chinese labour market, HKBN's range of LIFE-work priority benefits mean our Talents are afforded a lot more time off. Companies in China rarely offer benefits like this. Our focus on LIFE-work priority gives Talents confidence because they know the company cares about their well-being. And as a recruiter, this has made my life much easier. When new recruits show up for job interviews and hear what we offer, they fall in love with the company.

Speaking personally, I live quite a distance away from the office. My daily commute requires a lot of travel time. While most companies in Shenzhen work from 9-6, I opted to work flexibly from 10-6 instead – just to avoid the morning traveler chaos."

With over 11 years of experience at HKBN, Men knows how to run a team of street promoters (sales Talents stationed at districts around the city who directly interact with customers). On a day to day basis, Men's supervision helps to ensure everything from team professionalism and performance to sales targets are always up to standard.

"Recently my father fell ill. Thanks to the fact that we have Family Care and Anniversary Leaves, I was able to care for my father, like accompany him to see the doctor.

It's worth mentioning that over the past 11 years, I've witnessed dramatic progress made to improve the work of our frontline Talents. Besides offering them an industry-leading 17-day public holiday entitlement, the company has transformed methodologies to ease up on the after-duty work that plagues the industry. In the past, our street promoters would return home and toil over paperwork for registrations earned during the day. Nowadays, we use a simplified iPad entry system that allows us more precious time with friends and family."



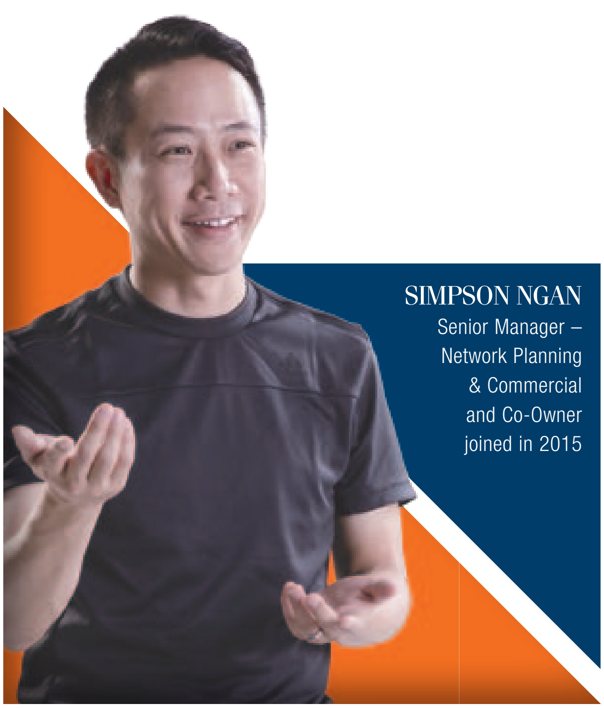
MEN CHENG
Unit Manager,
Residential Services
joined in 2005

A supervisor to a team of about 60 broadband technicians, Nicky works diligently to oversee the smooth running of our frontline force, managing quality and schedules for on-site service installation and repairs provided to customers.

"I have made good use of our LIFE-work priority benefits. Recently, I became a father. And taking time off was critical to ease the burden from my wife and family; I combined our Paternity Leave with other entitlement leaves for an extended period in which I could attend to my family. This was tremendously valuable.

Speaking as a supervisor, I would say our broadband technicians have benefitted very well from the company's LIFE-work priority focus. Often times, broadband technicians finish their work late and have few opportunities to spend evenings at home with their families. However, because HKBN offers all Talents 17 days of public holiday entitlements, something our industry peers do not do, they can flexibly enjoy more time off to recharge and spend with their families. This has made things a lot easier for us to hire people away from the competition, and likewise, much harder for them to lure away our Talents."

NICKY CHAN
District Service Network Consultant and Co-Owner
joined in 2000



SIMPSON NGAN
Senior Manager – Network Planning & Commercial and Co-Owner
joined in 2015

Playing a significant role in development planning of our network infrastructure, Simpson leverages a bounty of experience in the field. Leading a team of technical thinkers, he helps ensure that network implementation and upgrades are aligned with our residential and enterprise goals. To maintain operational quality and reliability of our existing network, Simpson works with vendors to source appropriate equipment.

"With the birth of my newborn in late August, I became the first HKBN Talent to benefit from our newly upgraded Paternity Leave, which provides 14 days of paid leave. As my child was conceived one week early, this was a critical period. So having the extra days off was invaluable – I stayed by my wife's side to provide all the assistance that was needed.

As a team manager, I have noticed far fewer Talents are calling in sick. This has ensured that our teams are working more efficiently than ever. I would guess that our many LIFE-work priority enhancements have had a direct impact towards this."

EMPOWERING PEOPLE & COMMUNITIES

Our commitment to "make our Hong Kong a better place to live" inspires us to strive further for society. Rather than just giving money, our corporate social investment approach fosters long-term, sustainable impact to empower the people and communities we help.

(FROM LEFT TO RIGHT CLOCKWISE)

KEUNG CHENG
Assistant Manager – Network Operation and Co-Owner
Volunteer leader – Running Mentor programme
joined in 2004

CHLOE LAM
Mentee – Running Mentor programme
17 years old

CANDY LAW
Senior Telesales Executive – Enterprise Solutions
joined in 2015

VICTOR TO
Mentee – Running Mentor programme
17 years old


寬樂幫

OUR COMMITMENT TO CORPORATE SOCIAL INVESTMENT

At HKBN, we staunchly believe our broad range of intellectual proficiencies and experiences should be leveraged to benefit society. Knowing this, we strive to make a positive impact by sharing our professional know-how towards our communities, prioritising long-term sustainability.

HKBN Talent CSI Fund Steering Committee

The following illustrate how our Corporate Social Investment (CSI) efforts are serving people and communities:

VOLUNTEERING FOR SOCIAL IMPACT

Through the establishment of the HKBN Talent CSI Fund ("the Fund") in July 2015 (independently founded with $5 million of initial startup capital from our Co-Owners and run by a steering committee composed of 15 Talents from different departments), we have a coordinated platform for which all Talents can leverage to spearhead their own community projects. Through voluntary involvement, the Fund enables individual Talents to become community change makers who serve in partnership with NGOs and social enterprises. And to further incentivise our Talents to volunteer their time and effort, we provide two days of paid Volunteer Leave annually.

With this support framework in place, our force of volunteers has been doubled to 201 HKBN Talents in 2016. Collectively, they've contributed a total of 2,710.5 volunteer service hours, representing a 150% improvement compared to 2015. Throughout 2016, our range of CSI programmes, targeting areas such as technology support, mentorship, social care services and youth employment, have touched the lives of 721 underprivileged individuals and families.

OUR COMMITMENT TO CORPORATE SOCIAL INVESTMENT

2016 VOLUNTEER EFFORTS

2,710 volunteer hours

201 HKBN volunteers

721 individuals and families impacted

HKBN PC DOCTORS

First started in May 2015, this unique volunteer programme takes advantage of our broadband engineers to offer free door-to-door computer diagnosis and repairs for underprivileged families. This year, adding to the efficacy of their magnanimous work, the programme scope has been further expanded to include daily IT classes for children, women and the elderly. Through this, our PC Doctors aim to diminish the digital divide in the local communities. In 2016, our PC Doctors spent a total of 269 hours serving 565 families. In recognition of our work, this initiative was honoured with the 2014-16 Best Corporate Volunteer Service Project Competition - General Corporate Group Champion, conferred by the Steering Committee on Promotion of Volunteer Service of Social Welfare Department.

Using their expertise, PC Doctors help people from our communities expand their knowledge of computers.

CHICKENSOUP FOUNDATION PARTNERSHIP

Exemplary of the sustainable impact made possible by our CSI approach is our partnership with ChickenSoup Foundation, a local charity initiative which provides assistance to children from low-income families. Rather than just simply pass on a charitable donation, we invested $1 million to hire passionate and experienced personnel in managing resources to enhance impact for children. Although this partnership has only been active for about a year, it has already impacted 1,170 grassroots children via their education, well-being and inspiration. This creative corporate social investment has brought 10.4 times in social benefit returns for the community and will surely continue to shine.

Through our partnership with ChickenSoup Foundation, underpriviledged children have the chance to unleash their artistic talents.

OUR COMMITMENT TO CORPORATE SOCIAL INVESTMENT

This year, under funding from our independent HKBN Talent CSI Fund, HKBN volunteers initiated a total of 15 community projects and partnerships with 10 charitable organisations. Key highlights include:

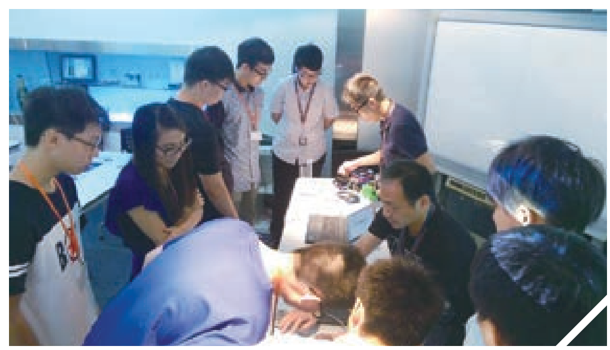
RUNNING MENTOR

Driving community teamwork with both our penchant for long distance running and youth mentorship, we collaborated with the Hong Kong Playground Association to bring together 12 HKBN volunteer mentors with over 30 local youths. In helping these youths gain the persistence to overcome long distance challenges, we hope they will in turn be prepared to overcome life's challenges. Besides providing marathon training on a weekly basis from October 2015 to March 2016, our mentors also served as life coaches. In 2016, our youth participants were able to complete two 10km marathon races.

Affirming the success of our approach, the programme has already inspired and prompted a number of other companies to start their own running mentorship projects.

YOUTH UPWARD MOBILITY PROGRAMME

Through career guidance, a number of our HKBN volunteers helped eight secondary school students rekindle their hope (despite performing poorly in the Hong Kong Diploma of Secondary Education Examination) by guiding them to become certified professional broadband engineers. Through this programme, our volunteers served as mentors to steer and encourage these workplace newcomers through experience sharing and team building. Mindful of their long-term future, these young HKBNers are afforded time-off to pursue their education – and remain competitive.



CHALLENGE THE FUTURE YOU

Since July 2015, a number of HKBN volunteers respectively collaborated with LinkedIn, UBS, Hung Fook Tong, Aon and Dorsett Tsuen Wan to organise a series of inspirational workshops for more than 80 local secondary school students. Highlighting the inherent challenge of life inside a high-octane work environment, the workshops, through a progression of trials, served to groom the students with the future in mind.

Our team of 35 HKBN Talent-cyclists completed a 145km run in two days and raised over HK$1.1million on behalf of St. James' Settlement People's Food Bank.

Scan to view our 2015 experiential management trip

ST. JAMES' SETTLEMENT X HKBN HOT MEAL SERVICE

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 the Fund for matching their donations with a $500,000 pledge, over $1.1 million was raised to sustain a hot meal service for 100 elderly and low-income families for a minimum of 18 months. In total, over 35,000 hot meals will be distributed through the programme.

Additional support for the food bank also saw our Talents pitch in to pack and deliver the hot meals on a regular basis. In addition, we organised recreational activities to interact with some of the elderly beneficiaries.

HKBN volunteers join workers at the St. James' Settlement People's Food Bank to prepare and deliver meals to underpriviledged families.

SOCIAL ENTERPRISE PARTNERSHIP

Over the past year, we have continued to dedicate a significant portion of our CSI resources towards collaborations with social enterprises. Through this strategy, we empower and enable social enterprises to thrive and become self-sustainable.

Working closely with iEnterprise, we help employ physically disabled individuals who pursue productive livelihoods by supplementing our 1083 telephone number enquiry service. In addition, our in-house canteen is run by a social enterprise that not only does the majority of its sourcing ethically but also provides employment opportunities for the underprivileged.

Among the first of its kind in Hong Kong, our knowledge volunteer team of middle to senior managers helps social enterprises achieve sustainability by offering sound business advice and consultation. As a proud co-organiser of The Ethical Consumption Month since 2013, we continued to encourage people, including our Talents and key stakeholders, to rethink their consumption habits. Since 2013, our total accumulated amount spent on ethical consumption has exceeded $5 million.

This year, we were more committed than ever to spread the social partnership message by engaging the next generation of our Talents through the "Mini Social Enterprise Trainees" programme. During the summer break, six of our Talents' children got the chance to experience a day of work inside four social enterprises. Through their involvement, the children were asked to promote second-hand clothes, repurpose used coffee beans, bake cookies and bathe dogs with medical needs. Fittingly, our programme allowed the four social enterprises to promote their social mission and gave the staff a platform to share their know-how with others, for a greater sense of satisfaction.

ETHICAL CONSUMPTION ADVOCACY

In order to promote ethical consumption amongst post-secondary students, we engaged 16 students from two colleges to host a fun "Ethical Consumption Experiment Lab" at our headquarters in Kwai Chung. After learning about the social mission behind the various ethical consumption products and services on sale, the students applied their creativity to design interactive experiences to help our Talents understand the value of fair trade, hand-made and eco-conscious products, as well as the importance of ethical standards and practices for fair-trade production.

The following are the awards and recognition that have been earned by our CSI efforts in 2016:

AWARDS & CERTIFICATIONS

Award	Presented by
HR Innovation Awards 2015 – Gold in "Excellence in CSR Practices"	*Human Resources*
2014-16 Best Corporate Volunteer Service Project Competition – General Corporate Group Champion	Steering Committee on Promotion of Volunteer Service of Social Welfare Department
2nd in Best at Corporate Social Responsibility in Hong Kong	*FinanceAsia* (Survey of Asia's Best Companies 2016)
The 6th Hong Kong Outstanding Corporate Citizenship Award – Merit Award in the Enterprise Category	Hong Kong Productivity Council
Corporate Citizenship Logo in the Volunteer Category	Hong Kong Productivity Council
SE Supporter + Logo	Fullness Social Enterprises Society
10 Year Plus Caring Company Logo	The Hong Kong Council of Social Service

FOR THE LOVE OF
OUR PLANET

Our planet is too precious to neglect. As a responsible business, every day we strive to avoid and mitigate our environmental impact.

CHARLOTTE YEUNG
Officer - Corporate Social Investment
joined in 2015

HENRY YEUNG
Associate Director - Network Operation and Co-Owner
joined in 2015

OUR RESPECT FOR THE ENVIRONMENT

As an environmentally conscious business, we adhere to a policy that's conscious of the world around us and aims to improve our green performance. To this end, our eco-strategy also leverages stakeholder support to drive a sustainable future.

Throughout our operations, we take every step to minimise our carbon footprint via four major areas: energy saving, waste reduction, Talent commitment and education, and stakeholder engagement. To ensure we're able to achieve progress with maximum effectiveness, an inter-departmental green committee was instituted to coordinate Talent involvement on a wide collective scale. This green committee also serves to gather important Talent feedback, allowing us to assess and adapt strategy for our eco-measures.

Towards our goal of minimising our environmental impact, every year we engage with accredited independent verifiers to review and audit our green practices and performance. This data serves as an important indicator to guide us, like setting our annual carbon reduction targets, to strive for better standards and results.

To make our HKBN a greener place to work, we invite Talents to participate in eco-friendly initiatives.

The following summarises some of the green initiatives undertaken throughout the year and the performance achieved:

INVESTING FOR THE FUTURE

In September 2015, we embarked on a long-term forward-thinking project to retrofit the energy infrastructure of our headquarters. Dubbed "Something from Nothing", this unique project has been undertaken in collaboration with an energy consultancy company. Through our collaborative model, we will upgrade our air conditioning and lighting systems using cutting-edge energy efficient solutions without incurring any upfront expenses. All capital investment required for the project will be completely funded by the consultant. Long term, our consultant will share a fraction of the energy cost savings realised as compensation. Over the next five years, we estimate this collaboration will help HKBN save about $3.5 million in operating expenditures. Moreover, we estimate about 412 tonnes of carbon emissions, equivalent to 10% of our 2015 emissions footprint, will be eliminated.

"Something from Nothing" begins with the replacement of energy efficient lighting fixtures.

An array of energy saving measures have also been put in place to further improve our eco-performance. In 2015, we replaced 1 of 4 chillers to make our office air-conditioning more energy efficient, which has resulted in a 16% drop in chiller energy consumption relative to last year. The installation of water flow controllers have contributed to a 9% reduction of total water consumption. Complementing these improvements, we have moderated the luminance of our interiors to a standard of between 300 to 500 lux, as well as enhance the efficacy of our lighting and air-conditioning via smart zoning.

As a result of our strategy to use less, water consumption was reduced by 9.21% in 2016.

WASTE REDUCTION

On the waste reduction front, we continued to leverage a 4Rs (reduce, reuse, recycle, replace) strategy to minimise waste in our operations. Our Talent-instigated recycling bin campaign, which completely replaced all personal waste bins with one centralised recycling solution has garnered persuasive results. Recycling activities for paper, aluminum and plastics have increased 64%, 102% and 186% respectively. Since October 2015, we have worked with a social enterprise to collect glass bottles for recycling. Moreover, we explored ways to repurpose the use of inactive office resources. To this end, computer parts from outdated computers are disassembled and passed on to our HKBN PC Doctors volunteer team. The parts are used to repair broken computers free of charge for underprivileged families. On top of being donated to people in need, our obsolete HKBN uniforms were appropriated to create 100 shopping bags, and distributed to low-income elderly as Lunar New Year gifts. As a result, over 1,000 uniforms were saved from ending up in local landfills.

Putting our resourcefulness to use, old HKBN uniforms were reimagined into 100 shopping bags.

TALENT, STAKEHOLDER AND COMMUNITY ENGAGEMENT

On a constant basis, we explore different ways to help our Talents, business partners and the community at large embrace protection of our beautiful planet. That's why green advocacy plays such a big role in our efforts.

In 2016, a total of 21 green educational activities were organised to engage our Talents and their family members. Through our "Paper Saving Competition", 100 Talents boldly competed to address the issue of paper reduction. A significant majority of our participants were inspired to re-examine their daily routine, and discover practical ways to curb paper usage. As a result, this competition elicited a 34% reduction in paper usage amongst the participants. According to data provided by WWF-Hong Kong, the amount of paper saved (25,864 sheets) is equivalent to the average monthly paper consumption of 73 office workers in Hong Kong. Drawing important lessons from this experience, we believe behavioral change can engender even bigger impact down the line.

To cut on waste and improve on recycling, all personal rubbish bins were replaced with one centralised waste collection system.

OUR RESPECT FOR THE ENVIRONMENT

Concerted efforts were also spent throughout the year to empower our Talents as green office ambassadors. Our “HKBN Office Farmers” workshop series helped Talents learn practical horticulture techniques, as well as set up an aquaponics system inside the office. We now have over 60 Talent gardeners taking care of 100 edible or ornamental plants throughout our office in Hong Kong. Additionally, some of our artistic Talents were invited to unleash their creativity, designing “moss graffiti” with a message of environmental awareness.

For wider impact, we also encourage our Talents to take our green crusade beyond the company. To this end, our “Little Green Lovers” programme was tailor-designed to let Talents’ children participate in low-carbon lifestyle educational workshops, and spend precious time outdoors with nature.

In addition, a “Household Electricity Saving Competition” was organised during the summer to motivate our Talents to uphold green lifestyle habits with family members at home. On average, participating households were able to reduce their electricity consumption by 6%, compared to the same period last year. Riding on this campaign, more than a hundred energy saving light bulbs were sent to 50 low-income families, helping them practice low-carbon living. Children from these families were also invited to participate in a fun educational workshop, where they learned green living tips as well as how to creatively repurpose old materials.

STAKEHOLDERS AS GREEN PARTNERS

At HKBN, we have always endeavoured to share the impactful work we do with our business partners. This year, towards our goal to make Hong Kong a greener place for everyone, we signed up to Food Grace’s “Green Mid-Autumn Festival Food Saving Pledge 2016” intent to minimise mooncake wastage. By signing up to the pledge, we refrained from the traditional custom of giving and receiving mooncakes. Instead, we sent low-carbon alternatives such as fruit hampers to our partners. To achieve a much wider effect, we actively invited our business partners to join the pledge and reallocate their mooncake budgets toward charity.

Worth noting, a number of initiatives were also undertaken to engender improved green practices together with our vendors. Instead of ad hoc deliveries, we now receive our stationary items on a standardised schedule to minimise the transportation footprint. Similarly, we actively request, when possible, our vendors not to provide plastic in their packaging.

Our green performance in 2016 (Hong Kong Office)	Total	Percentage change compared to FY15
Total Carbon Emission*	3,890.402 Tonnes	-2.9%
Total Carbon Emission Per* Talent	3.745 Tonnes	+1.03%
Direct Energy Consumption* (Company Vehicle)	26.575 Tonnes	-27.82%
Indirect Energy Consumption* (Electricity consumption, oversea business travels, etc..)	3,863.827 Tonnes	-2.70%
Paper consumption	4,990 kg (Ream)	-4.13%
Water consumption	1,883.52 (m^3)	-9.21%
Paper Collected for Recycle	335.2 (Bag)	+63.8%
Plastic Collected for Recycle	9,597 (pcs)	+186.24%
Aluminum Can Collected for Recycle	12,589.8 (pcs)	+102.4%

** Data recorded from June 2015 to May 2016*

Accolades and awards play a significant role in affirming the work and strategy of our green initiatives, these include:

AWARDS & CERTIFICATIONS

Award	Presented by
CarbonSmart Achiever Award (Good Level)	Hong Kong Productivity Council
Low Carbon Office Operation Programme (Platinum level)	World Wide Fund For Nature Hong Kong
Hong Kong Green Organisation Certification	Environmental Campaign Committee
Hong Kong Green Organisation Certification Wastewi$e Certificate – Excellence Level	Environmental Campaign Committee
HKCAS Accredited ISO 14064-1:2006 Greenhouse Gas Verification	SGS Hong Kong Limited

PLAYING BY THE RULES

As an ethical business, we are committed to our role as a good employer, world-class service provider and responsible corporate citizen.

AMY TAM
Head of Legal & Regulatory Affairs and Co-Owner, joined in 2015

OUR RESPONSIBILITIES

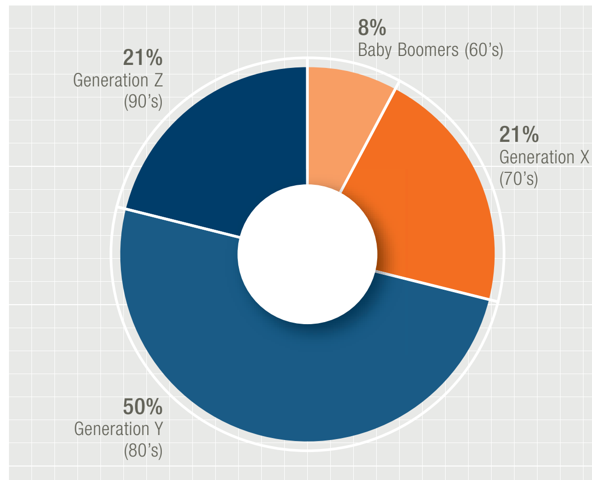
At HKBN, integrity is at the core of everything we do. Throughout our operations, we are committed 24/7 to conducting business in an ethical and responsible way. On a daily basis, we make every effort to do the right thing when engaging customers, stakeholders and the communities we serve.

Besides upholding a disciplined approach to governance, we provide our Talents with a safe working environment under which they can thrive. Our commitment to customers means we hold ourselves to very high standards in the products and services we provide. Additionally, being accountable ensures that we are always fair, transparent and eager to engage our stakeholders.

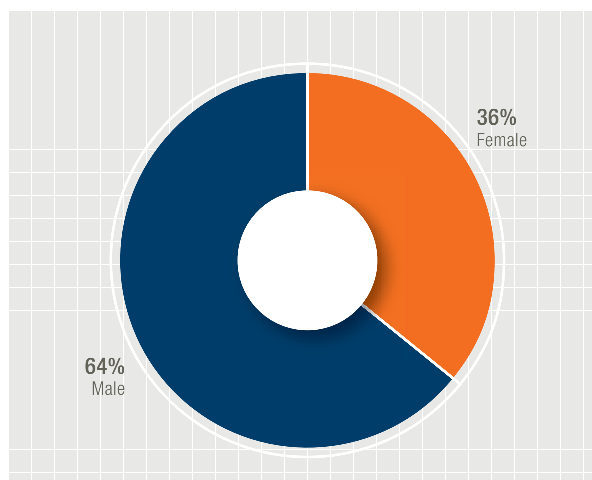
OUR TALENTS

As a Group, we employ over 3,000 Talents in Hong Kong, Guangzhou and Shenzhen. Our workforce comprises Talents who come from a wide variety of backgrounds, professional specialisations and technical expertise. The charts illustrated on this page are indicative of our total workforce profile by employment type, age and gender as at 31 Aug 2016:

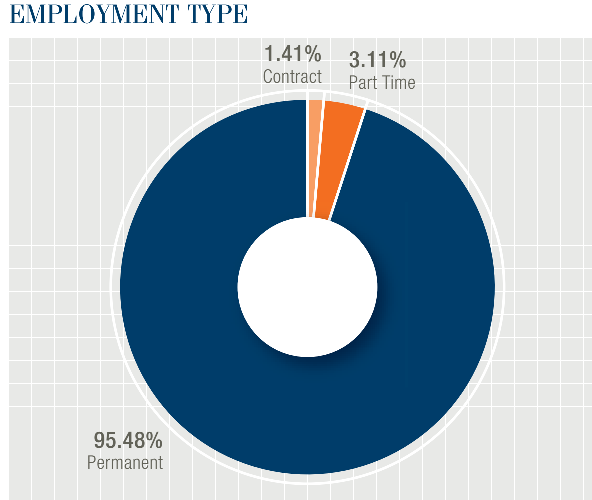
AGE PROFILE



GENDER



EMPLOYMENT TYPE



WORKPLACE QUALITY

At all times, we strive to comply with relevant standards and regulations to maintain quality of our workplace. We are committed to providing a fair and equitable work environment. Equal opportunity is provided across all aspects of employment, where discrimination or harassment of any kind is not tolerated. We behave with courtesy and respect towards everyone we encounter in the course of our business. All relevant parties are expected to apply the same standards throughout all interactions with colleagues, contractors, suppliers, customers and any other stakeholders. Derogatory actions based on racial or ethnic characteristics, unwelcome sexual advances and similar behaviors are strictly prohibited.

Independent professionals and the provision of appropriate training are regularly engaged to ensure compliance with all the applicable laws, rules and regulations.

HEALTH & SAFETY

One of the keys to the overall success of our business is ensuring that Talents are able to work in a healthy and safe environment. To achieve this we adopt comprehensive safety practices that are reviewed on an ongoing basis which ensure that standards are maintained across a diverse variety of conditions. In general, our objective is to establish a vigilant view over safety for the ongoing identification of hazards, assessment of risks, and the implementation of necessary control measures.

We appoint and work with a certified safety consultant to manage occupational health and safety via activities such as a safety advisory service, general inspection and hazard assessment on the workplace and related safety training.

Talent awareness about maintaining a safe work environment is promoted through measures which comprise workplace safety inspections and related training for Talents and on-site inspection, as well as safety alerts dispatched via email and investigation of work injury incidents.

We also provide safety briefings to contractors carrying out work inside and outside our office premises. Also, fire exit routes and signage are always prominently placed within each floor to alert Talents and visitors.

For technical departments, project leaders are tasked to conduct on-site inspection of activities whenever work commences to ensure that the control measures implemented follow our Safe Working Procedures. Furthermore, Talents and new hires are required to undergo mandatory safety certification training and workshops.

OPERATING PRACTICES

ANTI-CORRUPTION

We have a rigorous anti-corruption and conflict of interest policy in place that outlines our expected conduct to ensure we are always in compliance with applicable laws, such as the Prevention of Bribery Ordinance (Cap. 201). In addition, this also includes compliance with all laws, domestic and foreign, which prohibit improper payments, gifts or inducements of any kind to and received from any person, including officials from the private or public sectors, customers and suppliers. These policies are clearly communicated to all Talents, and can be readily accessed via our company's dedicated intranet.

Furthermore, refresher training sessions and training for newly hired Talents are organised periodically to ensure all employees stay aware of HKBN's zero-tolerance stance on fraud and corruption. Topics covered include explanation of the law and case sharing. In 2016, total of three information sessions were organised for this purpose.

All Talents are required to complete a "Declaration of Conflict of Interest" upon their commencement of employment. Senior management and Talents who are engaged in procurement decisions are required to declare such interests on an annual basis. Other Talents are required to make their declarations whenever there is an actual or perceived conflict of interest.

WHISTLEBLOWING POLICY

To facilitate the reporting of any suspected misconduct or malpractice within the Company in confidence without fear of reprisal, victimisation, subsequent discrimination or dismissal, we have a rigorous whistleblowing policy in place. Full details of this policy are accessed through our company website and intranet.

PRIVACY & SECURITY

Our customers trust us with their personal information and their privacy. The lengths we take to protecting customers in these areas are fundamental to maintaining that trust. Our stringent privacy policy governs how we collect, use and manage customer information. As such, our policies and programmes are designed to maintain the privacy and security of all customer information, which undergo regular review and are updated to adapt to the changing requirements of customers, law and regulation, and the business landscape.

A stringent IT policy was established to ensure only authorised personnel have access to customer data whilst information is available upon request by law enforcement or the appropriate authorities. Periodic reviews of our security systems are overseen by Internal Audit and Risk Department, where tests and inspections are performed by certified and trained professionals. In the coming year, a penetration test and a comprehensive audit will be conducted over our network.

SUPPLY CHAIN MANAGEMENT

Early 2016, we enhanced our procurement policy by introducing a model of sustainable procurement. To put this into practice, we incorporated sustainability measurements as an important criteria in our supplier selection process.

As a company driven by technology, we are cognizant that supplier performance is critical to our operation and service reliability. To bolster our supplier management measures, we have incorporated criticality assessments that take into account potential risks, impact to customers, environmental sustainability, legal liability as well as the level of disruption to HKBN. Such assessments not only enable us to identify potential risks much earlier, but allow us to mitigate the risks in a proactive manner. Importantly, these assessments provide a solid framework on how we monitor and measure a supplier's performance.

Above all, we are committed to handling our supplier procurement activities with the highest standards of quality and integrity. The utilisation of diverse suppliers is essential to how we conduct ourselves in a fair and open manner. HKBN is committed to providing more opportunities for diversity purposes and to social enterprise suppliers in any sourcing activities where available.

To bolster our procurement efforts, we introduced criticality and supplier performance assessments, and have added parameters based on supplier sustainability in regard to the environment, labour, health and safety. To enable operating units to effectively manage their suppliers and mitigate any potential supplier risks, operating units are required to perform the supplier performance assessment on a regular basis. This structured supplier management framework aims to monitor supplier performance, rectify and escalate any issues in a proactive manner.

PRODUCT RESPONSIBILITY

As a reputable and responsible business, we are committed to ensuring that the products and services we provide are of the highest quality, balancing value with innovative technology solutions. To achieve this, we choose and only work with world-class partners who perform rigorous testing of their products before making them available on the market.

Towards our commitment, we strive to always ensure that our broadband services meet the expectations of customers. To this end, we pioneered our Steady Speed Guarantee for 100Mbps home fibre broadband service, pledging to reimburse customers twice the amount of the relevant broadband service fee charged for periods when upload/download speeds (from the customer's wallplate to HKIX) are less than 80Mbps. In addition, to enhance the consumer rights of our customers, we pioneered our dual 14-day cooling off period. This allows new subscribers who register to a majority of our service plans the right to cancel their plans within 14 days after service registration, as well as within 14 days after equipment installation.

COMMITMENT TO CUSTOMERS

We are committed to providing excellent customer experiences and a consistently high standard of service that puts customer needs at the forefront. We undertake great efforts to provide comprehensive training to our customer service teams, ensuring they possess suitable product knowledge and the requisite skills to effectively handle customer requests.

Mindful that customers are one of our major stakeholders, we have always strived to provide customers with a world-class service experience. Knowing full well that customer communication plays a vital role in their overall experience, we continue to provide multiple communication channels across offline and online platforms, including HKBN's customer service hotlines and our online customer service chat system, to serve and cater to our customers.

To take advantage of the convenience of an online one-stop personalised account management system, our "HKBN My Account" platform allows customers to perform a myriad of account-related services, including checking the latest service details and bill statements, making instant payments, editing personal account information and more, via HKBN's website and the My Account smartphone app.

STAKEHOLDER ENGAGEMENT

Communicating and listening to key stakeholders plays a critical role in our commitment. The feedback we get from investors, Talents, business partners, suppliers, and customers informs our understanding of priorities for doing business and for long-term sustainability. At all times, our objective is to engender a mutually beneficial relationship with our stakeholders through honest and open engagement and disclosure.

Beyond bi-annual result presentations, we also organise multiple investor conference calls and non-deal roadshows covering Asia, Europe and North America to keep our global investors updated with the latest company and industry developments.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HKBN LTD.

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of HKBN Ltd. (the "Company") and its subsidiaries (together "the Group") set out on pages 110 to 182, which comprise the consolidated statement of financial position as at 31 August 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HKBN LTD. (CONTINUED)

(Incorporated in the Cayman Islands with limited liability)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 August 2016 and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

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

9 November 2016

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2016

(Expressed in Hong Kong dollars)

	Note	2016 $'000	2015 $'000
Revenue	2	**2,784,007**	2,341,113
Other net income	3(a)	**16,260**	16,772
Network costs and costs of sales		**(451,097)**	(305,930)
Other operating expenses		**(1,872,525)**	(1,601,975)
Finance costs	3(c)	**(141,891)**	(260,023)
Share of losses of associates	13(b)	**(15)**	–
Share of losses of joint ventures	14(b)	**(185)**	(107)
Profit before taxation	3	**334,554**	189,850
Income tax	4	**(89,875)**	(85,582)
Profit for the year attributable to equity shareholders of the Company		**244,679**	104,268
Earnings per share	7		
Basic		**24.5 cents**	10.4 cents
Diluted		**24.4 cents**	10.4 cents

The notes on pages 116 to 182 form part of these financial statements. Details of dividend payable to equity shareholders of the Company attributable to the profit for the year are set out in note 28(b).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 AUGUST 2016

(Expressed in Hong Kong dollars)

	2016 $'000	2015 $'000
Profit for the year	**244,679**	104,268
Other comprehensive income for the year		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong, with nil tax effect	**(4,847)**	(4,299)
Total comprehensive income for the year attributable to equity shareholders of the Company	**239,832**	99,969

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 AUGUST 2016

(Expressed in Hong Kong dollars)

	Note	2016 $'000	2015 $'000
Non-current assets			
Goodwill	9	**1,771,969**	1,594,110
Intangible assets	10	**1,550,209**	1,330,501
Property, plant and equipment	11	**2,419,890**	1,969,803
Interest in associates	13	**7,473**	–
Interest in joint ventures	14	**9,708**	9,893
Other non-current assets	15	**19,618**	19,503
		5,778,867	4,923,810
Current assets			
Inventories	16	**50,541**	14,373
Trade receivables	17	**148,064**	81,685
Other receivables, deposits and prepayments	17	**271,560**	201,910
Amount due from a joint venture	22	**761**	329
Cash and cash equivalents	18	**354,955**	328,950
		825,881	627,247
Current liabilities			
Trade payables	19	**107,550**	6,561
Other payables and accrued charges – current portion	19	**448,757**	217,394
Deposits received		**54,454**	33,385
Deferred services revenue – current portion		**50,672**	55,168
Obligations under granting of rights – current portion	26	**9,024**	9,024
Amount due to the former substantial shareholder	22	**–**	33,372
Amount due to an associate	22	**2,165**	–
Amounts due to joint ventures	22	**10,000**	10,000
Contingent consideration – current portion	27	**18,091**	2,457
Tax payable	24	**125,073**	121,222
		825,786	488,583
Net current assets		**95**	138,664
Total assets less current liabilities		**5,778,962**	5,062,474

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 AUGUST 2016

(Expressed in Hong Kong dollars)

	Note	2016 $'000	2015 $'000
Non-current liabilities			
Other payables and accrued charges – long-term portion	19	**99,008**	13,413
Deferred services revenue – long-term portion		**55,923**	13,844
Obligations under granting of rights – long-term portion	26	**42,867**	51,891
Deferred tax liabilities	25	**450,980**	438,916
Contingent consideration – long-term portion	27	**27,885**	–
Provision for reinstatement costs		**17,644**	11,334
Bank loans	20	**3,721,297**	3,018,889
		4,415,604	3,548,287
NET ASSETS		**1,363,358**	1,514,187
CAPITAL AND RESERVES			
Share capital	28(c)	**101**	101
Reserves		**1,363,257**	1,514,086
TOTAL EQUITY		**1,363,358**	1,514,187

Approved and authorised for issue by the board of directors on 9 November 2016.

	)	
William Chu Kwong YEUNG	)	
	)	Directors
Ni Quiaque LAI	)	
	)	

The notes on pages 116 to 182 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2016

(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 year ended 31 August 2015:								
Profit for the year		–	–	–	–	104,268	–	104,268
Other comprehensive income		–	–	–	–	–	(4,299)	(4,299)
Total comprehensive income		–	–	–	–	104,268	(4,299)	99,969
Issue of shares	28(c)(ii)	100	1,160,685	–	–	–	–	1,160,785
Elimination on the completion of the Share Transfer	28(d)(iii)	(8)	(1,757,197)	–	596,420	–	–	(1,160,785)
Dividend declared prior to the Reorganisation	28(b)(iii)	–	(230,158)	–	–	–	–	(230,158)
Capitalisation issue	28(c)(iii)	1	(1)	–	–	–	–	–
Equity-settled share-based transactions	23(a)	–	–	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 year ended 31 August 2016:								
Profit for the year		**–**	**–**	**–**	**–**	**244,679**	**–**	**244,679**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**(4,847)**	**(4,847)**
Total comprehensive income		**–**	**–**	**–**	**–**	**244,679**	**(4,847)**	**239,832**
Dividend approved in respect of the previous year	28(b)(ii)	**–**	**(201,133)**	**–**	**–**	**–**	**–**	**(201,133)**
Dividend declared in respect of the current year	28(b)(i)	**–**	**(201,133)**	**–**	**–**	**–**	**–**	**(201,133)**
Equity-settled share-based transactions	23(a)	**–**	**–**	**11,605**	**–**	**–**	**–**	**11,605**
Balance at 31 August 2016		**101**	**528,260**	**13,136**	**596,420**	**232,272**	**(6,831)**	**1,363,358**

The notes on pages 116 to 182 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2016

(Expressed in Hong Kong dollars)

	Note	2016 $'000	2015 $'000
Operating activities			
Cash generated from operations	18(b)	984,662	791,170
Tax paid:			
– Hong Kong Profits Tax paid		(54,147)	(81,968)
– Tax paid outside Hong Kong		(3,921)	(3,896)
Purchase of tax reserve certificate		(426)	(48,000)
Net cash generated from operating activities		926,168	657,306
Investing activities			
Payment for purchase of property, plant and equipment		(392,553)	(324,084)
Proceeds from sale of property, plant and equipment		2,381	1,790
Payment for contingent consideration		(4,481)	(4,195)
Net cash outflow in respect of disposal of interest in subsidiaries	30	(1,049)	–
Payment for acquisition of subsidiaries	29	(647,134)	–
Interest received		922	2,794
Net cash used in investing activities		(1,041,914)	(323,695)
Financing activities			
Proceeds from bank loans, net of transaction costs		684,064	3,009,843
Payments of transaction costs for banking facilities		–	(14,806)
Payment for early redemption of senior notes		–	(3,095,624)
Payment of transaction costs on bank loans		–	(4,060)
Dividend paid to the former immediate holding company	28(b)(iii)	–	(230,158)
Increase in amount due to an associate		1,080	–
Interest paid on interest-rate swap		(26,141)	(14,151)
Interest paid on bank loans		(79,009)	(45,062)
Interest paid on senior notes		–	(82,124)
Proceeds from initial public offering payable to the former substantial shareholder		–	33,372
Payment of amount due to the former substantial shareholder		(33,372)	–
Dividend paid		(402,266)	–
Net cash generated from/(used in) financing activities		144,356	(442,770)
Net increase/(decrease) in cash and cash equivalents		28,610	(109,159)
Cash and cash equivalents at the beginning of the year	18(a)	328,950	435,630
Effect of foreign exchange rate changes		(2,605)	2,479
Cash and cash equivalents at the end of the year	18(a)	354,955	328,950

The notes on pages 116 to 182 form part of these financial statements.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. None of these developments have a significant impact on the Group's financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 August 2016 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and joint ventures.

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 ("HKTV").

The companies that took part in the Share Transfer were controlled by the same ultimate equity shareholders before and after the Share Transfer and there were no changes in the business and operations of MLCL and its subsidiaries. The Share Transfer only involved incorporating the Company with no prior substantive operations as the holding company of MLCL and the Group. Accordingly, the Share Transfer has been accounted for using a principle similar to that for a reverse acquisition with MLCL treated as the acquirer for accounting purposes. The financial statements has been prepared and presented as a continuation of the consolidated financial statements of MLCL and its subsidiaries, with the assets and liabilities of the Group recognised and measured at their historical carrying amounts prior to the Share Transfer, and as if the group structure upon completion of the Share Transfer had been in existence since 15 March 2012, the date of incorporation of MLCL.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (continued)

The measurement basis used in the preparation of the financial statements is the historical cost basis except that contingent consideration and derivative financial instrument are stated at their fair values as explained in the accounting policies set out below in notes 1(e) and 1(f).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 36.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 1(d)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(j)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Associates and joint ventures

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(e) and (j)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associate and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Business combination and goodwill

The Group applies the acquisition method to account for business combination. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(j)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (note 1(j)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

- Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion
- Leasehold improvements are depreciated over the shorter of the unexpired term of the lease and their estimated useful lives
- Leasehold land classified as held under finance leases is depreciated over the unexpired term of lease

– Cable	5 years
– Furniture, fixtures and fittings	4 – 5 years
– Telecommunications, computer and office equipment	4 – 20 years
– Motor vehicles	4 – 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Major costs incurred in restoring property, plant and equipment to their normal working condition are charged to profit or loss. Major improvements are capitalised and depreciated over their expected useful lives to the Group.

(h) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(j)).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Intangible assets (other than goodwill) (continued)

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis or unit of production method over the assets' estimated useful lives. The major intangible assets with finite useful lives are amortised from the date of acquisition and their estimated useful lives are as follows:

–	Customer relationship – FTNS business	14 years
–	Customer relationship – International telecommunications services ("IDD") business	14 years
–	Customer relationship – broadband wireless ("Wi-Fi") connectivity business	18 years
–	Brand and trademark – "HKBN" for FTNS business	20 years
–	Brand and trademark – "IDD0030" & "IDD1666" for IDD business	14 years
–	Brand and trademark – "Y5Zone" for Wi-Fi business	20 years

Both the period and method of amortisation are reviewed annually.

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases with the following exceptions:

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous leasee.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Leased assets (continued)

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

(iii) Sale and leaseback transactions

A sale and leaseback transaction involves the sale of an asset by the Group and the leasing of the same asset back to the Group. The lease payments and the sale price are usually interdependent as they are negotiated as a package. Sale and leaseback arrangements that result in substantially all of the risks and rewards of ownership of assets being transferred to the lessor are accounted for as operating leases. Any excess of sales proceeds over the carrying amount is recognised in profit or loss as gain on disposal, if the sales prices and lease back arrangements for these transactions are determined based on the prevailing market prices. Payments made under operating leases are charged to profit or loss on a straight-line basis over the lease periods.

(j) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of assets (continued)

(i) Impairment of investments in equity securities and other receivables (continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in associates and joint ventures accounted for under the equity method in the consolidated financial statements (see note 1(d)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(j)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(j)(ii).

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of assets (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets;
- goodwill; and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount
  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses
  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses
  In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

  A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of assets (continued)

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(j)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first in, first out cost formula and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(s), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Obligations under granting of rights

The obligations under granting of rights to use the Group's services on a free of charge basis as part and parcel of a business combination are recognised initially at fair value. The obligations are amortised over the period which the rights are granted, as follows:

– Rights to use of telecommunications services	10 years

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Talent benefits

(i) Short term talent benefits

Salaries, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by Talents. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Profit sharing and bonus plans

Provisions for profit sharing and bonus plans are recognised when the Group has a present legal or constructive obligation as a result of services rendered by Talents and a reliable estimate of the obligation can be made.

(iii) Retirement benefit costs

The Group contributes to defined contribution retirement schemes which are available to certain Talents. Contributions to the schemes by the Group are calculated as a percentage of Talents' basic salaries and charged to profit or loss. The Group's contributions are reduced by contributions forfeited by those Talents who leave the scheme prior to vesting fully in the contributions.

The assets of the scheme are held in an independently administered fund that is separated from the Group's assets.

(iv) Share-based payments

(a) Equity-settled share-based payments

The fair value of Restricted Share Units ("RSUs") granted to Talents of the Group in Hong Kong under the Co-Ownership Plan II is recognised as a Talent cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the RSUs were granted. Where the Talents have to meet vesting conditions before becoming unconditionally entitled to the RSUs, the total estimated fair value of the RSUs is spread over the vesting period, taking into account the probability that the RSUs will vest.

During the vesting period, the number of RSUs that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original Talent expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of RSUs that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the service condition. The equity amount is recognised in the capital reserve until the RSUs are vested (when it is included in the amount recognised in share premium for the shares vested).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Talent benefits (continued)

(iv) Share-based payments (continued)

(b) Cash-settled share-based payments

The fair value of the amount payable to Talents of the Group in the People's Republic of China (the "PRC") in respect of RSUs under the Co-Ownership Plan II, which are to be settled in cash and based on the price of the equity instruments of the Company, is recognised as a Talent cost with a corresponding increase in liabilities. Where the Talents have to meet vesting conditions before becoming unconditionally entitled to payment, the total estimated fair value of the RSUs is spread over the vesting period, taking into account the probability that the RSUs will vest. The liability is remeasured at the end of each reporting period and at settlement date. Any changes in the fair value of the liability are recognised as Talent costs in profit or loss.

(c) Share-based payments among group entities

In the Company's statement of financial position, the Company recognises the fair value of the RSUs granted by the Company to the subsidiaries as a capital contribution to the subsidiaries with an increase in its investments in the subsidiaries. The Company recognises the reimbursement by the subsidiaries of this capital contribution by recognising a recharge asset and a corresponding adjustment (credit) to the carrying amount of the investments in the subsidiaries.

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Income tax (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

    – the same taxable entity; or

    – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(s)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Financial guarantees issued, provisions and contingent liabilities (continued)

(ii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 1(s)(iii).

(iii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Revenue for the provision of international telecommunications and fixed telecommunications network service

Revenue is recognised when an arrangement exists, service is rendered, the fee is fixed or determinable, and collectability is probable. Tariff-free period granted to subscribers of fixed telecommunications network services are recognised in profit or loss rateably over the term of the service subscription agreement. Amount received in advance for the provision of fixed telecommunications network services is deferred and included under deferred services income and subsequently recognised as revenue on a straight-line basis over the related service period.

(ii) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Revenue recognition (continued)

(iv) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

(u) Research and development costs

Research and development costs of new services and enhancements to existing services are charged to profit or loss as incurred.

(v) Translation of foreign currencies

The Group's functional currency is Hong Kong dollars. Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill and fair value adjustments arising from acquisition, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(x) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Related parties (continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(y) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position where there is a legally enforceable right to set off the recognised amount and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, 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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Segment reporting (continued)

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.

2 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 significant category of revenue recognised during the year is as follows:

	2016 $'000	2015 $'000
Residential revenue	**1,814,940**	1,756,511
Enterprise revenue	**810,831**	475,738
Product revenue	**158,236**	108,864
	2,784,007	2,341,113

The Group's customer base is diversified and no individual customer with whom transactions have exceeded 10% of the Group's revenue.

3 PROFIT BEFORE TAXATION

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

	2016 $'000	2015 $'000
(a) Other net income		
Interest income	**(922)**	(2,794)
Net foreign exchange (gain)/loss	**(3,538)**	576
Amortisation of obligations under granting of rights (note 26)	**(9,024)**	(9,024)
Change in fair value of contingent consideration	**–**	(2,923)
Other income	**(2,776)**	(2,607)
	(16,260)	(16,772)
(b) Talent costs		
Salaries, wages and other benefits	**773,302**	636,045
Contributions to defined contribution retirement plan	**51,999**	45,662
Equity-settled share-based payment expenses (note 23(a))	**11,605**	1,531
Cash-settled share-based payment expenses (note 23(b))	**588**	14
	837,494	683,252
Less: Talent costs capitalised as property, plant and equipment	**(27,578)**	(25,188)
Talent costs included in advertising and marketing expenses	**(294,502)**	(253,622)
	515,414	404,442

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

3 PROFIT BEFORE TAXATION (CONTINUED)

	2016 $'000	2015 $'000
(c) Finance costs		
Interest on bank loans	**100,207**	57,421
Interest on interest-rate swap, net	**25,764**	14,529
Interest on senior notes	**–**	66,826
Fair value loss on interest-rate swap	**15,920**	13,413
Loss on extinguishment of senior notes (note 21)	**–**	96,234
Originating fee for banking facility expired	**–**	11,600
	141,891	260,023
(d) Other items		
Advertising and marketing expenses	**481,881**	399,215
Depreciation (note 11)	**383,863**	365,513
Loss/(gain) on disposal of property, plant and equipment, net	**520**	(323)
Impairment losses on trade receivables (note 17(b))	**16,862**	18,838
Amortisation of intangible assets (note 10)	**122,564**	110,167
Operating lease charges in respect of land and buildings:		
minimum lease payments	**42,335**	30,018
Operating lease charges in respect of telecommunications facilities		
and computer equipment: minimum lease payments	**175,028**	122,796
Auditor's remuneration		
– audit services	**2,877**	1,580
– review services	**309**	300
– tax services	**176**	120
– other services	**3,918**	–
Research and development costs	**16,902**	19,970
Cost of inventories	**105,876**	105,366
Transaction costs in connection with business combination	**27,243**	–
Listing expenses	**–**	55,863

4 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2016 $'000	2015 $'000
Current tax – Hong Kong Profits Tax		
Provision for the year	105,881	100,858
(Over)/under-provision in respect of prior years	(104)	57
Current tax – Outside Hong Kong		
Provision for the year	4,142	3,648
Deferred tax		
Origination and reversal of temporary differences (note 25)	(20,044)	(18,981)
	89,875	85,582

The provision for Hong Kong Profits Tax for 2016 is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the year.

Income tax expense for the current taxation outside Hong Kong is mainly related to the income tax in the PRC. The Corporate Income Tax rate applicable to the subsidiaries located in the PRC is 25% (2015: 25%) for the year.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2016 $'000	2015 $'000
Profit before taxation	334,554	189,850
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	56,487	32,719
Tax effect of non-deductible expenses	31,080	53,003
Tax effect of non-taxable income	(795)	(1,339)
Tax effect of unused tax losses not recognised	3,637	–
Others	(534)	1,199
Actual tax expense	89,875	85,582

5 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2016						
	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Sub-total $'000	Share-based payments (note (ii)) $'000	Total $'000
Executive directors							
Mr. William Chu Kwong YEUNG	–	8,751	892	882	10,525	969	11,494
Mr. Ni Quiaque LAI	–	5,857	594	587	7,038	645	7,683
Non-executive director							
Ms. Deborah Keiko ORIDA (appointed on 20 November 2015)	–	–	–	–	–	–	–
Independent non-executive directors							
Mr. Bradley Jay HORWITZ	388	–	–	–	388	–	388
Mr. Stanley CHOW	388	–	–	–	388	–	388
Mr. Quinn Yee Kwan LAW	388	–	–	–	388	–	388
	1,164	14,608	1,486	1,469	18,727	1,614	20,341

5 DIRECTORS' EMOLUMENTS (CONTINUED)

	2015						
	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Sub-total $'000	Share-based payments (note (ii)) $'000	Total $'000
Executive directors							
Mr. William Chu Kwong YEUNG	–	8,298	2,488	840	11,626	193	11,819
Mr. Ni Quiaque LAI	–	5,575	1,656	559	7,790	128	7,918
Non-executive director							
Mr. Roy KUAN (resigned on 1 June 2015)	–	–	–	–	–	–	–
Independent non-executive directors							
Mr. Bradley Jay HORWITZ	222	–	–	–	222	–	222
Mr. Stanley CHOW	222	–	–	–	222	–	222
Mr. Quinn Yee Kwan LAW	222	–	–	–	222	–	222
	666	13,873	4,144	1,399	20,082	321	20,403

Notes:

(i) Mr. William Chu Kwong YEUNG and Mr. Ni Quiaque LAI were appointed as executive directors and Mr. Roy KUAN was appointed as non-executive director on 15 December 2014. In connection with the Listing, Mr. Bradley Jay HORWITZ, Mr. Stanley CHOW and Mr. Quinn Yee Kwan LAW were appointed as the Company's independent non-executive directors effective on 6 February 2015.

(ii) These represent the estimated value of RSUs granted to the directors under the Company's Co-Ownership Plan II ("the Plan"). The value of these RSUs is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(q)(iv). The details of these benefits in kind, including the principal terms and number of RSUs granted, are disclosed under the paragraph "Share Incentive Scheme" in the directors' report and in note 23.

During the year ended 31 August 2016, there were no amounts paid or payable by the Group to the directors or any of the highest paid individual set out in note 6 below as an inducement to join or upon joining the Group or as a compensation for loss of office (2015: Nil). There was no arrangement under which a director waived or agreed to waive any remuneration during the year ended 31 August 2016 (2015: Nil).

6 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2015: two) are directors whose emoluments are disclosed in note 5. The aggregate of the emoluments in respect of the other three (2015: three) individuals are as follows:

	2016 $'000	2015 $'000
Salaries and other emoluments	**9,746**	7,995
Discretionary bonuses	**585**	1,310
Share-based payments	**943**	129
Retirement scheme contributions	**721**	611
	11,995	10,045

The emoluments of the three (2015: three) individuals with the highest emoluments are within the following bands:

	2016 Number of individuals	2015 Number of individuals
$3,000,001 – $3,500,000	**1**	3
$4,000,001 – $4,500,000	**2**	–
	3	3

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $244,679,000 (2015: $104,268,000) and the weighted average number of ordinary shares in issue less shares held for the Co-Ownership Plan II, of 1,000,114,000 ordinary shares (2015: 1,000,000,000 ordinary shares).

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $244,679,000 (2015: $104,268,000) 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:

	2016 '000	2015 '000
Weighted average number of ordinary shares less shares held for the Co-Ownership Plan II	**1,000,114**	1,000,000
Effect of the Co-Ownership Plan II	**2,931**	1,084
Weighted average number of ordinary shares (diluted)	**1,003,045**	1,001,084

8 RETIREMENT BENEFIT COSTS

The Group contributes to an Occupational Retirement Scheme (the "ORSO Scheme"), a defined contribution retirement scheme, which is available to some of its Talents in Hong Kong. Under the ORSO Scheme, the Talents are required to contribute 5% of their monthly salaries, while the Group's contributions are calculated at 10% and 5% of the monthly salaries of senior Talents and all other Talents respectively. The Talents are entitled to 100% of the employer's contributions after 10 years of completed service, or at a reduced scale after completion of 3 to 9 years' service. Contributions to the ORSO Scheme are reduced by contributions forfeited by those Talents who leave the ORSO Scheme prior to vesting fully in the Group's contributions.

A mandatory provident fund scheme (the "MPF Scheme") has been established under the Hong Kong Mandatory Provident Fund Scheme Ordinance in December 2000. The existing Talents of the Group in Hong Kong could elect to join the MPF Scheme, while all new Talents joining the Group in Hong Kong from then onwards are required to join the MPF Scheme. Both the Group and the Talents are required to contribute 5% of each individual's relevant income with a maximum amount of $1,250 per month before 1 June 2014, and commenced from 1 June 2014, the maximum amount has been increased to $1,500, as a mandatory contribution. Employer's mandatory contributions are 100% vested in the Talents as soon as they are paid to the MPF Scheme. Senior talents may also elect to join a Mutual Voluntary Plan (the "Mutual Plan") in which both the Group and senior Talents, on top of the MPF Scheme mandatory contributions, make a voluntary contribution to the extent of contributions that would have been made under the ORSO Scheme. During the year, forfeited contributions totalling $706,000 (2015: $123,000) were used to reduce the current year's level of contributions and $Nil was available at 31 August 2016 (2015: $186,000) to reduce future year's contributions.

Pursuant to the relevant regulations in the PRC, the Group contributes to a defined contribution retirement scheme organised by the local social security bureau for each Talent of the subsidiary in the PRC at the rate of 20% of a standard salary base as determined by the local social security bureau, the rate has been decreased to 14% effective from 1 January 2015. The Group has no other obligation to make payments in respect of retirement benefits of these Talents.

9 GOODWILL

	$'000
Cost:	
At 1 September 2014, 31 August 2015 and 1 September 2015	1,594,110
Acquisition of subsidiaries (note 29)	197,280
Disposal of subsidiaries (note 30)	(19,421)
At 31 August 2016	1,771,969
Accumulated impairment losses:	
At 1 September 2014, 31 August 2015, 1 September 2015 and 31 August 2016	–
Carrying amount:	
At 31 August 2016	1,771,969
At 31 August 2015	1,594,110

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating unit ("CGU") identified as follows:

	2016 $'000	2015 $'000
Fixed telecommunications network services segment	**1,771,969**	1,594,110

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows for the five-year period are estimated based on an average annual growth rate of revenue of 10% (2015: 10%) and a pre-tax discount rate of 8% (2015: 8%). Cash flows beyond the five-year period, matching with the useful lives of the assets employed, are assumed to remain constant. The estimated growth rates used are comparable to the growth rate for the industry.

The key assumption used in the value-in-use calculation is the average annual growth rate of revenue of the fixed telecommunications network services (including Wi-Fi connectivity services), which is determined based on the past performance and management's expectation for market development. The discount rate used is pre-tax and reflects specific risks relating to the fixed telecommunications network services segment. Any adverse change in the key assumptions could reduce the recoverable amount below carrying amount.

(Expressed in Hong Kong dollars unless otherwise indicated)

10 INTANGIBLE ASSETS

	Customer relationship			Brand and trademark				
	For FTNS business $'000	For IDD business $'000	For Wi-Fi business $'000	For FTNS business $'000	For IDD business $'000	For Wi-Fi business $'000	Other intangible assets $'000	Total $'000
Cost:								
At 1 September 2014, 31 August 2015 and 1 September 2015	1,028,000	164,000	9,296	471,000	8,000	7,721	–	1,688,017
Acquisition of subsidiaries (note 29)	164,954	–	–	–	–	–	–	164,954
Additions	–	–	–	–	–	–	179,478	179,478
Disposal of subsidiaries (note 30)	(2,357)	–	–	–	–	–	–	(2,357)
At 31 August 2016	1,190,597	164,000	9,296	471,000	8,000	7,721	179,478	2,030,092
Accumulated amortisation:								
At 1 September 2014	165,215	26,356	860	52,988	1,287	643	–	247,349
Charge for the year	73,429	11,714	516	23,550	572	386	–	110,167
At 31 August 2015	238,644	38,070	1,376	76,538	1,859	1,029	–	357,516
At 1 September 2015	238,644	38,070	1,376	76,538	1,859	1,029	–	357,516
Charge for the year	78,464	11,714	516	23,550	572	386	7,362	122,564
Disposal of subsidiaries (note 30)	(197)	–	–	–	–	–	–	(197)
At 31 August 2016	316,911	49,784	1,892	100,088	2,431	1,415	7,362	479,883
Net book value:								
At 31 August 2016	873,686	114,216	7,404	370,912	5,569	6,306	172,116	1,550,209
At 31 August 2015	789,356	125,930	7,920	394,462	6,141	6,692	–	1,330,501

The identifiable intangible assets recognised by the Group upon the business combinations completed on 30 May 2012, 4 January 2013 and 31 March 2016 include:

– Customer relationship of FTNS and IDD business
– Brand and trademark of FTNS and IDD business, including "HKBN", "IDD1666" and "IDD0030"
– Customer relationship of Wi-Fi business
– Brand and trademark of Wi-Fi business

The fair value of the intangible assets at the dates of completion of the business combinations were appraised by independent valuers.

Other intangible assets include contractual right to receive future benefits and licences.

11 PROPERTY, PLANT AND EQUIPMENT

	Cable $'000	Leasehold land and buildings $'000	Leasehold improvements $'000	Furniture, fixtures and fittings $'000	Tele-communications, computer and office equipment $'000	Motor vehicles $'000	Total $'000
Cost:							
At 1 September 2014	45,416	25,360	21,682	1,961	2,485,304	2,844	2,582,567
Exchange adjustments	–	–	(96)	(47)	(518)	–	(661)
Additions	1,498	–	17,909	424	359,970	208	380,009
Disposals	–	–	–	(5)	(2,030)	–	(2,035)
At 31 August 2015	46,914	25,360	39,495	2,333	2,842,726	3,052	2,959,880
At 1 September 2015	46,914	25,360	39,495	2,333	2,842,726	3,052	2,959,880
Exchange adjustments	–	–	(131)	(48)	(534)	–	(713)
Additions	5,498	–	21,348	433	419,276	1,267	447,822
Acquisition of subsidiaries (note 29)	–	78,337	918	1,288	344,417	271	425,231
Transfer to intangible assets	–	–	–	–	(35,478)	–	(35,478)
Disposals	–	–	–	(99)	(47,692)	(1,497)	(49,288)
Disposals of subsidiaries (note 30)	–	–	(125)	–	(513)	–	(638)
At 31 August 2016	52,412	103,697	61,505	3,907	3,522,202	3,093	3,746,816
Accumulated depreciation:							
At 1 September 2014	18,166	855	4,848	1,174	599,277	1,241	625,561
Exchange adjustments	–	–	(86)	(36)	(307)	–	(429)
Charge for the year	8,093	526	7,679	443	347,954	818	365,513
Written back on disposals	–	–	–	(5)	(563)	–	(568)
At 31 August 2015	26,259	1,381	12,441	1,576	946,361	2,059	990,077
At 1 September 2015	26,259	1,381	12,441	1,576	946,361	2,059	990,077
Exchange adjustments	–	–	(116)	(38)	(361)	–	(515)
Charge for the year	8,303	1,490	6,596	414	366,362	698	383,863
Written back on disposals	–	–	–	(98)	(44,792)	(1,497)	(46,387)
Disposal of subsidiaries (note 30)	–	–	(21)	–	(91)	–	(112)
At 31 August 2016	34,562	2,871	18,900	1,854	1,267,479	1,260	1,326,926
Net book value:							
At 31 August 2016	17,850	100,826	42,605	2,053	2,254,723	1,833	2,419,890
At 31 August 2015	20,655	23,979	27,054	757	1,896,365	993	1,969,803

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The analysis of net book value of leasehold land and buildings of the Group is as follows:

	2016 $'000	2015 $'000
In Hong Kong		
– short-term leases	**16,682**	–
– medium-term leases	**81,444**	21,214
– long-term leases	**2,700**	2,765
	100,826	23,979

At 31 August 2016 and 2015, the Group has certain agreements with third parties (the "Contract Parties") in which the Group would provide its network capacity to the Contract Parties in certain period, and in exchange, the Contract Parties would provide the Group the right to use the network capacity of the Contract Parties in the same period. The directors of the Group consider that since the arrangements involve exchange of a similar nature and value, the exchange is not recognised as a transaction which generates revenue, and accordingly, the network capacity of the Contract Parties under the agreements have not been recognised as an asset and no revenue or deferred revenue have been recognised in the financial statements of the Group.

12 INVESTMENTS IN SUBSIDIARIES

The following is a list of subsidiaries of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation/ establishment	Particulars of issued and paid up share capital	Percentage of ownership interest held	Principal activities and place of operation
Credibility Holdings Limited	British Virgin Islands ("BVI")	US$1	100	Investment holding in Hong Kong
Guangzhou City Telecom Customer Services Co. Ltd. *	PRC#	HK$8,000,000	100	Provision of administrative support services in the PRC
Hong Kong Broadband Network Limited ("HKBN")	Hong Kong	383,049 shares	100	Provision of fixed telecommunications network services and international telecommunications services in Hong Kong and product sales
HKBN Group Limited ("HKBNGL")	BVI	US$5,294	100	Investment holding in Hong Kong
Metropolitan Light Company Limited ("MLCL")	Cayman Islands	US$1,000	100	Investment holding in Hong Kong
Metropolitan Light (HK) Company Limited	Hong Kong	400,000 shares	100	Investment holding in Hong Kong

(Expressed in Hong Kong dollars unless otherwise indicated)

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation/ establishment	Particulars of issued and paid up share capital	Percentage of ownership interest held	Principal activities and place of operation
Y5Zone Limited	Hong Kong	2 shares	100	Provision of Wi-Fi connectivity in Hong Kong
Concord Ideas Ltd.	BVI	US$2 and HK$1,120,000,000	100	Investment holding in Hong Kong
HKBN Enterprise Solutions Limited (Formerly known as New World Telecommunications Limited)	Hong Kong	HK$10,000,000	100	Provision of telecommunication services in Hong Kong
Advance Tech Developments Limited	BVI	US$1	100	Inactive
Excel Profit Management Limited	BVI	US$1	100	Investment holding in Hong Kong
NWTI (UK) Limited	UK	GBP1	100	License holding in UK
New World Telecom (Guangzhou) Co. Ltd. *	PRC#	US$200,000	100	Provision of system integration services in PRC
New World Telecom (Shanghai) Co. Ltd. *	PRC#	US$300,000	100	Inactive
HKBN International Limited (Formerly known as New World Telephone International Limited)	BVI	US$1	100	License holding in Taiwan
Region Best Profits Limited	BVI	US$1	100	Inactive
Super Advance Technology Limited	BVI	US$1	100	Investment holding in Hong Kong
New World Telecom International Inc.	USA	US$100	100	License holding in USA

* The English names are translated for reference only. The official names of these entities are in Chinese.

Wholly owned foreign enterprise registered under PRC law.

(Expressed in Hong Kong dollars unless otherwise indicated)

13 INTEREST IN ASSOCIATES

On 6 July 2016, the Group disposed of 51% equity interest in Simple Click Investments Limited together with its subsidiaries (collectively "Simple Click Group") (see note 30). The Group lost control of Simple Click Group and the Group's 49% interest retained in Simple Click Group is recognised at fair value amounting to $7,488,000 and the amount is regarded as the cost on initial recognition of investment in associates.

(a) Details of the Group's interest in the associates, all of which are unlisted corporate entities whose quoted market price is not available:

Name of associate	Form of business structure	Place of incorporation/ establishment	Particulars of issued and paid up capital	Percentage of ownership interest held	Principal activities and place of operation
Simple Click Investments Limited	Incorporated	BVI	US$1	49	Investment holding in Hong Kong
Culture Wave Investment Limited	Incorporated	BVI	US$1	49	Investment holding in Hong Kong
New Dimension Investments Limited	Incorporated	Hong Kong	HK$10,000	49	Investment holding in Hong Kong
New Dimension (Macau) Limited ^	Incorporated	Macau	MOP25,000	49	Inactive
New iMedia Information Consulting (Shenzhen) Limited (Formerly known as New World iMedia Solutions (Shenzhen) Ltd.) *	Incorporated	PRC#	HK$4,000,000	49	Provision of online market solutions in PRC
New eBusiness Limited (Formerly known as New World eBusiness Limited)	Incorporated	Hong Kong	HK$2	49	Investment holding in Hong Kong
New iMedia Solutions Limited (Formerly known as New World iMedia Solutions Limited)	Incorporated	Hong Kong	HK$1	49	Provision of online marketing solutions in Hong Kong
NWT Net Company Limited	Incorporated	Hong Kong	HK$2	49	Inactive
Shenzhen New iMedia Solutions Limited (Formerly known as Shenzhen New World Telecom Ltd.) *	Incorporated	PRC#	RMB1,000,000	49	Provision of telecommunication service in PRC

* The English names are translated for reference only. The official names of these entities are in Chinese.

^ New Dimension (Macau) Limited was dissolved on 29 August 2016.

Associated companies registered under PRC law.

All of the above associates are accounted for using the equity method in the consolidated financial statements.

13 INTEREST IN ASSOCIATES (CONTINUED)

(b) Aggregate information of associates that are not individually material:

	2016 $'000	2015 $'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**7,473**	–
Aggregate amounts of the Group's share of those associates'		
– Loss for the period	**(15)**	–
– Other comprehensive income	**–**	–
– Total comprehensive income	**(15)**	–

14 INTEREST IN JOINT VENTURES

(a) Details of the Group's interest in the joint ventures, which are accounted for using the equity method in the consolidated financial statements, are as follows:

Name of joint venture	Form of business structure	Place of incorporation/ establishment	Particulars of issued and paid up capital	Percentage of ownership interest held by a subsidiary	Principal activities and place of operation
BROADBANDgo Company Limited ("BROADBANDgo")	Limited liability company	Hong Kong	100 shares	60	Provision of broadband and Wi-Fi services in Hong Kong
TGgo Company Limited ("TGgo")	Limited liability company	Hong Kong	100 shares	40	Provision of cloud computing services in Hong Kong

BROADBANDgo and TGgo are unlisted corporate entities whose quoted market prices are not available. In the opinion of the directors, these are arrangements whereby the Group and other parties contractually agree to share control of the arrangements, and have rights to the net assets of the arrangements. Accordingly, these investments have been accounted for as joint ventures.

14 INTEREST IN JOINT VENTURES (CONTINUED)

(b) Aggregate information of joint ventures that are not individually material:

	2016 $'000	2015 $'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**9,708**	9,893
Aggregate amounts of the Group's share of those joint ventures'		
– Loss for the year/period	**(185)**	(107)
– Other comprehensive income	**–**	–
– Total comprehensive income	**(185)**	(107)

15 OTHER NON-CURRENT ASSETS

Other non-current assets mainly comprise prepayments and deposits for purchase of property, plant and equipment. The amounts are neither past due nor impaired.

16 INVENTORIES

Inventories in the consolidated statement of financial position comprise finished goods. The amount of inventories recognised as an expense and included in profit or loss represents carrying amount of inventories sold (see note 3(d)).

17 TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2016 $'000	2015 $'000
Trade receivables	**160,832**	88,124
Less: Allowance for doubtful debts (note 17(b))	**(12,768)**	(6,439)
	148,064	81,685
Other receivables, deposits and prepayments	**271,560**	201,910
	419,624	283,595

The amount of the Group's other receivables, deposits and prepayments expected to be recovered or recognised as expense after more than one year is $15,349,000 (2015: $8,963,000). All of the remaining other receivables, deposits and prepayments are expected to be recovered or recognised as expense within one year.

17 TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

(a) Ageing analysis

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

	2016 $'000	2015 $'000
Within 30 days	103,144	60,383
31 to 60 days	26,825	14,542
61 to 90 days	10,419	4,619
Over 90 days	7,676	2,141
	148,064	81,685

The majority of the Group's trade receivables 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. Further details on the Group's credit policy are set out in note 31(a).

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see note 1(j)(i)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2016 $'000	2015 $'000
At the beginning of the year	6,439	2,533
Impairment losses recognised (note 3(d))	16,862	18,838
Uncollectible amounts written off	(10,533)	(14,932)
At the end of the year	12,768	6,439

17 TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

(c) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	2016 $'000	2015 $'000
Neither past due nor impaired	103,144	60,383
Less than 30 days past due	26,825	14,542
31 to 60 days past due	10,419	4,619
Over 60 days past due	7,676	2,141
	44,920	21,302
	148,064	81,685

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience and historical payment pattern, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

18 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2016 $'000	2015 $'000
Cash at bank and in hand	354,955	328,950

18 CASH AND CASH EQUIVALENTS (CONTINUED)

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	2016 $'000	2015 $'000
Profit before taxation		**334,554**	189,850
Adjustments for:			
Amortisation of intangible assets	10	**122,564**	110,167
Depreciation	3(d)	**383,863**	365,513
Amortisation of obligations under granting of rights	3(a)	**(9,024)**	(9,024)
Interest income	3(a)	**(922)**	(2,794)
Finance costs	3(c)	**141,891**	260,023
Loss/(gain) on disposal of property, plant and equipment, net	3(d)	**520**	(323)
Loss on disposal of interest in subsidiaries	30	**1,604**	–
Change in fair value of contingent consideration	3(a)	**–**	(2,923)
Foreign exchange gain		**(2,044)**	(5,475)
Share of losses of joint ventures	14(b)	**185**	107
Share of losses of associates	13(b)	**15**	–
Equity-settled share-based payment expenses	3(b)	**11,605**	1,531
Changes in working capital:			
Decrease/(increase) in other non-current assets		**2,150**	(40)
(Increase)/decrease in inventories		**(36,168)**	7,307
Increase in trade receivables		**(24,881)**	(1,690)
(Increase)/decrease in other receivables, deposits and prepayments		**(83,784)**	32,174
Increase in amount due from a joint venture		**(432)**	(329)
Increase in amount due to an associate		**1,085**	–
Increase/(decrease) in trade payables		**52,785**	(5,050)
Increase/(decrease) in other payables and accrued charges		**75,406**	(125,899)
(Decrease)/increase in deposits received		**(3,282)**	1,364
Increase/(decrease) in deferred services revenue		**16,972**	(23,319)
Cash generated from operations		**984,662**	791,170

19 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

	2016 $'000	2015 $'000
Trade payables	**107,550**	6,561
Other payables and accrued charges		
– Current portion	**448,757**	217,394
– Long-term portion	**99,008**	13,413
	655,315	237,368

All trade payables, other payables and accrued charges are expected to be settled within one year, except other payables and accrued charges of $99,008,000 (2015: $13,413,000) are expected to be settled after more than one year and are classified as non-current liabilities.

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

	2016 $'000	2015 $'000
Within 30 days	**30,306**	2,537
31 to 60 days	**14,019**	12
61 to 90 days	**17,472**	11
Over 90 days	**45,753**	4,001
	107,550	6,561

At 31 August 2016, the Group had an interest-rate swap with notional amount of $2,635,000,000 (2015: $2,635,000,000) and with a maturity date on 23 August 2018, to hedge the floating interest rate risk arisen from the bank loans (see note 20). Under this arrangement, the Group pays a fixed rate interest on the notional amount on a quarterly basis and receives a floating rate interest at 3-month HIBOR.

This contract 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.

20 BANK LOANS

At 31 August 2016, the Group has term and revolving credit facilities agreement of $4,000,000,000 (2015: $3,300,000,000) in aggregate with various international banks.

At 31 August 2016, the Group has bank loans with principal amount of $3,800,000,000 (2015: $3,100,000,000) in total. The bank loans are interest-bearing at Hong Kong Inter-bank Offered Rate plus a margin of 1.85% (2015: 2.06%) per annum payable quarterly.

The bank loans are recognised initially at fair value less attributable transactions costs. Subsequent to initial recognition, the bank loans are 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 loans at the end of the previous reporting period.

The effective interest rate of the bank loans as of 31 August 2016 is 2.9%-3.1% (2015: 3.2%). At 31 August 2016, the amortised cost of the bank loans is $3,721,297,000 (2015: $3,018,889,000).

The bank loans are unsecured and covered by a cross guarantee arrangement issued by the Company, MLCL, HKBNGL and HKBN, and repayable in full upon final maturity on 20 January 2020 and 31 March 2021.

21 SENIOR NOTES

On 17 January 2013, the Group issued five-year US$450,000,000 (equivalent to $3,492,000,000) notes that were to mature on 17 January 2018 (the “Notes”). The Notes bore coupon at 5.25% per annum payable semi-annually.

During the year ended 31 August 2014, the Group repurchased a portion of the Notes with aggregate principal value of US$32,205,000 (equivalent to $249,911,000) in the open market.

The Group redeemed the remaining portion of the Notes on 22 January 2015. Upon the redemption, the loss on extinguishment of US$12,406,000 (equivalent to $96,234,000), including a premium paid of US$6,867,000 (equivalent to $53,268,000) and the write off of unamortised senior notes originating fee of US$5,539,000 (equivalent to $42,966,000), was recorded within the finance costs in the consolidated income statement (note 3(c)) for the year ended 31 August 2015.

22 AMOUNTS DUE FROM/TO JOINT VENTURES, AN ASSOCIATE AND THE FORMER SUBSTANTIAL SHAREHOLDER

The amounts due from/to joint ventures, an associate and the former substantial shareholder are unsecured, interest free and recoverable/repayable on demand.

23 SHARE-BASED TRANSACTIONS

(a) Equity-settled share-based transactions

On 21 February 2015, the Company adopted the Co-Ownership Plan II (the "Plan") and granted RSUs to directors and Talents of the Group in Hong Kong. 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. The shares are held on trust by the appointed trustee until their release to the beneficiaries upon the vesting of the RSUs.

On 29 June 2015 and 18 August 2015, 2,723,000 RSUs and 133,000 RSUs were granted to directors and 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 dates to be $8.50.

On 20 November 2015, 158,000 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 of the grant date to be $10.28.

On 20 June 2016, 2,082,000 RSUs were granted to directors and Talents of the Group in Hong Kong by the Company under the Plan. The directors estimated the weighted average fair value of each RSU of the grant date to be $8.10.

Equity-settled share-based payment expenses of $11,605,000 (2015: $1,531,000) were recognised as Talent costs in the consolidated income statement (note 3(b)) for the year ended 31 August 2016 and the remaining expenses related to the RSUs are to be recognised in the years ending 31 August 2017, 2018 and 2019 based on the respective vesting periods.

23 SHARE-BASED TRANSACTIONS (CONTINUED)

(a) Equity-settled share-based transactions (continued)

(i) The major terms and conditions of the grants are as follows:

	Number of instruments '000	Vesting conditions
RSUs granted to directors:		
– on 29 June 2015	397	notes (i) and (v)
– on 20 June 2016	329	notes (iv) and (v)
RSUs granted to talents:		
– on 29 June 2015	2,326	notes (i) and (v)
– on 18 August 2015	133	notes (ii) and (v)
– on 20 November 2015	158	notes (iii) and (v)
– on 20 June 2016	1,753	notes (iv) and (v)
Total RSUs granted	5,096	

Notes:

(i) The RSUs granted have a vesting period of three years as follows:
- 25% of RSUs shall vest on 29 June 2016;
- 25% of RSUs shall vest on 29 June 2017; and
- 50% of RSUs shall vest on 29 June 2018.

(ii) The RSUs granted have a vesting period of three years as follows:
- 25% of RSUs shall vest on 18 August 2016;
- 25% of RSUs shall vest on 18 August 2017; and
- 50% of RSUs shall vest on 18 August 2018.

(iii) The RSUs granted have a vesting period of three years as follows:
- 25% of RSUs shall vest on 20 November 2016;
- 25% of RSUs shall vest on 20 November 2017; and
- 50% of RSUs shall vest on 20 November 2018.

(iv) The RSUs granted have a vesting period of three years as follows:
- 25% of RSUs shall vest on 20 June 2017;
- 25% of RSUs shall vest on 20 June 2018; and
- 50% of RSUs shall vest on 20 June 2019.

(v) Directors and Talents who leave the Group prior to full vesting would forfeit their right to any unvested RSUs.

23 SHARE-BASED TRANSACTIONS (CONTINUED)

(a) Equity-settled share-based transactions (continued)

(ii) The movement of the RSUs is as follows:

	Number of RSUs 2016 '000	2015 '000
Outstanding at the beginning of the year	**2,848**	–
Granted during the year	**2,240**	2,856
Vested during the year	**(685)**	–
Forfeited during the year	**(273)**	(8)
Outstanding at the end of the year	**4,130**	2,848

(iii) Fair value of RSUs and assumptions

The fair value of services received in return for RSUs granted is measured by reference to the fair value of RSUs granted. The estimate of the fair value of the RSUs granted is measured based on a binomial lattice model.

The expected dividends during the vesting period have been taken into account when measuring the fair value of the RSUs. The dividends paid from the Company's ordinary shares underlying the RSUs would be accrued and paid to the RSUs plan participants upon vested.

RSUs were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the RSUs granted.

(b) Cash-settled share-based transaction

On 18 August 2015, 141,000 RSUs were granted to Talents of the Group in the PRC which are to be settled in cash. The amount payable to the Talents in respect of those RSUs is accounted for under cash-settled share-based payment in accordance with the accounting policy set out in note 1(q)(iv)(b). The directors estimated the weighted average fair value of each RSU at 31 August 2016 to be $8.44 (2015: $8.00). Cash-settled share-based payment expenses of $588,000 (2015: $14,000) were recognised as Talent costs in the consolidated income statement (note 3(b)) for the year ended 31 August 2016 and the remaining expenses related to the RSUs are to be recognised in the years ending 31 August 2017 and 2018 based on the respective vesting periods. The liability is remeasured at the end of each reporting period and at settlement date. Any changes in the fair value of the liability are recognised as Talent costs in profit or loss.

24 CURRENT TAXATION IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Current taxation in the consolidated statement of financial position represents:

	2016 $'000	2015 $'000
Provision for Hong Kong Profits Tax for the year	**105,881**	100,858
Balance of Profits Tax provision relating to prior years	**17,421**	18,814
	123,302	119,672
Provision for tax outside Hong Kong	**1,771**	1,550
	125,073	121,222

25 DEFERRED TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Deferred tax liabilities and assets recognised:

The components of deferred tax (liabilities)/assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Depreciation allowances in excess of the related depreciation $'000	Tax losses carried forward $'000	Amortisation of intangible assets $'000	Amortisation of obligations under granting of rights $'000	Others $'000	Total $'000
Deferred tax arising from:						
At 1 September 2014	(232,114)	387	(237,710)	11,540	–	(457,897)
Credited/(charged) to profit or loss	2,680	(387)	18,177	(1,489)	–	18,981
At 31 August 2015	(229,434)	–	(219,533)	10,051	–	(438,916)
At 1 September 2015	(229,434)	–	(219,533)	10,051	–	(438,916)
Acquisition of subsidiaries (note 29)	(5,248)	–	(27,217)	–	–	(32,465)
Credited/(charged) to profit or loss	1,357	–	19,008	(1,489)	1,168	20,044
Disposal of subsidiaries (note 30)	–	–	357	–	–	357
At 31 August 2016	(233,325)	–	(227,385)	8,562	1,168	(450,980)

(b) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(r), the Group had not recognised deferred tax assets in respect of cumulative tax losses of $2,940,339,000 (2015: $Nil) as it was not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses did not expire under current tax legislation.

25 DEFERRED TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(c) Deferred tax liabilities not recognised

At 31 August 2016, temporary differences relating to the undistributed profits of the Group's PRC subsidiaries amounted to RMB82,988,000 (equivalent to $96,349,000) (2015: RMB73,270,000 (equivalent to $88,861,000)). Deferred tax liabilities amounted to 10% (or 5% if tax treaty is available) of the undistributed profits have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of the subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

26 OBLIGATIONS UNDER GRANTING OF RIGHTS

	2016 $'000	2015 $'000
At the beginning of the year	**60,915**	69,939
Amortisation for the year (note 3(a))	**(9,024)**	(9,024)
At the end of the year	**51,891**	60,915
Less: Current portion	**(9,024)**	(9,024)
Non-current portion	**42,867**	51,891

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

27 CONTINGENT CONSIDERATION

The contingent consideration in respect of the acquisition of Concord Ideas Ltd. and Simple Click Investments Limited was measured at fair value at acquisition date and was accounted for as part of the consideration transferred in the business combination as set out in note 29. The fair value of the contingent consideration was determined by the discounted cash flow valuation method. The expected payment was determined by considering the forecast amount of cash rebates to New World Telephone Holdings Limited for services provided by the Group to New World Development Company Limited 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 contingent consideration payable is classified as a financial liability and its fair value is re-measured at the end of each reporting period. Any changes in fair value are recognised in profit or loss. The contingent consideration payable within one year and over one year from 31 August 2016 amounted to $18,091,000 and $27,885,000, respectively. No change in fair value was recognised in profit or loss during the year ended 31 August 2016.

The fair value as at 31 August 2016 is determined considering the expected payment, discounted to present value using a discount rate of 2.8%.

28 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Note	Share capital $'000	Share premium $'000	Capital reserve $'000	Retained profits $'000	Total $'000
Balance at 26 November 2014 (date of incorporation)						
Changes in equity for the period ended 31 August 2015:						
Issue of shares	28(c)(ii)	100	1,160,685	–	–	1,160,785
Capitalisation issue	28(c)(iii)	1	(1)	–	–	–
Profit and total comprehensive income for the period		–	–	–	172,186	172,186
Dividend declared prior to the Reorganisation	28(b)(iii)	–	(230,158)	–	–	(230,158)
Equity-settled share-based transactions	23(a)	–	–	1,531	–	1,531
Balance at 31 August 2015 and 1 September 2015		101	930,526	1,531	172,186	1,104,344
Changes in equity for the year ended 31 August 2016:						
Profit and total comprehensive income for the year		–	–	–	400,335	400,335
Dividend approved in respect of the previous year	28(b)(ii)	–	(201,133)	–	–	(201,133)
Dividend declared in respect of the current year	28(b)(i)	–	(201,133)	–	–	(201,133)
Equity-settled share-based transactions	23(a)	–	–	11,605	–	11,605
Balance at 31 August 2016		101	528,260	13,136	572,521	1,114,018

28 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

(i) Dividend payable to equity shareholders of the Company attributable to the year

	2016 $'000	2015 $'000
Interim dividend declared and paid of 20 cents per ordinary share (2015: Nil per ordinary share)	**201,133**	–
Final dividend proposed after the end of the reporting period of 20 cents per ordinary share (2015: 20 cents per ordinary share)	**201,133**	201,133
	402,266	201,133

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

(ii) Dividend payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2016 $'000	2015 $'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 20 cents per ordinary share (2015: Nil 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 paid on 9 March 2015.

28 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital

	No. of shares	$'000
Authorised:		
At 26 November 2014 (date of incorporation), 31 August 2015, 1 September 2015 and 31 August 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 31 August 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 RSUs granted pursuant to the Plan.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

28 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by Section 34(2) of the Companies Law (2013 Revision) of the Cayman Islands. Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of the business.

(ii) Capital reserve

The capital reserve represents the portion of the grant date fair value of RSUs granted to the directors and talents of the Group in Hong Kong that has been recognised in accordance with the accounting policy adopted for share-based payments in note 1(q)(iv)(a).

(iii) Other reserve

Upon 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.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policy set out in note 1(v).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

28 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) Capital management (continued)

The adjusted net debt-to-capital ratio at 31 August 2016 and 2015 was as follows:

	Note	2016 $'000	2015 $'000
Bank loans (principal amount)	20	**3,800,000**	3,100,000
Less: Cash and cash equivalents	18(a)	**(354,955)**	(328,950)
Add: Proposed dividends	28(b)(i)	**201,133**	201,133
Adjusted net debt		**3,646,178**	2,972,183
Total equity		**1,363,358**	1,514,187
Less: Proposed dividends	28(b)(i)	**(201,133)**	(201,133)
		1,162,225	1,313,054
Net debt-to-capital ratio		**314%**	226%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

29 BUSINESS COMBINATION

On 18 February 2016, HKBNGL (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 conditional sale and purchase agreement, pursuant to which, among other things, the Group could purchase the entire issued share capital of Concord Ideas Ltd. ("Concord") and Simple Click Investments Limited ("Simple Click") and their respective wholly-owned subsidiaries. Concord and its subsidiaries primarily engage in the provision of telecommunication services in Hong Kong, while Simple Click and its subsidiaries primarily engage in the provision of online marketing solutions in Hong Kong.

The condition precedent set out in the conditional sale and purchase agreement described above had been fulfilled and the acquisition was completed on 31 March 2016 (the "Acquisition").

The total consideration for acquiring entire equity interests in Concord and Simple Click amounting to $723,671,000, comprised of cash and contingent consideration relating to cash rebates to NWTHL for services provided by the Group 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.

29 BUSINESS COMBINATION (CONTINUED)

The Acquisition had the following effect on the Group's assets and liabilities on 31 March 2016, the completion date of the Acquisition:

	$'000
Intangible assets (note 10)	164,954
Property, plant and equipment (note 11)	425,231
Other non-current assets	1,090
Trade receivables	66,816
Other receivables, deposits and prepayments	35,382
Cash and cash equivalents	28,537
Trade payables	(48,449)
Other payables, accrued charges, deposits received and deferred services revenue	(114,705)
Deferred tax liabilities (note 25)	(32,465)
Fair value of net assets acquired	526,391
Goodwill (note 9)	197,280
Total consideration	723,671
Cash consideration	675,671
Contingent consideration (note 27)	48,000
Total consideration	723,671
Cash consideration paid	675,671
Cash and cash equivalents acquired	(28,537)
Net cash outflow in respect of the Acquisition during the year ended 31 August 2016	647,134

The revenue and loss after taxation of $252,330,000 and $18,496,000 respectively included in the consolidated income statement were contributed by Concord and Simple Click from the date of acquisition to 31 August 2016.

No separate sets of financial information for Concord and Simple Click were prepared for the period from 1 September 2015 to the date of the Acquisition. As a result, it is impracticable for the Group to disclose the amounts of revenue and profit or loss after taxation of Concord and Simple Click as if the acquisition date for the business combination that occurred during the year had been as of 1 September 2015.

30 DISPOSAL OF INTEREST IN SUBSIDIARIES

On 6 July 2016, the Group disposed of 51% equity interest in Simple Click Investments Limited together with its subsidiaries (collectively "Simple Click Group") to a group of employees of Simple Click Group, at a total consideration of $7,793,000 realising a net loss on disposal of $1,604,000. Simple Click Group primarily engages in the provision of online marketing solutions in Hong Kong.

The disposal of 51% equity interest in Simple Click Group had the following effect on the Group's assets and liabilities:

	$'000
Goodwill (note 9)	19,421
Intangible assets (note 10)	2,160
Property, plant and equipment (note 11)	526
Trade receivables	25,318
Other receivables, deposits and prepayments	5,614
Cash and cash equivalents	5,170
Trade payables	(245)
Other payables, accrued charges, deposits received and deferred services revenue	(40,722)
Deferred tax liabilities (note 25)	(357)
Net assets	16,885
Total consideration	7,793
Less: consideration receivables	(3,672)
Consideration received, satisfied in cash	4,121
Cash and cash equivalents disposed of	(5,170)
Net cash outflow in respect of the disposal of interest in subsidiaries	(1,049)

Upon the completion of the disposal of 51% equity interest in Simple Click Group, the Group's 49% interest retained in Simple Click Group is recognised at fair value and the amount is regarded as the cost on initial recognition of investment in associates (see note 13).

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay. These receivables are due within 30 days from the date of billing. Subscribers with receivables that are more than 3 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large and unrelated. As such, management does not expect any significant losses of trade receivables that have not been provided for by way of allowances as disclosed in note 17.

Except for the financial guarantee given by the Group as disclosed in note 33, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 33.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 17.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk

The Group has a cash management policy, which includes the short term investment of cash surpluses and the raising of loans and other borrowings to cover expected cash demands. The Group's policy is to regularly monitor its current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table shows the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group is required to pay.

	2016 Contractual undiscounted cash outflow			
	Within 1 year or on demand $'000	More than 1 year but less than 5 years $'000	Total $'000	Carrying amount at 31 August $'000
Trade payables	107,550	–	107,550	107,550
Other payables and accrued charges	448,849	99,214	548,063	547,765
Deposits received	54,454	–	54,454	54,454
Amount due to an associate	2,165	–	2,165	2,165
Amounts due to joint ventures	10,000	–	10,000	10,000
Contingent consideration	18,091	29,885	47,976	45,976
Bank loans	91,807	4,039,603	4,131,410	3,721,297
	732,916	4,168,702	4,901,618	4,489,207

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (continued)

	2015 Contractual undiscounted cash outflow			
	Within 1 year or on demand $'000	More than 1 year but less than 5 years $'000	Total $'000	Carrying amount at 31 August $'000
Trade payables	6,561	–	6,561	6,561
Other payables and accrued charges	237,945	(6,913)	231,032	230,807
Deposits received	33,385	–	33,385	33,385
Amount due to the former substantial shareholder	33,372	–	33,372	33,372
Amounts due to joint ventures	10,000	–	10,000	10,000
Contingent consideration	2,457	–	2,457	2,457
Bank loans	76,722	3,360,352	3,437,074	3,018,889
	400,442	3,353,439	3,753,881	3,335,471

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank loans and interest-rate swap. Financial instruments with variable interest rates expose the Group to cash flow interest rate risk. The Group's interest-bearing financial instruments are set out in (ii) below. The interest rates and terms of repayment of interest-bearing borrowings of the Group are disclosed in note 20 to the financial statements.

(i) Hedging

An interest-rate swap, denominated in Hong Kong dollars ("HKD"), has been entered into achieve an appropriate mix of fixed and floating rate exposure consistent with the Group's policy. At 31 August 2016, the Group had an interest-rate swap with a notional contract amount of $2,635,000,000 (2015: $2,635,000,000) which was not designated as cash flow hedging instrument. The net fair value of swap entered into by the Group at 31 August 2016 was $29,333,000 (2015: $13,413,000). The amount is recognised as derivative financial instrument and included in other payables and accrued charges (note 19).

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk (continued)

(ii) Interest-bearing financial instruments

The following table details the interest-bearing financial instruments of the Group at the end of the reporting period.

	2016 $'000	2015 $'000
Variable rate instruments		
Bank loans	**3,721,297**	3,018,889
Derivative financial instrument		
– interest-rate swap	**29,333**	13,413
	3,750,630	3,032,302

(iii) Sensitivity analysis

At 31 August 2016, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit after tax, increased/decreased retained profits and decreased/increased accumulated losses by approximately $7,088,000 (2015: $15,312,000). Other components of consolidated equity would not be affected by the changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained profits/accumulated losses that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax and retained profits/accumulated losses is estimated as an annualised impact on interest expenses of such a change in interest rate.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk

All the Group's monetary assets and liabilities are primarily denominated in either HKD or USD. Given the exchange rate of the HKD to the USD has remained close to the current pegged rate of HKD7.80 = USD1.00 since 1983, management does not expect significant foreign exchange gains or losses between the two currencies.

The Group is also exposed to a certain amount of foreign exchange risk based on fluctuations between the HKD and the Renminbi ("RMB") arising from its operations in the PRC. In order to limit this foreign currency risk exposure, the Group ensures that the net exposure is kept to an acceptable level of buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in HKD, translated using the spot rate at the year end date.

	2016		2015	
	USD $'000	RMB $'000	USD $'000	RMB $'000
Cash and cash equivalents	30,181	105	13,582	44,086
Trade receivables	21,408	–	–	–
Trade payables	(21,207)	(1,085)	(2,054)	–
Other payables and accrued charges	(21,277)	(112,380)	(5,294)	(97,770)
Net exposure arising from recognised assets and liabilities	9,105	(113,360)	6,234	(53,684)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk (continued)

(ii) Sensitivity analysis

The Group's foreign currency risk is mainly concentrated on the fluctuation of the RMB against the HKD. It is assumed that the pegged rate between the HKD and the USD would be materially unaffected by any changes in movement in value of the USD against other currencies. The following table details the Group's sensitivity to a 5% increase or decrease in the HKD against the RMB. The sensitivity analysis includes only outstanding foreign currency denominated monetary items including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower, and adjusts their translation at the year end for a 5% change in foreign currency rates. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency.

	2016			2015		
	Increase/ (decrease) in foreign exchange rates $'000	Impact on profit after tax $'000	Impact on retained profits $'000	Increase/ (decrease) in foreign exchange rates $'000	Impact on profit after tax $'000	Impact on accumulated losses $'000
RMB	5%	(4,732)	(4,732)	5%	(1,878)	1,878
	(5)%	4,732	4,732	(5)%	1,878	(1,878)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into HKD at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency. The analysis is performed on the same basis for 2015.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement

(i) Financial liabilities measured at fair value

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 values measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
– Level 2 valuations: Fair values measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
– Level 3 valuations: Fair values measured using significant unobservable inputs

	Fair value at 31 August 2016 $'000	Fair value measurements as at 31 August 2016 categorised into Level 1 $'000	Level 2 $'000	Level 3 $'000
Recurring fair value measurement				
Financial liabilities:				
Derivative financial instrument:				
– Interest-rate swap	29,333	–	29,333	–
Contingent consideration	45,976	–	–	45,976

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (continued)

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

Fair value hierarchy (continued)

	Fair value at 31 August 2015 $'000	Fair value measurements 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 year ended 31 August 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.

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 current interest rates and the current creditworthiness of the swap counterparty.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (continued)

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

Information about Level 3 fair value measurement

The fair value of the contingent consideration relating to the Acquisition is determined considering the expected payment, discounted to present value using a risk-adjusted discount rate of 2.8%.

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

	2016 $'000	2015 $'000
Contingent consideration		
At the beginning of the year	2,457	9,575
Acquisition of subsidiaries (note 29)	48,000	–
Settlement of contingent consideration for the year	(4,481)	(4,195)
Change in fair value during the year	–	(2,923)
At the end of the year	45,976	2,457
Contingent consideration – current portion	18,091	2,457
Contingent consideration – long-term portion	27,885	–
Total contingent consideration	45,976	2,457

(ii) 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 31 August 2016 and 2015.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(f) Offsetting financial assets and financial liabilities

The Group enters into netting arrangements with its carriers. The outstanding transactions with these counterparties are settled on a net basis and result in offsetting the assets and liabilities in the consolidated statement of financial position.

	2016		
	Gross amounts of recognised financial assets/ (liabilities) $'000	Gross amounts of recognised financial assets/ (liabilities) offset in the consolidated statement of financial position $'000	Net amounts of financial assets/(liabilities) presented in the consolidated statement of financial position $'000
Trade receivables	355,025	(206,961)	148,064
Trade payables	(314,511)	206,961	(107,550)

The Group has no netting arrangements with its carriers as at 31 August 2015.

32 COMMITMENTS

(a) Capital commitments

At 31 August 2016, the Group had the following capital commitments:

	2016 $'000	2015 $'000
Purchase of telecommunications, computer and office equipment		
Contracted but not provided for	190,925	94,112

(b) Commitment under operating leases

(i) At 31 August 2016, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2016 $'000	2015 $'000
Leases in respect of telecommunications facilities which are receivable:		
Within 1 year	60,411	25,323
After 1 year but within 5 years	67,793	37,647
After 5 years	48,649	11,919
	176,853	74,889

32 COMMITMENTS (CONTINUED)

(b) Commitment under operating leases (continued)

(ii) At 31 August 2016, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2016 $'000	2015 $'000
Leases in respect of land and buildings which are payable:		
Within 1 year	49,519	29,380
After 1 year but within 5 years	38,206	14,250
	87,725	43,630
Leases in respect of telecommunications facilities and computer equipment which are payable:		
Within 1 year	101,996	76,327
After 1 year but within 5 years	42,351	38,706
After 5 years	–	20
	144,347	115,053

The Group leases a number of land and buildings and telecommunications facilities and computer equipment under operating lease. The leases typically run for an initial period of six months to fifteen years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually increased annually to reflect market rentals. None of these leases include contingent rentals.

33 CONTINGENT LIABILITIES

	2016 $'000	2015 $'000
Bank guarantee in lieu of payment of utility deposits	3,622	3,622

At 31 August 2016, 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 year (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.

34 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions:

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors of the Company as disclosed in note 5 and certain of the highest paid employees as disclosed in note 6, as follows:

	2016 $'000	2015 $'000
Short-term employee benefits	**28,683**	31,095
Post-employment benefits	**2,513**	2,330
Equity compensation benefits	**2,431**	491
	33,627	33,916

Total remuneration is included in "Talent costs" (see note 3(b)).

(b) In connection with the acquisition of the telecommunication business by MLCL from HKTV, completed on 30 May 2012, the Group granted indefeasible rights of use in favour of HKTV allowing it to use certain capacity of the Group's network for a term of 20 years from 30 May 2012, on a free of charge basis. In addition, the Group agreed to provide certain telecommunication services to HKTV, at no additional cost, for a period of 10 years from 30 May 2012. The incremental costs associated with fulfilling the obligations under the granting of indefeasible rights of use to HKTV are expected to be insignificant to the Group. Accordingly, no provision was made by the Group in this connection.

(Expressed in Hong Kong dollars unless otherwise indicated)

35 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2016 $'000	2015 $'000
Non-current asset			
Investments in subsidiaries		1,161,387	1,160,799
Other non-current asset		810	–
		1,162,197	1,160,799
Current assets			
Other receivables, deposits and prepayments		550	1,596
Amounts due from subsidiaries		7,592	1,531
Cash and cash equivalents		211	637
		8,353	3,764
Current liabilities			
Other payables and accrued charges		1,294	964
Amount due to the former substantial shareholder		–	33,372
Amounts due to subsidiaries		55,238	25,883
		56,532	60,219
Net current liabilities		(48,179)	(56,455)
NET ASSETS		1,114,018	1,104,344
CAPITAL AND RESERVES	28(a)		
Share capital		101	101
Reserves		1,113,917	1,104,243
TOTAL EQUITY		1,114,018	1,104,344

Approved and authorised for issue by the board of directors on 9 November 2016.

	)	
William Chu Kwong YEUNG	)	
	)	Directors
Ni Quiaque LAI	)	
	)	

36 ACCOUNTING JUDGEMENT AND ESTIMATES

Sources of estimation uncertainty

Note 31 contains information about the assumptions and their risk factors relating to financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Impairment loss for doubtful debts

The Group maintains impairment loss for doubtful debts based upon evaluation of the recoverability of the trade and other receivables which takes into account the historical write-off experience and recovery rates. If the financial condition of the customers were to deteriorate, additional impairment may be required.

(b) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives. The Group reviews the estimated useful lives of the assets annually in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(c) Useful lives of property, plant and equipment and intangible assets (other than goodwill)

The Group has significant property, plant and equipment and intangible assets (other than goodwill). The Group is required to estimate the useful lives of property, plant and equipment and intangible assets (other than goodwill) in order to ascertain the amount of depreciation and amortisation charges for each reporting period.

The useful lives are estimated at the time of purchase of these assets after considering future technology changes, business developments and the Group's strategies. The Group performs annual reviews to assess the appropriateness of the estimated useful lives. Such review takes into account any unexpected adverse changes in circumstances or events, including declines in projected operating results, negative industry or economic trends and rapid advancement in technology. The Group extends or shortens the useful lives and/or makes impairment provisions according to the results of the review.

36 ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

Sources of estimation uncertainty (continued)

(d) Fair value of assets acquired and liabilities assumed upon acquisition

In connection with acquisition of subsidiaries, the assets acquired and liabilities assumed were adjusted to their estimated fair values on the date of acquisition. The determination of the values of assets acquired and liabilities assumed involves management's judgements and assumptions. The values of assets acquired and liabilities assumed were based on valuation report from independent professional qualified valuer. Such valuations were based on certain assumptions, which were subject to uncertainty and might materially differ from the actual results. Any change in such judgements and assumptions would affect the fair value of assets acquired and liabilities assumed.

(e) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy set out in note 1(j)(ii).

The recoverable amount of an asset or a cash-generating unit has been determined based on its value-in-use. These calculations require the use of estimates. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the expected operating margin, growth rates and selection of discount rates, to reflect the risks-involved and the earnings multiple that can be realised for the estimated terminal value.

Management prepared the financial budgets reflecting actual performance and market development expectations. Judgement is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the result of the impairment reviews.

(f) Income tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions and interpretation of tax rules. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation and practices.

(Expressed in Hong Kong dollars unless otherwise indicated)

37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 AUGUST 2016

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 August 2016 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Annual Improvements to HKFRSs 2012-2014 Cycle	1 January 2016
Amendments to HKFRS 10 and HKAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	1 January 2016
Amendments to HKFRS 11, *Accounting for acquisitions of interests in joint operations*	1 January 2016
Amendments to HKAS 1, *Disclosure initiative*	1 January 2016
Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 16, *Leases*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

FIVE YEAR SUMMARY

(Expressed in Hong Kong dollars)

A summary of the results of the Group for the period from 15 March 2012 (date of incorporation) to 31 August 2012 and years ended 31 August 2013 and 2014 and of the assets, equity and liabilities of the Group as at 31 August 2012, 2013 and 2014 has been extracted from the prospectus of the Company dated 27 February 2015 with the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited on 12 March 2015, shown as follows:

	Years ended 31 August				Period from 15 March 2012 (date of inception) to 31 August
	2016	2015	2014	2013	2012
	$'000	$'000	$'000	$'000	$'000
Results					
Revenue	**2,784,007**	2,341,113	2,131,581	1,949,434	553,874
Profit from operations	**476,645**	449,980	296,608	191,441	22,232
Finance costs	**(141,891)**	(260,023)	(191,570)	(301,401)	(47,207)
Share of profits of associates	**(15)**	–	–	–	–
Share of losses of joint ventures	**(185)**	(107)	–	–	–
Profit/(loss) before taxation	**334,554**	189,850	105,038	(109,960)	(24,975)
Income tax	**(89,875)**	(85,582)	(51,488)	(29,038)	(6,252)
Profit/(loss) for the year/period	**244,679**	104,268	53,550	(138,998)	(31,227)

FIVE YEAR SUMMARY

(Expressed in Hong Kong dollars)

	As at 31 August				
	2016 $'000	2015 $'000	2014 $'000	2013 $'000	2012 $'000
Assets and liabilities					
Goodwill	**1,771,969**	1,594,110	1,594,110	1,594,110	1,553,696
Intangible assets	**1,550,209**	1,330,501	1,440,668	1,665,960	1,912,309
Property, plant and equipment	**2,419,890**	1,969,803	1,957,006	1,943,420	1,906,063
Interest in associates	**7,473**	–	–	–	–
Interest in joint ventures	**9,708**	9,893	–	–	–
Other non-current assets	**19,618**	19,503	9,252	9,191	28,226
Deferred tax assets	**–**	–	–	279	–
Net current assets/(liabilities)	**95**	138,664	166,041	184,937	(33,910)
Total assets less current liabilities	**5,778,962**	5,062,474	5,167,077	5,397,897	5,366,384
Other payables and accrued charges – long-term portion	**(99,008)**	(13,413)	–	–	(6,866)
Deferred services revenue – long-term portion	**(55,923)**	(13,844)	(7,932)	(2,344)	(105)
Obligations under granting of rights – long-term portion	**(42,867)**	(51,891)	(60,915)	(69,939)	(78,963)
Obligation under finance leases – long-term portion	**–**	–	–	–	(24)
Deferred tax liabilities	**(450,980)**	(438,916)	(457,897)	(495,066)	(523,275)
Contingent consideration – long-term portion	**(27,885)**	–	(3,430)	(10,239)	–
Provision for reinstatement costs	**(17,644)**	(11,334)	–	–	–
Senior notes	**–**	–	(2,994,058)	(3,230,631)	–
Bank loans	**(3,721,297)**	(3,018,889)	–	–	(2,254,867)
NET ASSETS	**1,363,358**	1,514,187	1,642,845	1,589,678	2,502,284
Capital and reserves					
Share capital	**101**	101	8	8	8
Reserves	**1,363,257**	1,514,086	1,642,837	1,589,670	2,502,276
TOTAL EQUITY	**1,363,358**	1,514,187	1,642,845	1,589,678	2,502,284

HKBN Ltd.

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