香港寬頻
HONG KONG BROADBAND NETWORK

Annual Report 2017

Topping the List Among Broadband and Pay TV Platforms

Serving Up Awards with Our Ocean Park Partnership

Speedtest Names HKBN the Fastest Broadband Provider in Hong Kong

HKBN Mobile Services Blows Past 200,000 Subscriptions in Just 10 Months

HKBN Enterprise Solutions Extends Fibre Coverage to 19 Wharf Commercial Buildings

HKBN and TVB Strengthen Strategic Partnership for HK and Overseas OTT Markets

HKBNES Ups the Ante to Grow Enterprise Market Share

Harvesting Smiles

HKBN and VTech Win Gold Prize at EIA 2016

Making the Right Call with Award Winning Customer Service

HKBN in South Korea: From Elite Sports Team to Elite Brigade Force

Forget Outsourcing, Talent Engagement Done Right in Guangzhou

Freedom to Choose: Say Goodbye to Lengthy Contracts

Honoring Our New Grandparents with 3 Days Off

Going Fast & Generous in Taiwan for Charity

Xie Xie, But No Thanks… Why We're Turning Down Mooncakes

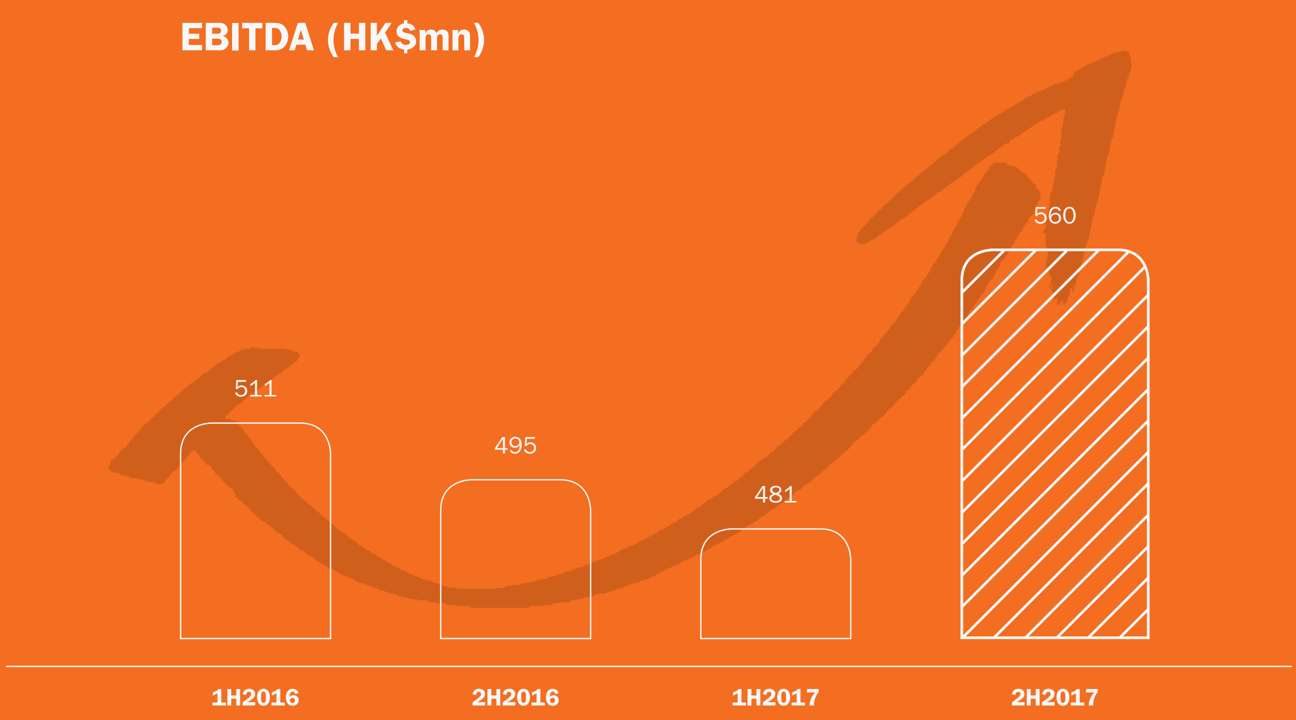
HKBN Ltd.
香港寬頻有限公司
(incorporated in the Cayman Islands with limited liability)
Stock Code:1310

Transforming our Business with a Smile

Ever since the start of FY16, HKBN has embarked on a financial J-Curve transformation to ensure long term profitability and growth via quad-play services for the residential market, and through doubling our enterprise presence with the acquisition of New World Telecom (NWT).

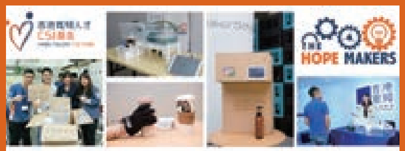
While this transition incurred start-up losses, our quad-play stickiness empowered us to drive a substantial ARPU* increase at the start of FY17, which is already contributing an EBITDA^ turnaround in 2H2017, with the full year impact to be felt in FY18.

Resembling the trajectory of a smile, our 2H2017 EBITDA chart pictured below illustrates the harvest that is stemming from our transformation to quad-play for the residential market, and points to the integration benefits when our NWT acquisition starts to fully sprout.



*ARPU: Average Revenue Per User

^EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortisation



Igniting a Better Future with Next Gen Student Inventors

This July, our inaugural 'The Hope Makers' venture to nurture the spirit of innovation in local tertiary students came to a conclusion. From start to finish, this 6-month collaboration between HKBN, our independent HKBN Talent CSI Fund and MakerBay (a multidisciplinary platform providing creative workspace, tools and expertise for local communities) saw us work with 25 students, pairing them in 6

Freedom to Choose: Say Goodbye to Lengthy Contracts

HKBN Rolls Out All-new 'BYE Anytime' 4G Mobile Bundles at $90/month

Following the launch of our market-changing 4G plans in February, today we announced our all-new 'BYE Anytime' 4G Mobile Services Bundle. Bringing together 4G mobile services, on-the-go entertainment and home telephone service at one highly competitive price, the free-to-go nature of this bundle allows customers to terminate service with just 1 day of notice, saying goodbye to the industry's normal practice of typically 2-3 year contracts.

This 'BYE Anytime' 4G Mobile Services Bundle is priced only at $90/month. When customers port their mobile numbers to HKBN, they will enjoy up to 5GB of 4G data plus 3 months of entertainment service on the myTV SUPER app. In addition, customers will get to enjoy

HKBN and VTech Win Gold Prize at EIA 2016

Pioneering 3-in-1 Gateway for Internet Connectivity and Smart Home Solutions

We are excited to announce that our "3-in-1 Connected Home Solution", co-developed

Forget Outsourcing, Talent Engagement Done Right in Guangzhou

In the world of business and customer service, trust is a valuable commodity. With our operations in Guangzhou – where much of our award-winning telesales and customer service work is based – our resolve not to rely on third parties, but instead focus tirelessly on Talent engagement ensures we're delivering to the expectations of customers and the standards of HKBN.

HKBN Enterprise Solutions Extends Fibre Coverage to 19 Wharf Commercial Buildings

Business Tenants Switch to Enjoy up to 50% Off Monthly Bills

Following the success of our unprecedented campaign to allow customers switching from WTT HK (previously Wharf T&T) to enjoy

Halfway into the Journey – Next Station: University II

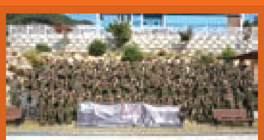
Although numerous companies provide growth and development opportunities, we take things many steps further to empower the potential of every HKBNer. Back in January 2016, we proudly kicked off Next Station: University (NSU) II, our lauded 3-year sponsorship education programme, in order to help 37 Talents pursue their dreams of an university degree.

Satisfying Stakeholders

Making the Right Call with Award Winning Customer Service

When you're in business to serve nearly one million subscribers – like we are – having exceptional service and support can go a long way to making customers feel happy and appreciated.

Staying true to our legacy, this year we swept up 14 awards from the Hong Kong Call Centre Association



HKBN in South Korea: From Elite Sports Team to Elite Brigade Force

As an elite corporate sports team, we know our ability to compete and succeed hinges on tremendous teamwork, great morale and individual sacrifice. Cognizant that competition is always fierce and complacency is never

HKBN and TVB Strengthen Strategic Partnership for Hong Kong and Overseas OTT Markets

HKBN raises targets to bring myTV SUPER into 850,000 homes by end of 2019

Ever since we collaborated with Television Broadcasts Limited ("TVB") this past April to offer OTT entertainment, myTV SUPER, response has been tremendous. To date, about 250,000 HKBN residential broadband customers have been captivated

HKBNES Ups the Ante to Grow Enterprise Market Share

Offers Up to 50% Savings for Existing Wharf T&T Customers

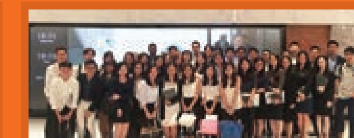
As a leading provider of high-speed and best-in-class communication solutions, we're taking aggressive steps to attract more new corporate customers to HKBN Enterprise

Empowering HKBNers to Stay Ahead of the Technology Trends

In the business of telecommunications, keeping up with leading edge technologies is essential. Although many companies would settle with only having their technical personnel conversant on the latest breakthroughs, at HKBN we do everything to ensure our Talents - from Sales, Service Support, IT to Network

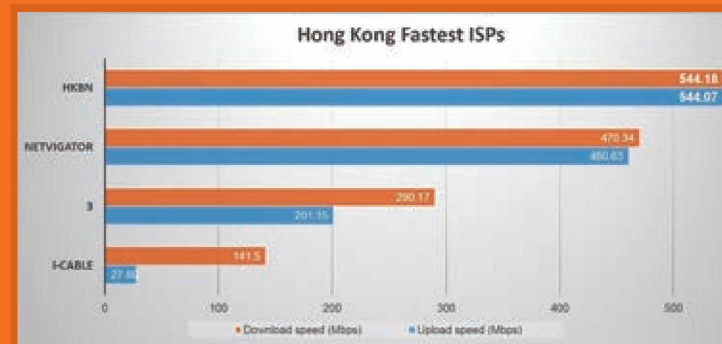
Honoring Our New Grandparents with 3 Days Off

Effective starting 1 April, today we unveiled our new 3-day "Grandparenthood Leave" for Talents blessed with the arrival of a new grandchild. This leave entitlement provides Talents with time off to welcome a new member into their family – and celebrate one of life's most joyous moments. Open to all Hong Kong based Talents, a family photo of the three generations (including the



A Summer Internship to Remember: From J.P. Morgan to Grassroots Sham Shui Po

At HKBN, we believe a truly extraordinary internship involves exposure to numerous perspective-changing experiences. And mindful that times are changing, we've challenged our 2017 interns not only to see the big picture business landscape, but also embrace their potential as societal difference-makers. So rather than just develop business leaders, we want to nurture



Speedtest Names HKBN the Fastest Broadband Provider in Hong Kong

With tremendous pride and satisfaction, we announced today that HKBN has been rated the fastest broadband provider in Hong Kong according to Speedtest by Ookla, a global leader in Internet performance testing and metrics.

According to Speedtest's Market Report on Hong Kong published this month, Hong Kong ranks third in the world for broadband Internet download speed between Q4 2016 - Q1 2017, achieving an average speed of 142.65 Mbps.

In comparing the performance of Hong Kong's four major broadband service providers,

HKBN Mobile Services Blows Past 200,000 Subscriptions in Just 10 Months

Over 50% of subscribers bundle 2 or more telecom services

With tremendous excitement, our mobile business blew past 200,000 registered subscriptions as of mid-July, i.e. just 10 months after launch. 90% of our subscribers are mobile users who have ported their mobile numbers from an existing service provider, and more specifically, 39% of whom made the switch from csl and 1010. More than half our mobile customers bundled additional core services through our offering mix of fibre broadband, home telephone and OTT entertainment content. Furthermore,

#StartfromLimit How One Paraplegic Climber's Emotional Lows and Elevating Highs Conquered 3,000 HKBNers and Guests

With everyday a constant juggling of life, family and career responsibilities, it's easy to lose perspective with what drives us to achieve better. Echoing our recent #StartfromLimit integrated marketing blitz, at HKBN we're eager to leverage stories of local overachievers to remind Hong Kongers that with the right attitude and determination, anything is possible!

But before our #StartfromLimit ambassadors got introduced to wider audiences in Hong Kong, we invited one of them, paraplegic rock climber Chi-wai Lai, to take centre stage and inspire us. Facing a packed house of about 3,000 HKBNers and guests at our recent all-Talent Meetings respectively in Hong Kong and Guangzhou, Chi-wai recounted how his extraordinary career as a former world no. 8 and Asian rock climbing champ was abruptly cut short following a freak motorcycle accident.

Far from a tragic talk about wasted world-class talent, Chi-wai revealed the many twists, turns and epiphanies that have empowered his recovery to cope with life as a paraplegic father, husband and inspirational athlete – he continues pushing every limit as a wheelchair-bound climber. Spurred by Chi-wai's heartrending 'can do' journey, many in attendance came away absolutely uplifted, renewed

Topping the List Among Broadband and Pay TV Platforms

Thanks for helping make us the no. 1 brand among broadband and pay TV providers in Hong Kong.

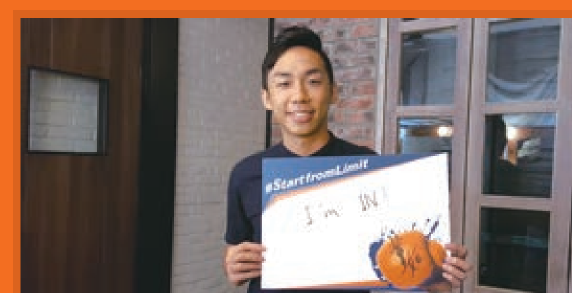
A 1st place ranking in YouGov's 2016 BrandIndex, a global consumer survey of top brands from around the world, reaffirms how positively our broadband services have been embraced, and just as importantly, the tremendous impact our OTT strategy has created in just 12 months.

Going Fast & Generous in Taiwan for Charity

Back in late 2015, as part of our annual management experiential trip, 35 HKBNers completed a 145km charity cycle across the hills of Kenting, Taiwan. And thanks to the tremendous support of our friends and partners, the

Serving Up Awards with Our Ocean Park Partnership

In a progressively interconnected world, our ability to forge meaningful strategic partnerships is becoming a critical facet of our LUCA (Legal Unfair Competitive Advantage). Since 2015, we've collaborated with Ocean Park to deliver the best wireless connectivity experience – and it has been



#StartfromLimit Campaign Kicks-off with Undefeated Boxing Champ Rex Tso

Go big. Go bold. Go beyond ordinary. Now that home-grown international boxing champ Rex Tso has signed as our brand ambassador, we're utterly thrilled to launch what's surely one of the most inspiring marquee marketing campaigns Hong Kong has yet

Xie Xie, But No Thanks… Why We're Turning Down Mooncakes

During the run-up to Mid-Autumn's Festival, it's common for companies to receive hundreds of boxes of mooncakes in elaborate non-recyclable packaging. Whilst these traditional Chinese

Contents

Welcome to HKBN's 2017 Annual Report

More than just meant to provide shareholders with a look at our fiscal year financial and business performance, this report delves deep to examine HKBN's multifaceted culture as well as our policies and efforts which define how we maintain a good practice in environmental, social and governance impact. We hope readers will discover how our purpose-driven approach – informed by our core mission to "Make our Hong Kong a Better Place to Live" – is guiding us to deliver compelling and sustainable results across our operations.

Unless otherwise stated, all monetary figures from this report are in Hong Kong dollars. This report is published in both English and Chinese. Where the English and the Chinese texts conflict, the English text prevails.

Corporate Information

Get to know our mission, business, people and achievements

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]

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 (resigned on 3 January 2017)
Ms. Maria Amy TAM (appointed on 3 January 2017)

Authorised Representatives

Mr. Ni Quiaque LAI
Mr. King Chiu LEUNG (resigned on 3 January 2017)
Ms. Maria Amy TAM (appointed on 3 January 2017)

Registered Office

P.O. Box 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

12th Floor, Trans Asia Centre
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

FY17 in Numbers

Acknowledgements of our performance and excellence

218,000
registered mobile subscriptions (residential market)

14,000
new residential broadband subscriptions

871,000
residential broadband subscriptions (100Mbps to 1000Mbps)

Network covers
2.2million
homes

37.1%
market share of residential broadband services as of 31 July 2017

3,915
corporate social investment hours volunteered

11.5%
reduction in Hong Kong office premises total carbon emissions*
*Data recorded from June 2016 to May 2017

CSI projects organised
18

FY17 in Numbers

my HKBN

Over
330
Co-Owners

Over
2,880
Talents

58,628
training hours provided

Network covers
2,300
commercial buildings

Enterprise revenue growth
49%

54,000
enterprise customers

Dear Fellow Shareholders,

Our HARVEST has already started in 2H2017, as indicated by a 16% growth in EBITDA half-on-half.

TIME TO HARVEST!

In both FY16 and FY17, we strategically planted our seeds to grow our residential subscriber base via quad-play services in order for HKBN investors and Co-Owners to enjoy higher returns in the years ahead.

As at end of FY17, we expanded our residential market share in quad-play, with 871k of fixed broadband subscriptions, 518k of fixed voice subscriptions, 800k Over-The-Top ("OTT") content subscriptions and 218k registered mobile subscriptions. Our HARVEST has already started in 2H2017, as indicated by a 16% growth in EBITDA half-on-half.

In the enterprise market, we began to harvest the synergies from acquiring New World Telecom after some initial integration setbacks. Our execution of 3P strategy (penetration in coverage, product enhancement and people engagement) combined to deliver a 12% increase in revenue half-on-half.

NiQ LAI
Chief Operating Officer
and Co-Owner
Joined in 2004

William YEUNG
Chief Executive Officer
and Co-Owner
Joined in 2005

Furthermore, we started to see that the general makeup of our customer base evolve from small companies towards medium/large companies, contributing more big-ticket revenue to our business.

Disruption requires us to first implode the industry of its legacy inefficiencies such as separately billed services for household quad-play requirements, in order for us to gain significant market share in the aftermath. We expect our growth to come from increased market share in a declining total revenue market.

Additionally, subject to approval from shareholders, we're keen on building stronger shareholder alignment with our plan to introduce Co-Ownership Plan III later this year. Please refer to "Management Discussion & Analysis" section for further elaboration on this important development.

Sincerely yours,

William YEUNG
Chief Executive Officer
and Co-Owner

NiQ LAI
Chief Operating Officer
and Co-Owner

Board of Directors and Senior Management

Guiding our corporate vision for success

HKBN is steered by a Board of Directors that intermingles a range of expert abilities for visionary thinking. Our Board consists of six Directors, comprising two Executive Directors, one Non-executive Director and three Independent Non-executive Directors.

Chairman and Independent Non-executive Director

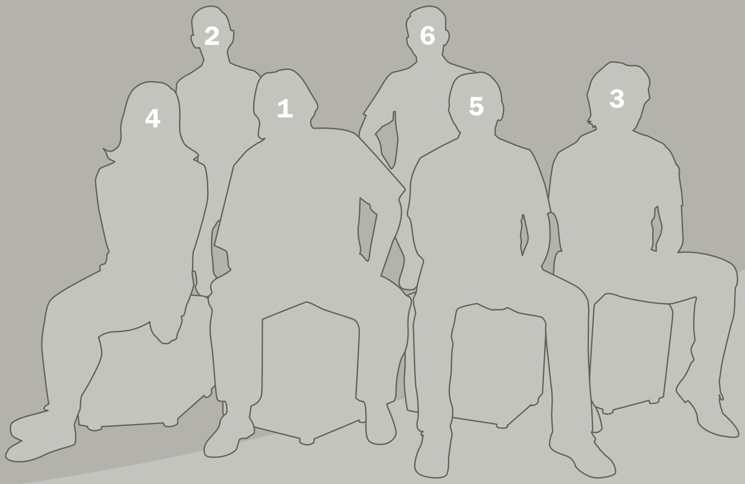
Bradley Jay HORWITZ, aged 62, was appointed as an Independent Non-executive Director, the Chairman of the Board and a member of the Audit Committee and the Nomination Committee of the Company on 6 February 2015. Mr. Horwitz has over 30 years of experience in the wireless and telecommunication industry. 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. For the sake of completeness, Mr. Horwitz also worked in various management capacities for McCaw Cellular including serving as Vice President of International Operations and Director of Business Development. Mr. Horwitz presently serves as a Director of the Center for Global Development and the Mobile Giving Foundation. Mr. Horwitz graduated from San Diego State University, U.S. with a Bachelor of Science Degree in August 1978.

Board of Directors and Senior Management

Executive Directors

William Chu Kwong YEUNG, aged 56, 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 47, is the Chief Operating 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). Mr. Lai 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). For the sake of completeness, Mr. Lai is currently a member of Advisory Board of Citycom Networks Pvt. Ltd. and a Director of Cambodian Children's Fund (Hong Kong) Limited. Mr. Lai is a proud Co-Owner of the Company.



1. **Bradley Jay HORWITZ**
2. **William Chu Kwong YEUNG**
3. **NiQ LAI**
4. **Deborah Keiko ORIDA**
5. **Stanley CHOW**
6. **Quinn Yee Kwan LAW**

Non-executive Director

Deborah Keiko ORIDA, aged 50, was appointed as a Non-executive Director and a 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 startup 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 53, 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 64, 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. Mr. Law presently serves as an advisor of the Hong Kong Business Accountants Association, and he was previously a Director and Vice President of such Association. From 1 March 2008 to 28 February 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.

NiQ LAI	Gary MCLAREN	William YEUNG	Eric HO	Billy YEUNG
COO & Co-Owner	CTO & Co-Owner	CEO & Co-Owner	CIO & Co-Owner	COO – Enterprise Solutions & Co-Owner

Senior Management

William YEUNG, his biographical details are set out on page 9.

NiQ LAI, his biographical details are set out on page 9.

Chan Fai HO (also known as Eric HO), aged 60, 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 awarded CIO of the Year (Medium Enterprise) 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 51, the Chief Operating Officer – Enterprise Solutions of HKBN Enterprise Solutions Limited, a wholly-owned subsidiary of the Company. 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 54, 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.

FY17 Milestones

◉ Discover our journey of innovation and success

SEPTEMBER 2016

HKBN Enterprise Solutions

◉ New World Telecom renamed as HKBN Enterprise Solutions

SEPTEMBER 2016

Mobile Services

◉ HKBN launches all-new mobile services

FY17 Milestones

OCTOBER 2016

Awards & Recognitions

- HKBN wins Family-Friendly Employers Award 2015 - 2016 by Family Council
  - Award for Innovation
  - Distinguished Family-Friendly Employer
  - Special Mention (Gold)
  - Award for Breastfeeding Support

OCTOBER 2016

Awards & Recognitions

- HKBN Enterprise Solutions named "The Best SME Partners 2016 - Telecommunication Service Provider" by Economic Digest

OCTOBER 2016

Awards & Recognitions

- HKBN and VTech win Gold Prize for telecommunications products at Electronic Industries Award 2016

FY17 Milestones

OCTOBER 2016
OTT Content Service

- HKBN increases myTV SUPER targets to reach 850,000 subscriptions by end of 2019

DECEMBER 2016
Awards & Recognitions

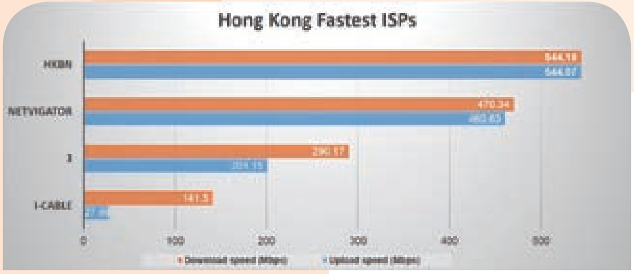
- HKBN customer service team wins 14 awards from Hong Kong Call Centre Association (HKCCA) Awards

JANUARY 2017
Awards & Recognitions

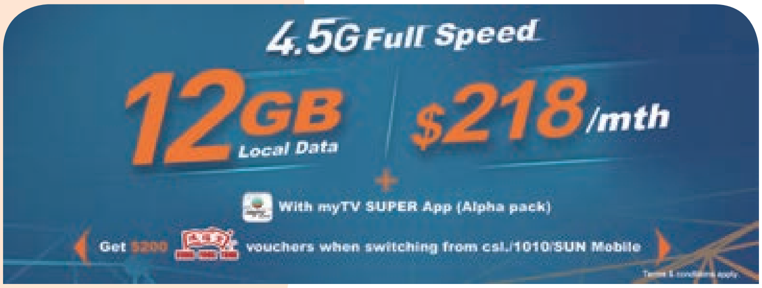
- HKBN ranked No. 1 on YouGov's 2016 Brand Index (Hong Kong Broadband and Pay TV Platforms)

APRIL 2017
Awards & Recognitions
- HKBN's Ocean Park Partnership earns 4 awards from MOB-EX Awards 2017

JUNE 2017
Fibre Broadband
- HKBN named the fastest broadband provider in Hong Kong by Speedtest by Ookla



JULY 2017
Mobile Services
- HKBN Mobile Services surpasses 200,000 registered subscriptions



AUGUST 2017
Mobile Services
- HKBN introduces high-usage mobile bundles starting at HK$218/month

Key Financial and Operational Summary

Table 1: Financial highlights

For the year ended 31 August

			Increase/(Decrease)
	2017	2016	**YoY**
Key financials ($'000)			
Revenue	**3,232,310**	2,784,007	+16%
– Residential	**1,958,286**	1,814,940	+8%
– Enterprise	**1,208,136**	810,831	+49%
– Product	**65,888**	158,236	-58%
Profit for the year	**171,110**	244,679	-30%
Adjusted Net Profit [1,2]	**377,839**	372,672	+1%
EBITDA [1,3]	**1,041,250**	1,006,387	+3%
EBITDA margin [1,4]	**32.2%**	36.1%	-3.9pp
Adjusted Free Cash Flow [1,5]	**453,365**	406,447	+12%
Reconciliation of Adjusted Net Profit [1,2]			
Profit for the year	**171,110**	244,679	-30%
Amortisation of intangible assets	**129,202**	119,758	+8%
Deferred tax arising from amortisation of intangible assets	**(20,094)**	(19,008)	+6%
Originating fee for banking facility expired	**73,397**	–	+100%
Loss on disposal of properties	**24,224**	–	+100%
Transaction costs in connection with business combination	**–**	27,243	-100%
Adjusted Net Profit	**377,839**	372,672	+1%

Key Financial and Operational Summary

For the year ended 31 August

			Increase/(Decrease)
	2017	2016	**YoY**
Reconciliation of EBITDA & Adjusted Free Cash Flow [1,3,5]			
Profit for the year	**171,110**	244,679	-30%
Finance costs	**210,740**	141,891	+49%
Interest income	**(276)**	(922)	-70%
Income tax	**86,044**	89,875	-4%
Depreciation	**420,206**	383,863	+9%
Amortisation of intangible assets	**129,202**	119,758	+8%
Loss on disposal of properties	**24,224**	–	+100%
Transaction costs in connection with business combination	**–**	27,243	-100%
EBITDA	**1,041,250**	1,006,387	+3%
Capital expenditure	**(403,702)**	(392,553)	+3%
Net interest paid	**(107,848)**	(104,228)	+3%
Other non-cash items	**6,994**	3,169	>100%
Income tax paid	**(122,605)**	(106,068)	+16%
Changes in working capital	**39,276**	(260)	N/A
Adjusted Free Cash Flow	**453,365**	406,447	+12%

Table 2: Operational highlights

For the year ended 31 August

			Increase/(Decrease)
	2017	2016	**YoY**
Residential business			
Fixed telecommunications network services business			
Residential homes passed ('000)	**2,249**	2,202	+2%
Subscriptions ('000)			
– Broadband	**871**	857	+2%
– Voice	**518**	520	-0%
Market share [6]			
– Broadband	**37.1%**	37.2%	-0.1pp
– Voice	**22.2%**	22.0%	+0.2pp
Broadband churn rate [7]	**0.9%**	0.8%	+0.1pp
Residential ARPU [8]	**$168**	$173	-3%
Mobile business			
Subscriptions ('000)	**147**	–	N/A
– Mobile (without broadband services)	**78**	–	N/A
– Mobile (with broadband services)	**69**	–	N/A
Mobile ARPU			
– Mobile (without broadband services)[11]	**$119**	–	N/A
– Mobile (with broadband services)[12]	**$268**	–	N/A
Residential customers ('000)	**994**	898	+11%
Enterprise business			
Commercial building coverage ('000)	**2.3**	2.3	+0%
Subscriptions ('000)			
– Broadband	**53**	47	+13%
– Voice	**132**	120	+10%
Market share [6]			
– Broadband	**18.8%**	17.8%	+1.0pp
– Voice	**7.2%**	6.5%	+0.7pp
Enterprise customers ('000)	**54**	50	+8%
Broadband churn rate [9]	**1.7%**	1.3%	+0.4pp
Enterprise ARPU [10]	**$1,463**	$1,234	+19%

Key Financial and Operational Summary

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 originating fee for banking facility expired. Other non-recurring items, in the year under review, include loss on disposal of properties and transaction costs in connection with business combination.

(3) EBITDA means profit for the year plus finance costs, income tax expense, loss on disposal of properties, 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. Based on the latest disclosure from OFCA for July 2017 market data, total market figures from January 2016 to November 2016 were revised to reflect the adjustments filed by the Internet Service Provider(s).

(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 (excluding revenue from IDD and mobile 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 customer per month. Calculated by dividing the revenue generated in the relevant period from the enterprise telecom business (excluding revenue from IDD and mobile 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.

(11) Mobile (without broadband services) ARPU means average revenue per user per month. Calculated by dividing the revenue generated in the relevant period from services subscribed by residential mobile subscribers (without broadband services), which include all services revenue (excluding IDD and broadband services), by the number of average residential mobile subscriptions (without broadband services) and further dividing by the number of months in the relevant period. Average residential mobile subscriptions (without broadband services) 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 Mobile (without broadband services) ARPU may differ from the industry definition of ARPU due to our tracking of revenue generated from all services subscribed by residential mobile subscribers (without broadband services). We believe this gives us a better tool for observing the performance of our business as we track our residential mobile ARPU on a bundled rather than standalone basis.

(12) Mobile (with broadband services) ARPU means average revenue per user per month. Calculated by dividing the revenue generated in the relevant period from services subscribed by residential mobile subscribers (with broadband services), which include all services revenue (excluding IDD services), by the number of average residential mobile subscriptions (with broadband services) and further dividing by the number of months in the relevant period. Average residential mobile subscriptions (with broadband services) 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 Mobile (with broadband services) ARPU may differ from the industry definition of ARPU due to our tracking of revenue generated from all services subscribed by residential mobile subscribers (with broadband services). We believe this gives us a better tool for observing the performance of our business as we track our residential mobile ARPU on a bundled rather than standalone basis.

Business Review

During the year ended 31 August 2017, the Group continued to deliver a solid set of operational and financial results, which was brought about by the completed integration of the acquisition of the New World Telecom business ("NWT business"), the enrichment of our product portfolio from OTT partners and the newly launched mobile services. Since we have pivoted our residential focus from subscriber growth to revenue market focus, we have achieved financial J-curve inflection point in 2H2017 as evidenced by 16% half-on-half EBITDA growth to $560 million (1H2017: $481 million). As a result, our Group revenue, EBITDA and Adjusted Free Cash Flow increased year-on-year by 16%, 3% and 12% to $3,232 million, $1,041 million and $453 million respectively.

- Residential revenue grew by 8% year-on-year to $1,958 million as a result of customer base expansion from last year and the increase in our acquisition and renewal contract ARPU since 1 September 2016. At the beginning of FY17, we have pivoted our residential focus from subscriber growth to revenue market focus. Our acquisition and renewal contract ARPU of $194/month in the month of August 2017 is well above the historical full base residential ARPU at $168/month for the year ended 31 August 2017. Full impact of the ARPU increment of the renewal customer base in FY17 will be reflected in FY18. This provided a strong foundation that we are on track to our "Harvest and Invest" roadmap. Based on the latest available OFCA statistics, our market share by broadband subscriptions essentially flat at 37.1% as of 31 July 2017 (31 August 2016: 37.2%) which is in line with our focus on revenue growth over subscriber growth.

  Through working closely with our OTT partners, more than half of our residential broadband customers have ordered at least one OTT set-top box to fulfil their entertainment needs. Ever since launching our OTT entertainment offerings in October 2015, we have achieved a total of 800,000 set-top boxes ordered by residential broadband customers as of 31 August 2017.

  The launch of mobile services through partnering with two major mobile network operators ("MVNO partners") constituted a new and important source of residential revenue for the Group. With progressive marketing campaigns and strong support from our MVNO partners, we achieved a solid customer base with 147,000 activated subscriptions out of over 218,000 registered mobile subscriptions within 12 months which is well over our original target of 200,000 registered mobile subscriptions. As at August 2017, 47% of our residential mobile subscriptions subscribed to our broadband services. By upselling our mobile customer by broadband and OTT services, we expected our ARPU will be further increased and our quad-play subscriber base will be enlarged for future revenue growth.

  Through overlaying OTT and mobile services to our broadband bundle packages, the Group will continue to leverage an integrated quad-play price strategy and deliver unprecedented household savings and service convenience to disrupt the legacy broadband, fixed-voice, content and mobile standalone segments.

- Enterprise revenue, which comprised the full 12-month operational results following our acquisition of NWT business, grew year-on-year by 49% to $1,208 million. After settling some initial integration setbacks, we have restarted the growth momentum in 2H2017 as evidenced by 12% half-on-half revenue growth to $639 million (1H2017: $569 million). Fully integrated business has increased both our presence and capabilities in the enterprise market, which has enabled us to provide a broader range of products and services at competitive value to different customer segments. During the year, we achieved net additions of 4,000 for a total of 54,000 enterprise customers while our enterprise ARPU increased to $1,463/month (2016: $1,234/month). Based on the latest available OFCA statistics, our market share by broadband subscriptions increased to 18.8% as of 31 July 2017 (31 August 2016: 17.8%).

- Product revenue decreased by 58% to $66 million, which was primarily due to a decline in LeEco packages bundled during the year.

Network costs and costs of sales increased by 57% to $710 million mainly due to the incremental network costs for the enlarged business scale through integration with NWT business and the newly launched mobile services, which were partially offset by the decrease in cost of sales derived from the decline in LeEco packages bundled during the year.

Talent cost decreased by 3% from $515 million to $499 million mainly due to completion of NWT integration and the number of Talents decreased by 4% from 3,024 in FY16 to 2,888 in FY17.

Other operating expenses increased by 10% from $1,873 million to $2,067 million mainly due to the incremental operating costs required for the enlarged business scale combined with NWT business and upfront advertising and marketing expenses for the launch of mobile services since September 2016.

Finance costs increased by 49% from $142 million to $211 million mainly due to the one-off finance costs of $73 million in relation to the unamortised transaction cost for the refinanced bank loan. As the finance costs were paid in prior years, the one-off write-off of finance costs did not have any impact on cash flow during the year. In refinancing, we took advantage of the low interest rate environment to refinance the previous $3,800 million bank facility with a new $3,900 million bank facility as to lower the cost of debt from HIBOR plus 1.85%-2.06% to HIBOR plus 1.35% and to extend the maturity from January 2020 to November 2021. The total net savings of the new 5-year bank facility more than covers the one-off write-off for originating fee for the previous 5-year bank facility of $73 million. On a net basis, it is expected that this will provide long-term benefits to us.

Income tax decreased by 4% from $90 million to $86 million. Our finance costs were not tax deductible. Income tax as a percentage of profit before taxation, finance costs and transaction costs in connection with business combination was approximately 18% and 18% for the years ended 31 August 2017 and 31 August 2016.

Amid the impact of one-off write-off of unamortised finance costs of $73 million related to refinancing, the profit for the year decreased by 30% year-on-year from $245 million to $171 million. Excluding the one-off impact resulted from the finance costs, the profit for the year maintained at $245 million mainly due to the start-up investments associated with our mobile entry since September 2016.

Net additions to property, plant and equipment amounted to $364 million for the year ended 31 August 2017, as compared to $412 million last year.

During the year, as part of NWT integration process, the Group disposed of the remaining 49% interest in Simple Click Group and sold the network hub site acquired during NWT acquisition. There was a loss on disposal of $24 million as the market price has been changed against the time when the properties were valuated during the NWT acquisition. As such, adjusted Net Profit, excluding the impact of amortisation of intangible assets, non-recurring finance costs and non-recurring items, increased by 1% year-on-year to $378 million.

As a result of the factors explained above, EBITDA and Adjusted Free Cash Flow continued to grow at 3% and 12% to $1,041 million and $453 million respectively.

Outlook

We will focus on harvesting our substantially invested network and our monthly billing relationship by upselling more services through OTT and MVNO partnerships, as well as leverage our comprehensive suite of service offerings to drive sustainable growth in Revenue, EBITDA and Adjusted Free Cash Flow through the following initiatives:

- Expand our market share by our ATM (A for 'A'/x DSL broadband; T for home 'T'elephone line; and M for 'M'obile) growth strategy though the intensified price war might reduce the overall market size;
- Execute our integrated quad-play strategy to reduce our churn rate and drive up ARPU further to disrupt the legacy broadband, fixed-voice, multimedia content and mobile standalone services;
- Further penetrate the enterprise market through our 3P strategy, (penetration in coverage, product enhancement and people engagement); and
- Continue to cultivate and deepen our Talent-oriented Co-Ownership culture that aligns risks and rewards with shareholders by enlarging our base of Co-Ownership.

Liquidity And Capital Resources

As at 31 August 2017, the Group had total cash and cash equivalents of $385 million (31 August 2016: $355 million) and gross debt (principal amount of outstanding borrowing) of $3,900 million (31 August 2016: $3,800 million), which led to a net debt position of $3,515 million (31 August 2016: $3,445 million).

- The Group's gearing ratio, which was expressed as a ratio of the gross debt over total equity, was 3.5x as at 31 August 2017 (31 August 2016: 2.8x).
- 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 2017 (31 August 2016: 3.4x).

On 28 November 2016, the Group drew down a five-year bank loan of $3,900 million bearing interest rate at HIBOR plus margin, to finance the repayment of the remaining bank loan in full, to extend the debt maturity by 1.8 years to November 2021. Since the bank loan is repayable in full upon final maturity on November 2021, the Group can either refinance or renew it on maturity or earlier through sources that it deems appropriate at that time. This has 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 2017 and 31 August 2016. As at 31 August 2017, the Group had an undrawn revolving credit facility of $200 million (31 August 2016: $200 million).

Under the liquidity and capital resources condition as at 31 August 2017, the Group can fund its capital expenditures and working capital requirements for the financial year ending 31 August 2018 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 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 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 from 23 February 2015 to 23 August 2018. Benefiting from the hedging arrangement, the Group fixed the HIBOR interest rate exposure at 1.453% per annum.

Subsequent to completion of the refinancing transaction, 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 1.8 years from 31 August 2018 to 29 May 2020. Benefiting from the hedging arrangement, the Group fixed the HIBOR interest rate exposure at 2.26% 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 2017 and 31 August 2016, no assets of the Group were pledged to secure its loans and banking facilities.

Contingent Liabilities

As at 31 August 2017, the Group had total contingent liabilities of $4 million (31 August 2016: $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

During the year ended 31 August 2017, the Group did not make any significant investments, acquisitions or disposals in relation to its subsidiaries and associated companies.

Talent Remuneration

As at 31 August 2017, the Group had 2,888 permanent full-time Talents (31 August 2016: 3,024 Talents). The Group provides remuneration package consisting of basic salary, bonus and other benefits. Bonus payments are discretionary and dependent on both the Group's and individual performances. The Group also provides comprehensive medical insurance coverage, competitive retirement benefits schemes, and Talent training programmes.

To attract, retain and motivate skilled and experienced Talents, the Company adopted a Co-Ownership Plan II 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 330 Co-Owners, representing a majority of our supervisors-and-above level Talents. 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 33 to 34 for a summary of the Co-Ownership Plan II.

Co-Ownership Plan III

In the world of business, it is common to see an agency gap between managers as agents and shareholders as principals. Often at times, the short-term incentives which drive managers, such as year-end bonus, commissions etc., conflict with the long-term value creation goal of shareholders. Legacy long-term management incentive plans such as stock options are limited in their effectiveness as they lack "skin-in-the-game" commitment, and are lopsided with substantial upside but limited downside and they tend to be concentrated in a handful of the most senior managers.

At the Company, we try to narrow the agency gap by inviting our managers to become shareholders, i.e. for agents to become principals, who we term as Co-Owners. We also see Co-Ownership as a means for distributed wealth creation that is aligned with the overall value creation of the company and also our core purpose to "Make our Hong Kong a better place to live". For us, Co-Ownership must come with the following attributes:

- It must come from proactive election, i.e., our Talents must proactively elect to become Co-Owners.

- It must be paid for with cash, as the true sense of ownership cannot be given. In our current Co-Ownership Plan III programme proposal, we will require Talents to fund their own portion of the Co-Ownership shares from their family savings, as such, there will be substantial "skin in the game".

- Instead of being limited to just the top executives, (since our CO-Ownership Plan II) we offered Co-Ownership to our supervisors-and-above level Talents, which includes approximately 600 of our most senior titled Talents out of our around 3000 total Talent base. As such, when you call our service hotline, the supervisor of a team of 10 operators is very likely a Co-Owner with substantial "skin in the game", and this is the element which makes the Company special.

For companies without wide Co-Ownership, terms like EBITDA, Capex, AFF, DPS, EV/EBITDA, NPV etc. are foreign language spoken between just a select few CXOs and shareholders, i.e. these terms are irrelevant for normal "staff". However, at the Company, for Co-Owners, these terms are our common language because they impact our family wealth.

Our Co-Ownership transformation is something we started in 2012 as part of our management buy-out ("MBO") process, and continues to evolve with Co-Ownership Plan III currently underway:

- Launched in 2012, Co-Ownership Plan I was accepted by ~90 of our most senior managers to share a common goal in accomplishing an accelerated IPO, which is how we achieved the incredibly shortened time scale from MBO to IPO in just 2.5 years. Without Co-Ownership Plan I, the IPO would have been viewed as just a distraction by the majority of leaders within the Company.

- Launched in 2015 as part of our IPO, our Co-Ownership Plan II expanded the Co-Ownership alignment to ~350 the Company managers with a 3 year back-ended vesting schedule. As such, our post IPO stock price over a 3 year view, becomes an important wealth driver for these families and most of these will vest during our FY18 harvest period.

- Planned to be launched in 2017 and subject to shareholder approval, our Co-Ownership Plan III will see participants put family 2-12 months of annual salary "skin in the game" to achieve our aspirational goal for AFF (Note 1) per share of between HK$2.10-HK$2.40 over FY18-20. For details of this Co-Ownership Plan III, please refer to the announcement dated 2 November 2017 appended below.

Note 1: AFF = the total cumulative Adjusted Available Cash for Distribution of the Company

Scan to view our Co-Ownership Plan III announcement

Report of the Directors

The Directors are pleased to present their report and the audited consolidated financial statements for the year ended 31 August 2017.

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, mobile, 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 2017 is set out in the sections headed "CEO & COO letter" and "Management's Discussion and Analysis" on pages 6 to 7 and pages 22 to 27 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 page 28 of this report, whereas the financial risk management of the Group can be found in Note 30 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 28 to 30.

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. Key risks related to the Group's businesses and to the industries in which the Group operates, please refer to Corporate Governance Report on pages 46 to 47. 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, which are not known by the Group or which may not appear significant now but could turn out to be so in the future.

Environmental Policies and Performance

As an environmentally responsible corporate, HKBN firmly embeds sustainability into our business operations to uphold our core purpose of making our Hong Kong a better place to live. We aim to minimise our environmental footprint to diminish climate change and promote the best environmentally responsible practices to our Talents, business partners and the community at large.

In this financial year, the Environmental Policy was introduced and an array of measures have been adopted to achieve long-term energy use reductions and waste minimisation.

More information about the Group's environmental performance is set out in the section headed "Our Respect for the Environment" on pages 90 to 93.

Relationships With Key Stakeholders

Talents

At HKBN, people are Talents, not staff. Talents are our investment, with each individual possessing their own respective skills and values. Our sustainable successes are attributed to a very simple philosophy, that is to provide the very best value, experience and opportunities to Talents so as to attract and retain the very best to work for our Company. In this light, we seek to not only comply with but exceed the legal requirements set by the Employment Ordinance and all other laws and regulations related to employee welfare and working conditions, with a view to inspiring other companies to follow and make Hong Kong a better place to work.

No use of child and forced labour
Our Company treats all illegal employment seriously and does not tolerate such acts. There must be no use of any child & forced labour. The Company shall only employ young Talents when in strict compliance with the Employment of Children Regulations and the Employment of Young Persons (industry) Regulations.

Promotion
The Company has a systematic mechanism to assess performance and the potential of Talents. Other than the annual promotion window, which occurs in January for all Talents being assessed with outstanding performance and high potential, we also have exceptional promotion windows (normally from April to September) for potential Talents with strong justifications based on outstanding performance achievements and enlarged job scope.

pain/GAIN Co-Grow Scheme
Besides having our Co-Ownership Plan open for supervisory-and-above level Talents to espouse one of HKBN's core values, Entrepreneurship, we also initiated the pain/GAIN Co-Grow Scheme for all Talents. This Scheme offers Talents a platform to prosper together with HKBN rather than just from HKBN. It is an entirely voluntary plan designed to encourage Talents to focus their innovation and entrepreneurial mindset to tangibly drive better business results, measurable as a specific project using Key Performance Indicators (KPIs). Talents are invited to invest a portion of their salary towards approved projects, whereby a maximum of three times the invested amount can be returned as GAIN based on the accomplished KPIs.

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 II allows individual Talents to invest their own savings in an amount of between 2 and 12 months of salary to acquire HKBN stock at full market price. The shares are then matched with 3 free shares for every 7 purchased shares 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.

Pay-for-performance Approach
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" on pages 58 to 81.

Customers
"All-round channel, all-round satisfaction!" is our service mission. The Group continues to provide customers with multiple integrated channels for service across online and offline platforms. Our commitment is to ensure customers will always experience the world-class service quality, irrespective of the channel through which service is provided. To ensure quality is consistent and sustained, Talents undergo development that can range from service leadership training to our professional-grade Elite Customer Service Certification, Professional Technical Service Certification, and more. Through this, our Talents play a big role in customer relationship building and customer value creation.

In the Hong Kong Call Centre Association (HKCCA) Awards presented in October 2016, we earned 14 awards, comprising 6 Gold Awards and a Best-in-class Award. As one of the award competition's top 3 overall scorers, we were presented with an Asia Pacific Contact Centre Association Leaders Recognition Award. This was a true recognition of our services and commitment to customers.

Through overlaying OTT and mobile services to our broadband bundle packages, our customers' portfolios have been expanded towards quad-play. In addition, we've further leveraged the service convenience of our "one-stop" online and offline platforms, including HKBN's customer service hotlines, online customer service chat system and personalised account management system "MyAccount".

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 choice of suppliers is preferred, when possible, for sourcing materials, products and services through different social enterprises and ethically-responsible means.

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. A supplier management framework helps us 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 2017, including the following laws and regulations.

Personal Data Privacy Ordinance ("PDPO")
The Group's collection, holding, processing or use of personal data in its usual and ordinary course of business is required to comply with relevant requirements of the PDPO and therefore measures and procedures are required to be implemented to ensure compliance with these requirements. During the year, there was a court case involving the Group in relation to compliance with the PDPO and the court process was completed with an immaterial fine imposed on the Group. To prevent similar occurrences in the future, training sessions and meetings with relevant business units will be held, and procedures will be more specifically tailored, to ensure that business unit activities are compliant with the law.

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 cooperate with the Communications Authority ("CA"), fines may be imposed.

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-year 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 were 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 and 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.

Report of the Directors

Consolidated Financial Statements

The financial performance of the Group for the year ended 31 August 2017 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 112 to 183 of this annual report.

Recommended Dividend

The Directors now recommend the payment of a final dividend of 23 cents per ordinary share (2016: 20 cents per ordinary share) to the shareholders on the register of members on Friday, 5 January 2018, amounting to approximately $231,303,000 (2016: $201,133,000).

Subsidiaries, Associates and Joint Ventures

Details of the principal subsidiaries, associates and joint ventures of the Group at 31 August 2017 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 27 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 184 and 185 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 2017 are set out in note 20 to the consolidated financial statements.

Donations

During the year ended 31 August 2017, the Group made charitable and other donations of approximately $7,500 (2016: $7,500).

Distributable Reserves of the Company

As at 31 August 2017, the Company's reserves available for distribution to shareholders were $1,099,383,000 (2016: $1,100,781,000).

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 2017 and up to the date of this report were:

	Name of Director
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]
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. William Chu Kwong YEUNG, an Executive Director of the Company, and Mr. Stanley CHOW, 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 2017.

Directors' and Chief Executives' Interests in Securities

As at 31 August 2017, 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)*	150,000	–	150,000	0.01%
Mr. William Chu Kwong YEUNG	*(Note 3)*	26,821,206	265,221	27,086,427	2.69%
Mr. Ni Quiaque LAI	*(Note 4)*	32,817,375	179,747	32,997,122	3.28%

Notes:

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 150,000 ordinary shares.*
3. *Among 27,086,427 ordinary shares which Mr. William Chu Kwong YEUNG are personally interested, in 265,221 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 179,747 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 2017.

Interests in Competing Businesses

During the year ended 31 August 2017, 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

To attract, retain and motivate skilled and experienced Talents, the Company adopted the Co-Ownership Plan II on 21 February 2015. Under the Co-Ownership Plan II, the Board of Directors (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 Co-Ownership Plan II shall be (i) 10% of the shares in issue on 12 March 2015 (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 Co-Ownership Plan II shall be valid and effective for the period commencing on the Listing Date and expiring on the tenth anniversary thereof or such earlier date as it is terminated in accordance with the terms of the Co-Ownership Plan II, after which period no further RSUs shall be offered or granted.

In order to enable the Co-Ownership Plan II 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 Co-Ownership Plan II trustee. Such shares represented approximately 0.56% of the total issued share capital of the Company on the Listing Date. The Co-Ownership Plan II trustee will hold such shares on trust until their release to participants upon vesting of the RSUs.

Details of movements of the Co-Ownership Plan II during the year ended 31 August 2017 are as follows:

Participants	Date of grant	Number of RSUs: Granted	As at 1 September 2016	Granted during the year	Forfeited during the year	Vested during the year	As at 31 August 2017	To be vested on 24 January/20 June/29 June/20 July/18 August/20 November (As at 31 August 2017): 2017	2018	2019	2020
Mr. William Chu Kwong YEUNG*	29 June 2015	238,608	178,956	–	–	59,652	119,304	–	119,304	–	–
Mr. Ni Quiaque LAI*	29 June 2015	158,132	118,599	–	–	39,533	79,066	–	79,066	–	–
Other Participants	29 June 2015	2,326,246	1,631,790	–	171,191	492,827	967,772	–	967,772	–	–
Other Participants	18 August 2015	273,612	205,226	–	7,845	67,445	129,936	–	129,936	–	–
Other Participants	20 November 2015	158,567	22,791	–	1,359	5,696	15,736	5,243	10,493	–	–
Mr. William Chu Kwong YEUNG*	20 June 2016	194,556	194,556	–	–	48,639	145,917	–	48,639	97,278	–
Mr. Ni Quiaque LAI*	20 June 2016	134,241	134,241	–	–	33,560	100,681	–	33,560	67,121	–
Other Participants	20 June 2016	1,752,685	1,749,104	–	213,418	387,274	1,148,412	–	382,739	765,673	–
Other Participants	24 January 2017	400,472	–	400,472	13,601	–	386,871	–	96,704	96,704	193,463
Other Participants	20 July 2017	252,635	–	252,635	–	–	252,635	–	63,154	63,154	126,327
Total		**5,889,754**	**4,235,263**	**653,107**	**407,414**	**1,134,626**	**3,346,330**	**5,243**	**1,931,367**	**1,089,930**	**319,790**

* *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 2017 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 2017, 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%
The Capital Group Companies, Inc.	*(c)*	80,435,000	7.99%
Matthews International Capital Management, LLC	*(d)*	60,350,000	6.00%
Mondrian Investment Partners Limited	*(e)*	56,390,500	5.61%

Notes:

(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 held by GIC Private Limited in the capacity of investment manager.

(c) The Capital Group Companies, Inc. through its subsidiaries, namely Capital International, Inc., Capital International Limited, Capital International Sarl, and Capital Research and Management Company held 194,500 ordinary shares, 1,910,500 ordinary shares, 132,500 ordinary shares, and 78,197,500 ordinary shares in the Company respectively, and are accordingly deemed to be interested in the respective shares held by the aforesaid companies.

(d) 60,350,000 ordinary shares are controlled by Matthews International Capital Management, LLC in the capacity of investment manager.

(e) 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 2017.

Connected Transactions and Directors' Interests in Contracts

None of the related parties transactions as disclosed in note 33 to the consolidated financial statements for the year ended 31 August 2017 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 2017, the aggregate amount of revenue attributable to the Group's five largest customers were approximately 5.4% of the Group's total revenue and the revenue attributable to the Group's largest customer were approximately 1.7% of the Group's total revenue.

For the year ended 31 August 2017, the aggregate amount of purchases and costs incurred attributable to the Group's five largest suppliers were approximately 8.5% of the Group's total purchases and costs incurred, and purchases and costs incurred from the largest supplier accounted for approximately 3.2% 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 publication of the Company's 2017 interim report are set out below:

Mr. Quinn Yee Kwan LAW, an Independent Non-executive Director of the Company, resigned as the Director and Vice President of the Hong Kong Business Accountants Association on 2 August 2017, and was appointed as the advisor of the Hong Kong Business Accountants Association on 2 August 2017.

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 2017.

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 2017 are set out in notes 5 and 6 to the consolidated financial statements, respectively.

Pre-Emptive Right

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 38 to 50 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 2017 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, 2 November 2017

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 2017 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 their 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 Operating 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 13. 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:

Gender

Male
Number of Directors: 5

Female
Number of Directors: 1

Designation

Executive Directors
Number of Directors: 2

Non-executive Directors
Number of Directors: 1

Independent Non-executive Directors
Number of Directors: 3

Ethnicity

Chinese
Number of Directors: 4

Non-Chinese
Number of Directors: 2

Age Group

46-55
Number of Directors: 3

56-65
Number of Directors: 3

Educational Background

Science
Number of Directors: 2

Business Administration
Number of Directors: 3

Arts
Number of Directors: 2

Commerce
Number of Directors: 2

Accounting & Finance
Number of Directors: 2

Legal
Number of Directors: 2

Business Experience

Telecommunications
Number of Directors: 3

Legal
Number of Directors: 2

Banking
Number of Directors: 2

Accounting & Finance
Number of Directors: 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 2017, 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 2017 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 (if any) 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 2017 to the Company, which includes attending 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 2017, 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 2017 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 (1)				
Chairman and Independent Non-executive Director					
Bradley Jay HORWITZ	6/7	2/3	N/A	1/1	0/1
Executive Directors					
William Chu Kwong YEUNG	7/7	3/3(2)	1/1	1/1	1/1
Ni Quiaque LAI	7/7	3/3(2)	N/A	N/A	1/1
Non-executive Director					
Deborah Keiko ORIDA	6/7	N/A	N/A	1/1	0/1
Independent Non-executive Directors					
Stanley CHOW	7/7	3/3	1/1	1/1	0/1
Quinn Yee Kwan LAW	6/7	3/3	1/1	1/1	1/1

Notes:

(1) Directors may attend meetings in person, or by means of telephone or video conference in accordance with the Articles. The figures exclude resolutions in writing signed by all Directors.

(2) Although William Chu Kwong YEUNG and Ni Quiaque LAI are not the members of the Audit Committee, both of them were invited by the Audit Committee to attend 3 Audit Committee meetings during the year ended 31 August 2017, and they were prohibited from voting or being counted as quorum during those 3 meetings.

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 2017, the Remuneration Committee held one physical meeting 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 24 January 2017 and 20 July 2017 both regarding the grant of restricted share units under the Co-Ownership Plan II and recommended for 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 2017 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 by 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. The Chairman of the Nomination Committee is Mr. William Chu Kwong YEUNG, an Executive Director of the Company.

During the year ended 31 August 2017, the Nomination Committee held one physical meeting to review the independence of Independent Non-executive Directors, consider the re-election of the Directors at the forthcoming annual general meeting of the Company, discuss the succession planning of the Company, approve the change of company secretary and authorised representative, as well as review the composition of the Board.

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 twice 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 2017 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 2017:

- reviewed the annual report and the annual results announcement for the year ended 31 August 2016 and recommended for Board's approval;
- reviewed and approved the reappointment of KPMG as the Company's auditor, with a recommendation to the Board for the re-appointment of KPMG at the 2016 Annual General Meeting;
- reviewed the internal audit work plan, the risk management and internal control systems of the Company during the year;
- reviewed the interim report and the interim results announcement for the six months ended 28 February 2017 and recommended for Board's approval; and
- discussed the audit plan with the external auditor and reviewed the professional fees for the audit services.

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 and updated on 31 May 2017:

- 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 the CG Code and disclosure in the Corporate Governance Report.

Risk Management

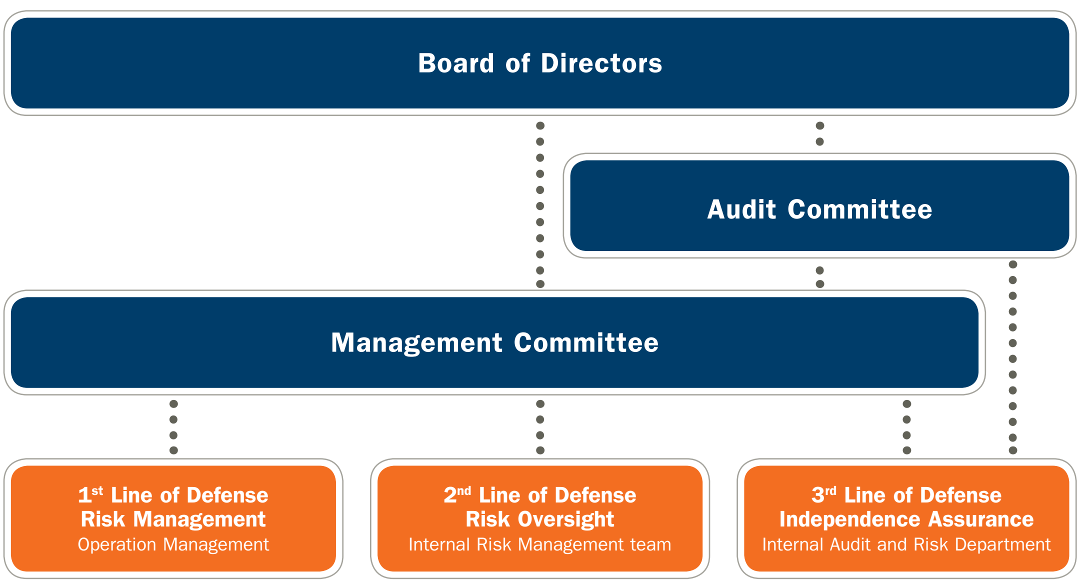
Risk Governance

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 the risks identified.

2. Internal Risk Management Team ("IRM") ensures appropriate actions were taken on risks affecting the Group's business and operations.

3. Internal Audit and Risk Department ("IA") provides independent assurance to Management Committee and the Board concerning the effectiveness of risk management system 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.



Risk Management

It is our commitment to launch service quickly and meet market demands with a fast pace to pursue long-term growth in our business. Because we embrace risk as an inherent component in our daily operation, HKBN takes an “enterprise-wide approach” for the management of key business risks. This approach 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.

Leaders from different departments are responsible to perform risk assessment, risk ranking, establish and perform mitigating actions and report to the Internal Risk Management Team (the "IRM") yearly through Departmental Risk Registers.

IRM composed of nominated department heads and executives including CEO, COO, CTO, CIO, Financial Controller, the Head of Talent Management & Corporate Social Investment and the Head of Internal Audit. They are 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. 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.

Principal Risks

The Group faces several risks and uncertainties which, if not properly managed, could create an adverse exposure for the Group. Through the effectiveness of risk management, risks are managed and mitigation in place to minimise the exposure. In FY17, the Group mainly focused on the following principal risks:

Principal Risk	Description	Key Mitigation
Market Risk	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.	• Proactive monitoring of market condition; • Responsive project management to allow flexibility on allocating resources on changing strategy; • Closely monitor price level and act accordingly.
Interest Rate Risk	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.	• Proactively monitor interest rates and act upon the changes to minimise the risks.

Principal Risk	Description	Key Mitigation
Operation Risk	The continuity of our services is highly dependent on the proper functioning of our network and infrastructure; any damage to or failure in our network or such infrastructure could materially adversely affect our business.	• IT and security policy; • Active monitoring of network status; • Updated disaster recovery procedure and yearly drills; • Periodic review of network security; • Periodic upgrade of network devices; • Security awareness training for programmers and engineers.
People	The Group's success is dependent upon continued service from Talents employed by our Group. 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.	• The Company has succession planning in place for key management.
Technological Risk	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.	• A network evolution plan is in place to enhance network agility and our ability to cope with evolving technology; • New service is provided to customers by partnering with industry leaders.
Legal and Compliance Risk	The Group operates in markets and industries which require compliance with numerous regulations, the failure to comply with such regulations may adversely affect the Group's reputation, operations and financial performance.	• Compliance review is conducted by Internal Audit and recommendations are obtained from external legal advice on business activities and new initiatives when appropriate; • Legal review on all contracts; • Awareness training on new laws and regulations for management.

Ethics and Internal Control

Trustworthiness is an important component of our core values. We maintain this quality in our daily operation because doing the right thing is important for robust business growth. The **Company Policy and Business Conduct** regulates the behaviour of our Talents which permeate the Group's integrity and ethical values as fundamental principles.

Details of Anti-bribery, Anti-corruption and Conflict of Interest Policy are set out in "Our Responsibilities" section on pages 52 to 57.

Reporting Concerns

The **Whistleblowing Policy** was established to facilitate Talents and other stakeholders to report concerns to us about suspected unethical behavior 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, of which the investigation results are then communicated to the Management Committee and Audit Committee with recommendations implemented by the responsible parties.

Internal Control

The Group adopted an integrated framework of internal controls in consistence with the "Committee of Sponsoring Organisations of the Treadway Commission" framework (the "framework").

Under this framework, management is responsible for the design, implementation and maintenance of internal controls to ensure appropriate policies and control procedures have been designed and established to safeguard our assets against improper use or disposal; ensure that 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.

IT Governance

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.

Agile programme development method was deployed in FY17 to ease the complexity of the traditional programme development life cycle. This method accelerates the delivery of initial business value. Continuous testing and deployment also allows the IT team to identify any issues early, so as to reduce the risks associated with traditional programme development.

Finance and Finance Department Operating Manual and Procurement Policy are maintained by the 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 those risks.

Internal Audit Function

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 of 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.

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 assists management in assessing 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 security, sales operations, and compliance with 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.

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 2017, the remuneration paid or payable to the Company's external auditor, KPMG, is set out as follows:

	$'000
Audit services	2,912
Other services[(Note)]	501
	3,413

Note: Other service fee includes the review of the Group's interim financial report amounting to $319,000 and tax advisory service amounting to $182,000.

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 2017 are set out on pages 109 to 111 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 2017.

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 2017.

Our ESG Commitment

Driven by our core purpose to "Make our Hong Kong a Better Place to Live", HKBN is built on making purposeful profits. We believe our business hinges on creating positive social impact, and when we do this right, profits will follow. We are committed to operating responsibly for our stakeholders, the community and the environment, always looking to go beyond merely fulfilling legal and regulatory requirements in order to maximise sustainable social returns through new, inspiring ways.

Our Environment, Social and Governance (ESG) policy addresses our committed principles in three key areas: our respect for the environment, our staunch social commitment and our governance & responsibilities. This year, a dedicated team was formed to review the key performance indicators on ESG-related strategy and activities, as well as monitor progress and propose enhancement measures. In the course of this process, our dedicated team also worked with departments responsible for engaging with various stakeholders and collecting their feedback and comments via an array of regular surveys.

To gauge our performance in ESG-related areas, as well as guide our reporting and continuous improvement in the future, this year we appointed an independent consultant to conduct a gap analysis-cum-ESG metric review. A materiality assessment was conducted with internal and external stakeholders. Details of the materiality assessment are reported in the Our Responsibilities section of this report.

Our Responsibilities

- Discover our staunch commitment to being an ethical business

Across HKBN's operations, integrity is at the foundation of what we do. On a daily basis, we're bound by ethical practices to maintain trust, responsibility and accountability for our Talents, customers, shareholders, partners, and the wider communities that we serve.

Health & Safety

A key factor in the overall success of our business is ensuring that Talents can work in a healthy and safe environment. To achieve this, we espouse policies for occupational safety and health management that are continuously reviewed to ensure standards can be maintained across a diverse variety of conditions. Our objective is to establish a vigilant view over safety for the ongoing identification of potential hazards, and ensure necessary measures are implemented to reduce identified risks. We provide adequate and appropriate resources to implement and maintain these standards, and work tirelessly to comply with all safety and health regulations such as Occupational Safety and Health Regulation, CAP509A, Occupational Safety and Health (Display Screen Equipment) Regulation, CAP509B and Construction Sites (Safety) Regulation, CAP59I.

In April 2017, an in-house Safety Committee comprising Talents from several technical and Talent engagement departments was set up to formulate an Occupational Safety & Health Management Plan that defines various monitoring and review mechanisms to ensure our health and safety objectives are met.

We appointed a certified safety consultant to support a number of occupational health and safety functions such as workplace safety inspections across warehouse, cafeteria and shop spaces, and risk assessment at various network installation sites.

Talent awareness about maintaining a safe work environment is fostered through a multitude of measures which comprise workplace safety inspections, display screen equipment assessment for office Talents, related training for all Talents and on-site inspections, as well as safety alerts dispatched via email and the investigation of work-related injury incidents.

For technical departments, project leaders are required to conduct on-site inspections for activities such as road work and service installations at customer sites to ensure that the operational measures implemented follow our Safe Working Procedures. Furthermore, Talents and new hires must undergo mandatory safety certification training and related job specific certificate training such as Registered Electrical Workers.

Additionally, safety briefings are provided to all contractors who carry out work inside and outside our office premises. In line with fire safety concerns, fire exit routes and signage are always prominently placed on each of our office floors to alert Talents and visitors.

In FY17, safety-related training workshops were organised, resulting in the following:

- We have 22 qualified First Aiders at HKBN
- Certificate of Competence in Accident Investigation Training with 22 qualified Talents;
- Certificate of Competence in Display Screen Equipment Assessment with 25 qualified Talents;
- Fire Contingency Training served to refresh the safety awareness of Talents;
- In-house Basic Safety Training to enhance job-related safety awareness of newly hired technical Talents; and
- Occupational Safety & Health Management Plan briefing session to inform Talents of HKBN's safety procedures

This year, our performance in health and safety in Hong Kong is encapsulated by the following:

Number and rate of work-related fatalities:	Nil
Injury rate (Hong Kong):	0.99%*

* *Injury rate formula: Total number of work injury (18) x Total working hours for 100 full-time Talents (200,000) / Total working hours for all Talents (3,649,300.75)*

In collaboration with Hong Kong St. John's Ambulance, we organised professional first-aid training for our Talents.

Anti-Bribery, Anti-Corruption and Conflict of Interest Policy

In terms of anti-corruption and conflict of interest, we have rigorous policies that outline our expected conduct to ensure we are always in 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 payment, gifts or inducements of any kind to and received from any person, including officials in the private or public sector, customers and suppliers. We also provide definite guidelines on standards of Talent behaviour 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 conflicts of interest on an annual basis.

During the reporting period, an ex-HKBN Talent and another individual (an employee of another telecom service operator) (collectively "the Defendants") were charged of the offence of conspiracy to offer advantage to an agent in contravention of the Prevention of Bribery Ordinance. Both Defendants pleaded guilty to the charge on 21 February 2017. On 19 April 2017, the Magistrate ordered each Defendant to undertake a community service order of 150 hours of unpaid community service, as well as to pay for costs in the sum of HK$1,000 each.

Subsequently, refresher training on anti-corruption was arranged for our sales Talents. Internal controls and policies were also tightened to prevent similar occurrences from happening in the future.

Anti-corruption training is mandatory for all newly joined Talents, as well as Talents in sales, marketing, finance and sales support roles. In FY17, 11 training classes were provided for over 700 Talents.

Whistleblowing Policy

A whistleblowing policy is in place to facilitate the reporting of any suspected misconduct or malpractice within the Group in confidence. Full details of this policy are available on our corporate website and our Company's 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 will be disclosed to law enforcement or the appropriate authorities, when such disclosure is necessary for us to comply with any statutory or legal obligations or requirements. 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 June 2017, a penetration test and a comprehensive audit was commenced over our network.

Responsible Advertising

Aside from the minor incidents related to the improper display of easy-mount frames on the streets, for which we have promptly settled the incurred monetary fines, there were no other concluded non-compliance cases related to advertising.

Commitment to Customers

We are committed to providing excellent customer experience and a consistently high standard of service that puts customer needs at the forefront. We believe good customer service starts with an effective quality management system and effective complaint handling procedures.

Service Quality Management System

Earning Service Quality Management Certification in 2016 from Hong Kong Quality Assurance Agency, our Service Quality Management system ensures feedback and opinions are diligently collected through post-call surveys via telephone, e-mail, and written communication. Periodic monitoring and auditing on customer services calls and written communication by the Service Quality Management team and the mystery shoppers programme by consultants enable us to identify improvement areas, and formulate better procedures and policies to augment our customer service.

With this effective quality management process, the Group is able to continuously improve and deliver customer service in a methodical manner. Validating the high quality of our residential customer service hotline, HKBN received the Service Quality Management Certification valid from 27 October 2016 to 26 October 2019.

Complaint Handling

Complaints made about product and service-related issues will be reviewed and investigated by the Service Quality Management Team, based on quality management guidelines. Subsequent to this, corrective and preventive actions are taken to prevent similar complaints from happening again. For circumstances when complaints cannot be easily resolved, further assistance and support will be provided by a dedicated Resolution Team. A control and monitoring system is in place to ensure complaints are handled in a timely manner that meets HKBN customer service pledge.

Product Responsibility

As a reputable and responsible business, we are determined to ensure that the products and services we provide are of the highest quality, balancing value with innovative technology solutions. For those reasons, we choose and only work with world-class partners before making our products and services 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 dual 14-day cooling off periods. This allows 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.

Continuing with our penchant to shake up industry norms, HKBN introduced unprecedented quad-play free-to-go bundle plans, enabling customers to flexibly enjoy mobile services, fibre broadband, OTT entertainment and home telephone.

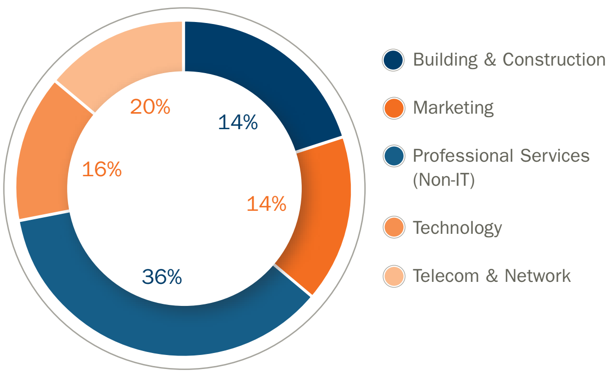
To take advantage of the convenience of an online one-stop personalised account management system, our "HKBN My Account" platform allows customers to perform a myriad of account-related services, including checking the latest service details and bill statements, making instant payments, editing personal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

Supply Chain Management

We are committed to handling our supplier procurement activities in a way that meets 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. For purposes of diversity, HKBN endeavours to provide sourcing opportunities to more businesses, including social enterprise suppliers whenever possible.

Currently, the Group maintains business relationships with over 1000+ suppliers. 99% of our suppliers are sourced locally in Hong Kong and China.

Percentage of suppliers by service category



As a company driven by technology, we are cognizant that supplier performance plays a crucial role in ensuring we can operate smoothly and that our resilience capabilities are equipped to provide customers with outstanding services. To bolster our supplier management measures, we have incorporated criticality assessments that take into account the potential risks impacting customers, environmental sustainability, legal liability as well as the level of disruption to HKBN.

These assessments not only enable us to identify potential risk much earlier, but also allow us to mitigate hazards in a proactive manner. Importantly, these assessments provide a solid framework on how we monitor and measure a supplier's performance.

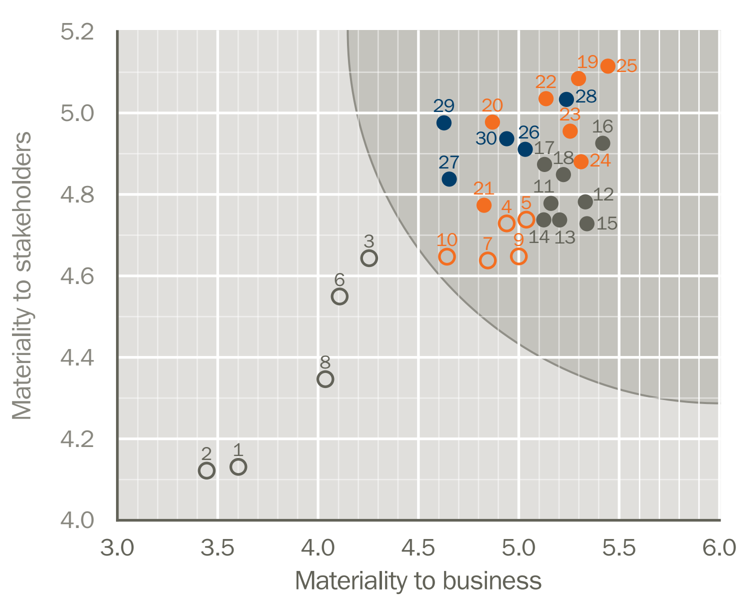
To ensure sustainable procurement is integrated into our supply chain, we have since 2016 included a 10-percent sustainability-weighting factor as one of the evaluation criteria for our tendering process. Furthermore, we aim to communicate a finalised Supplier Code of Conduct, which sets out our expectations on corporate governance, environmental protection, healthy & safety standards and fair labour conditions that all our strategic suppliers should comply with by the third quarter of 2018.

Stakeholder Engagement

Communicating and listening to stakeholders plays a critical role throughout the Group's operations. The feedback we get from investors, Talents, suppliers, business partners, and customers informs our understanding of priorities for business and sustainability. At all times, our objective is to engender a mutually beneficial connection with our stakeholders through honest and open engagement and disclosure.

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

Environmental, Social and Governance Materiality Matrix



This year, we appointed an independent consultant to conduct diverse stakeholder engagement activities, including online surveys, focus groups and interviews, of which the results were applied in a materiality assessment to evaluate all the environment, social and governance (ESG) aspects of HKBN. Stakeholders involved in the process include external stakeholders (i.e., customers, suppliers, community partners and regulators) and internal stakeholders (i.e., Co-Owners and non-Co-Owner Talents). We have identified the following material areas for inclusion in our next report.

HKBN FY17 Materiality Assessment

			Aspects	Material to HKBN?
Environment	○	1	Minimising emission of air pollutants	No
	○	2	Proper discharge of sewage	No
	○	3	Treatment of hazardous waste	No
	○	4	Minimising generation of waste	Yes
	○	5	Recycling of electric waste	Yes
	○	6	Minimising emission of greenhouse gas	No
	○	7	Energy efficiency	Yes
	○	8	Maximising water efficiency	No
	○	9	Minimising use of paper	Yes
	○	10	Minimising the use of packaging materials	Yes
Employment and Labor Standards	●	11	Dismissal and compensation policy	Yes
	●	12	Talent retention	Yes
	●	13	Working hours	Yes
	●	14	Equal opportunity and diversity	Yes
	●	15	Talent benefits	Yes
	●	16	Employee health and safety	Yes
	●	17	Employee training and development	Yes
	●	18	Respect labor rights	Yes
Product Responsibility	●	19	Service reliability and affordability	Yes
	●	20	Customer health and safety	Yes
	●	21	Fair and just marketing and advertising approach	Yes
	●	22	Clear terms of service termination	Yes
	●	23	Understanding customer satisfaction	Yes
	●	24	Respecting intellectual property rights	Yes
	●	25	Customer privacy	Yes
Economy and Community	●	26	Expanding service network to remote areas	Yes
	●	27	Community investment	Yes
	●	28	Anti-corruption	Yes
	●	29	Managing environmental and social performance of suppliers	Yes
	●	30	Promote innovation and embed innovation to services	Yes

Our Talent Culture

◉ The unique culture behind our success

More than any other factor, our Talents are fundamental to our success. Mindful of this, we are committed to long-term investments that benefit Talents by helping them adapt professionally and intellectually to a complex and ever-changing business environment. Overall, our policies and initiatives are designed to espouse a corporate culture that champions Talent engagement and LIFE-work priority.

Our Talent Culture

Our Talent-first approach to business does not only set us apart, but more importantly, it drives our ability to innovate and stay competitive. Core to our strategy to attract, train, incentivise and retain Talents are the substantial investments we make each year to help Talents continuously develop and learn, both within and beyond their own on-the-job competencies. Other key factors in our ability to attract and retain staff are competitive salaries, comprehensive benefits and appealing career development opportunities.

Talent Engagement

At HKBN, ideas can come from anyone within the company. We value and respect every Talent's opinion and choices, and as such, we allow individuals to propose new ideas or ask them to vote for preferences on important matters. To stimulate innovation, we create and maintain an open culture through management's encouragement as well as a reward system, so that everyone feels comfortable and motivated to contribute ideas and share feedback.

Talent Meetings

To foster open and direct communications, we hold town hall meetings for all our Talents in Hong Kong and Guangzhou at least twice a year, which allow our senior management to share the latest updates on our business and get direct feedback from Talents.

As every day is a constant juggling of life, family and career responsibilities, it's easy to lose perspective with what drives us to achieve better. Echoing our recent #StartfromLimit integrated marketing blitz, we were eager to leverage stories of local overachievers to remind Hong Kongers that with the right attitude and determination, anything is possible! But before the #StartfromLimit ambassadors got introduced to Hong Kong's wider audiences, we invited one of them, paraplegic rock climber Chi-wai Lai, to take centre stage at our Talent Meetings (Hong Kong and Guangzhou) in July 2017.

Facing about 3,000 HKBNers, business partners and family members, Chi-wai recounted how his extraordinary career as a former world no. 8 and Asian rock climbing champ was abruptly cut short following a freak motorcycle accident. Through this inspiring talk, Chi-wai revealed the many twists, turns and epiphanies that have empowered his recovery to cope with life as a paraplegic father, husband and inspirational athlete – he continues pushing every limit as a wheelchair-bound climber. Spurred by Chi-wai's heartrending 'can do' journey, everyone came away absolutely uplifted, renewed with a spirit to push beyond typical expectations.

At our Talent Meetings, paraplegic climber Chi-wai Lai shared his story of perseverance and inspired our 3,000 Talents never to back down from any challenge.

Our Talent Culture

From notes which inspire us to messages on strategy, members of our management team have an off-the-cuff practice of sharing memos with all our Talents.

Purpose and profit - Message (HTML)

File Mail

19/7/2017 (Wed) 17:43

William Yeung

Purpose and profit

To GZ Point 3x up Talents; HK Point 3x up Talents

Dear All,

I don't want to spend too much of your time in today's management meeting. I have additional points to share :

We pursue both PURPOSE and PROFIT at HKBN.

We strongly buy in the saying that PURPOSE could drive for PROFIT. These 2 Ps are not mutually exclusive !

A group of HKBNers doing good things together (delivering our core purpose of making our HK a better place to live) will definitely be capable of doing the Right things that beget profit.

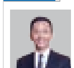
In arranging sharing from Principal Chan, Chi Wai, Langston..etc and HKBN/CSI's participation in different events in GZ and HK; we hope to remind all of us to pursue PURPOSES in our different roles as a person.

Cheers

William Yeung
CEO & Co-Owner
Hong Kong Broadband Network Limited

Winning the war - Message (HTML)

File Mail



17/5/2017 (Wed) 21:12

William Yeung

Winning the war

To GZ Point 3x up Talents; HK Point 3x up Talents

All,

In Mgt meeting today, we heard about the retail war and the talent war...etc.

I want to highlight that :

1. At war, we should achieve the practical goal of "winning the war in the battlefield", not talking about the war in the office or presentations.
That's why we promote pain-Gain scheme to reward fighters at battlefield, not talkers at back.

2. At war, we create our own rules which help us win.
We do not need to follow the market norm or traditional practices. Traditional practices will benefit the traditional big guys like HKT.
We, HKBN, grow and survive through disruption. We create new game rules benefiting us.

Recently, a Mixed Martial Arts (MMA) player beat a Tai Chi guru in just 7 seconds.
There are many comments at hindsight.
I don't mean I agree to all the points in article below.
I want to point out the winner was not bound by rules of Tai Chi. He only needed to beat the opponent, by his (legal) ways and he won.

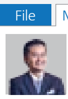
Let's keep winning through disruption !

Cheers

William Yeung
CEO & Co-Owner
Hong Kong Broadband Network Limited

RE: Beyond Effective Sales and into Partnership Mindset - Message (HTML)

File Mail



18/5/2017 (Thu) 10:12

NiQ Lai

RE: Beyond Effective Sales and into Partnership Mindset

To All Fellow HKBN Talents

Dear All Fellow HKBN Talents,

My work with HKBN has been since 1999 when at Credit Suisse, I helped City Telecom list in NASDAQ to raise funding for HKBN's fibre network rollout. I have been "selling" HKBN ever since. I believe there is no shortcut to consistency.

When I sell "HKBN", I don't consider it selling, rather I am sharing the upside with others and helping them gain from the benefit of interacting with HKBN. HKBN this is something that I truly believe in and have invested the far majority of my family net worth in. This applies to whatever element of HKBN I am selling, be it our stock, a HKBN career opportunity, our services etc. For example, when I sell our "Co-Ownership" to a new potential candidate, this is something that I truly believe will benefit both of us over time, i.e., I am sharing my HKBN upside and in doing so, create more upside for both of us. This is what we mean by beyond effective sales and into partnership mindset.

In short, a vendor mindset is about maximising the profit made from our customer on every single transaction, whereas a partnership mindset is about maximising perpetual total profits for both partners. For example, our [ABC] case, it is not just selling them our broadband service, rather it is helping them source a large base of restaurants to deploy their broadband connected TVs. For a chain store, it will be normal for them pay over HK$100,000/month in rental versus less than HK$1,000/month for our broadband, so whatever we can do to help them with shorten rollout time and to draw more traffic to their stores is far more important that what we charge them for broadband.

1. Whenever you go into a meeting, go there to WOW them.
It is critical to have this WOW mindset upfront. Avoid using a standard sales pitch, rather go with a customized proposal that shows we understand our partner's pain and opportunity points. Listen more than we speak and modify our proposal accordingly after listening. The best way to show that we listen, is to have an evolving proposal that improves as our customer's feedback is incorporated into it. The biggest and most common mistaking I see sales people making, is doing too much talking and overselling a pre-packaged solution. Remember the best negotiation outcome is when both parties want to return to the table for the next negotiation.

2. Treat your customer as business partner rather than a point of sales.
Think about how we can maximize profits for our business partner by understanding how they end-use our services. Think about how we can make them look good in front of their bosses, their customers, their other stakeholders. If you help we help them make money, they will always come back to buy more from us.

3. True test of service is how we respond to problems.
When things are going right all vendors are good, but when things go wrong, this is what sets a vendor versus partner relationship apartment. In servicing our investors, I offer the most engagement when our stock price is down, rather than when things are going well.

Cheers,

NiQ Lai
COO & Co-Owner
Hong Kong Broadband Network Limited

A mission accomplished, as 114 members of management completed military training during our management experiential trip in South Korea.

Scan to view our 2016 Annual Management Experiential Trip

SeoulMates – 2016 Annual Management Experiential Trip

Cognizant that competition is always fierce and complacency is never an option, in October 2016 we travelled to South Korea – for our annual management experiential trip. Exemplary of how we stay on top of the game, 114 members of management underwent strict training from ex-Marine Corps officers at Cheorwon-gun base, a military training facility located just outside the DMZ border. Amid this one-of-a-kind setting, our excursion gave participants the chance to confront their inhibitions and explore new prospects outside of comfort zones. Adhering to military-grade discipline, our managers transformed themselves into an orderly brigade, splitting into groups to carry out their assigned roles. Crucially, the whole programme helped intensify the comradery felt by managers. To inspire Talents via a range of unique experiences, we also went behind-the-scenes to visit automaker KIA's cutting-edge manufacturing facilities, as well as the Gyeonggi Centre for Creative Economy & Innovation. Adding a touch of cultural fun, our participants brushed up on Korean cookery, Taekwondo and K-Pop song and dance.

Love • Action Campaign

Across social media, our viral video campaign on home telephone service – which featured real-life heart-touching stories – inspired Hong Kongers to re-examine the everlasting connection between family, love and the home. Mirroring this, we asked our Talents to parallel this sentiment via a gesture of affection for the people who deserve it most – our parents! Dubbed "Love • Action", more than 500 Talents participated by writing messages of appreciation on custom-made postcards. To lend a special touch of care, our amazing broadband engineers, as well as our senior management team assisted as couriers, hand-delivering the cards to the parents of our Talents – acknowledging their unconditional support. For this show of love, Talents were rewarded with $^{1}/_{2}$ day of paid leave to spend more time with family.


Lending an extra touch of care, our broadband engineers and senior management team hand delivered notes of love to the parents of our Talents.

After another year of amazing disruption, we celebrated in style with fun games and entertaining performances.

Vappy Party (Vappy = Very Happy)

To ring in the holiday season on a high note, we celebrated another year of success with an engaging Annual Dinner, treating Talents to plenty of side-splitting fun and games, as well as a line-up of amazing on-stage performances that featured the swagger and skills of HKBNers. Themed around Korean pop, the party encouraged our Talents to dress up in creative costumes.

360 Outdoor Activity Day

Designed to improve team unity for our Talents based in Guangzhou, this challenge-filled exercise put each individual's team intelligence and physical fitness to the test. By splitting into 50 different teams, our Talents were able to enhance their communications amongst departments via an array of activities which included swimming, a bridge-building exercise and more.

Talent Engagement & Acquisition Mobile App

Taking note that social networks are empowering our reach like never before, we've innovatively leveraged the power of WeChat app to serve two highly practical purposes:

- Talent engagement: allow our Talents to stay updated with company info and happenings, as well as get replies to their enquiries.
- Talent acquisition: allow potential candidates to find open positions and make interview appointments.

Thanks to the app, 458 job applications have been received since September 2016.

Building bridges to enhance team unity in Guangzhou.

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 come before work. With this being a core facet of life inside HKBN, we continued to ensure that our Talents can work and live happy, fulfilling lives.

Talent Benefit Enhancements

Mindful that Talents play a critical role in our overall success, we strive to ensure that our LIFE-work priority initiatives are always functioning the way they were intended: to benefit our Talents. To make sure Talents can spend more time with friends and family, various enhanced benefits have, since September 2016, been introduced:

Enhanced Benefits:

- Upgraded once-a-month Early-off Friday to Half-day Off Friday, allowing Talents to leave office after 12:30pm. This measure is equivalent to 6 days of paid leave annually.
- Improved Maternity Leave now provides expecting Talents with 16 weeks of full-pay leave.
- Upgraded Paternity Leave for 14 days of full-pay leave.
- Augmented Marriage Leave now provides both contract and permanent Talents with 5 days of paid leave.
- With effect starting 1 April 2017, the new Grandparenthood Leave provides Talents who become grandparents with 3 days of paid leave.
- Dating Leave allows shift-duty Talents in Guangzhou to enjoy one additional day of paid leave annually.

Promoting Wellness

Part and parcel with our commitment to LIFE-work priority is the knowledge that family and health always take precedence. The following programmes are indicative of the dedication we maintain in helping Talents live healthier and happier:

Enhancing Relationship Series

With the average age of our Talents now in the 30s, many HKBNers are experiencing a new stage in their lives. As such, the welfare of their social relationships is increasingly a matter of interest.

Gender Speak Dating Workshop

In March 2017, we organised a workshop led by a professional consultant to help participants effectively improve their gender relationships. Via in-depth examinations on gender characteristics and differences, our Talents discovered a new perspective in the way they can build meaningful relationships.

Prepare & Enrich Workshop

Designed for pre-marital and married couples, this workshop helped participants identify their strengths, as well as areas requiring improvement. Through participation, our Talents learned how to reduce stress, strengthen communication skills and ways to resolve conflict in order to live better as a couple.

Family Experience Day gave our Talents the opportunity to expose loved ones to HKBN's working environment.

Our passion for speed truly knows no bounds.

Family Experience Day (Hong Kong)

Knowing how important the parent-child relationship can be, a Family Experience Day was organised in July 2017. Through this event – as an example – we enabled children to experience the job environment in which mom and dad devote themselves professionally. In total, 45 Talents brought 46 family members to visit our offices in Kwai Chung, Hong Kong. For heightened engagement, a variety of amusing activities such as face painting, a painting competition to recreate the office and others were organised.

Family Experience Day (Guangzhou)

Similar in purpose to the event held in Hong Kong, our Family Experience Day for Guangzhou was organised in a slightly different manner. In May 2017, over 100 Talents participated in a workshop to create glass enclosed micro-landscape designs they could take home and share with loved ones. As a follow-up to this, in June 2017 a family-oriented trip to the Guangzhou Metro Museum was organised for our Talents. About 40 Talents and their family members joined our inspired-learning event.

Hong Kong-Guangzhou Basketball League 2017

As always, we're passionate about encouraging our Talents to stay active through fun, athletic activities. To help foster greater team spirit and stronger relationships amongst our Talents, we continued to organise ourselves into different basketball teams. For four months, 150 Talents from Hong Kong and Guangzhou were divided into 12 teams as they competed against one another for the top spot.

Hong Kong Marathon 2017

For the tenth year in a row, we outperformed at Hong Kong Marathon 2017. To help some of our marathon runners sustain their need for challenges as well as surpass their personal limits, we took part in bi-weekly training sessions for four months led by award-winning marathon coach Wong Ka Man. To help with our preparations, we invited a registered physiotherapist to share his homeopathic know-how and expertise. Braving through the challenge, a total of 128 HKBNers completed their runs of the 10 km, half marathon and full marathon events.

The spirit of competition is strong amongst Talents from our basketball league.

Our Talent Culture

Life-Long Learning & Development

At HKBN, continuous learning and development of our Talents is a quintessential part of life. At every stage of their careers, Talents are appropriately nurtured through formal development and training programmes that serve to expand our long-term prospects, as well as facilitate a continuation of our corporate aspirations and cultural values.

The Selfidence programme has enabled our Talents to transform their confidence and sound professional conduct into skillsets.

Next Station: University (NSU) II

Following the success of the original NSU 2009-2014 programme (which saw 30 HKBNers realise their dreams of post-secondary studies), NSU II officially returned 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 dreams of earning a Bachelor's Degree in Business from Glyndwr University, UK. In exchange for their sponsorship, NSU II students must – on top of completing the curricular requirements – initiate a three-year plan centred on career development and enrichment. In addition, the students must partake in a Corporate Social Investment (CSI) project, applying what they've learned academically for the good of our communities.

As a sponsored programme, NSU is considered a co-investment in Talent development made by the Company, respective department heads and each individual Talent. During the year, our participants have surpassed the halfway point of their three year curriculum. In addition, they've also undertaken various CSI activities to put their business knowledge to practical use.

CareerGPS

Through 1-on-1 interactions, CareerGPS helped Talents identify their future career development plans and facilitate ways they can achieve such goals. With the emphasis on understanding personal value, finding passion at work, and learning how to approach short and long-term career planning, we offered consultations (provided by 14 certified career facilitators) to participating Talents. Importantly, this programme has equipped Talents with the right attitude to embrace ownership of their career, emphasising development based on change.

Selfidence

Towards our junior-level Talents, the need for development support is crucial to HKBN. 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 embraced an array of exercises, from how to maintain a positive attitude when faced with challenges to the ways personal charisma and confidence can be leveraged for improved presentation skills, to help Talents act and communicate like a properly trained professional. From May 2017 to August 2017, 26 Talents took part in an aggregate of 572 hours with the programme.

During the year:

5 Talents
participated in 1-on-1 CareerGPS consultations

70 Talents
participated in career sharing sessions

108 Talents
participated in career planning workshops

To find the right Graduate Technical Trainee programme participants, a recruitment event that featured various aptitude challenges was organised for 48 shortlisted candidates.

Succession Planning

To support our succession planning process, we strive to foster a bloc of next generation leaders who possess the capacity for team management and outstanding leadership. The following development programmes are exemplary of how we identify and cultivate successors and other high potential Talents:

Be a Pioneer Management Development Programme

This one-year programme was designed to both identify and nurture high potential Talents, imparting them with the vital skillsets to step into a management role. Throughout the fiscal year period, a total of 14 Talents have undertaken development of their core leadership competencies, which have ranged from participation in development workshops centred on presentation skills, business innovation, risk management and others; involvement in the departmental improvement plan; to shadowing of our Management Committee members and the training of creative thinking skills.

Graduate Technical Trainee (GTT) Development Programme

With succession planning in mind, the objective of the GTT development programme has been to identify and nurture a group of technical graduate trainees who can step into a future management role at HKBN. Towards this end, we rolled out a high-profile recruitment campaign and a series of aptitude exercises in 2015, from which seven high potential university graduates were enlisted out of 1,185 applicants.

After 18 challenging months with the programme, a period in which our GTT participants gained wide-ranging exposure through experiences that included job rotations, immersion in business imperative projects for IT, marketing and product development initiatives, external sharing with companies such as LinkedIn, Merck Sharp & Dohme (Asia) and Bloomberg, and more, four out of the seven participants who started the programme finished their training and continued their HKBN journey as full-time Talents.

Following this success, in July 2017 we continued the GTT programme with a new group of trainees. For 2017, we have streamlined the programme by enlisting two elite participants from a short-listed group of 48 candidates. Like the original GTT programme, our two participants will now undergo a variety of wide-ranging experiences, challenges and one-on-one coaching by senior management during the planned 24-month period.

Proud of their developmental transformations, our Be a Pioneer participants celebrate as one.

Be a People's Leader Development Programme

In order to support our succession planning capabilities, fostering a bloc of next generation leaders is imperative. From October 2016 to August 2017, we leveraged this development programme to equip a diverse group of 58 team leaders with the supervisory skills they need to drive team productivity and performance.

During the fiscal year period, development training focused on the following:

- Skills assertiveness workshop: helped Talents identify different personalities in the workplace and understand the most effective way of communication to maximise teammate potential.
- Creative thinking workshop: introduced different creative tools to enhance a leader's innovative problem solving skills.
- Coaching skills: helped Talents master the latest techniques in coaching and feedback delivery to team members.
- Positive leadership: Talents learnt how to apply positive psychology to achieve the best results when supervising team members.
- Breakthrough training: helped Talents overcome personal limits and embrace challenges beyond their normal comfort zones.

In two short months, we engaged our summer interns with amazing challenges and incredible opportunities to learn from Hong Kong's top business leaders.

Summer Internship 2017

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. Mindful that times are changing, for 2017 we've challenged our interns not only to see the big picture business landscape, but also embrace their potential as societal difference-makers. So rather than just develop business leaders, our goal was to nurture leaders with social responsibility! Covering numerous experiences in an intense two-month period (from June to August 2017), our 14 interns, arriving from different countries from around the world, were challenged daily with opportunities to engage business leaders from Microsoft, J.P. Morgan and many others, shadow our senior management, harness their entrepreneurial prowess and take charge in corporate social investment project to serve local communities.

Award & Achievement

During the financial year, our holistic Talent-first approach to engagement proudly earned us an Asian Human Capital Award – Special Commendation Prize, jointly conferred by the Singapore Ministry of Manpower and the Capital Leadership Institute. Of particular note, this award is the first time HKBN's Talent engagement efforts have been prestigiously recognised on an international level.

In addition, HR Asia Award 2017 – named us one of the best companies to work for in Asia.

CY Chan, our Head of Talent Engagement & Corporate Social Investment and Co-Owner, accepts on behalf of HKBN the Asian Human Capital Award in Singapore.

Our Talent Culture

Co-Ownership

Our unique Co-Ownership Plan allows individual Talents (eligibility restricted to supervisors and above level 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 ratio of 3 free shares for every 7 purchased shares, vested over three anniversaries. Through this dual role as both investor and Talent, our Co-Owners are incentivised with an ever-evolving mission to watch over all aspects of HKBN's success and competitiveness – everything from risk assessment and network reliability to customer satisfaction are ventured with a sense of accountability and passion beyond what's expected of a typical employee.

Far from typical, our dedicated Co-Owners always have the company's best interest at heart. As of the end of this financial year, HKBN is run by 331 Co-Owners, a significant majority of our supervisors and above level Talents.

Hong Kong Talent Meeting

Our open approach to communication is reflected through our 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 HKBNers, and strengthen our esprit de corps.

Kowloonbay International Trade & Exhibition Centre, 11 July 2017
About 1,500 Hong Kong Talents and external guests attended

Guangzhou Talent Meeting

A workforce of over 1,200 Talents in Guangzhou and Shenzhen is integral to our service excellence and business success.

Lian Meng Indoor Basketball Court, 20 July 2017
About 1,150 Guangzhou and Shenzhen Talents, and external guests attended

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	Senior Officer – Marketing Communications
Au Wai Ming, Sarah	Officer – Operation, Residential Services
Au Wing Hong, Brian	Assistant Manager – Marketing
Au-Yeung Yuen Mei Regina	Senior Manager – Procurement
Chan Bo Chun, Bonnie	Senior Manager – Administration & Corporate Social Investment
Chan Che Lan, Angus	Associate Director – Technical Service
Chan Cheung Ching	Senior Officer – Customer Retention & Retail, Residential Services
Chan Chun Lung, Alvin	Assistant Manager – Network Design & Construction
Chan Chun Yu, CY	Head of Talent Engagement & Corporate Social Investment
Chan Fan Hei, Joe	Assistant Manager – Corporate Sales, Enterprise Solutions
Chan Fung Yee, Peggy	Executive Secretary
Chan Hiu Kei, Andrew	Assistant Manager – Systems Integration, Enterprise Solutions
Chan Hiu Ting, Rachel	Manager – Commercial Sales, Enterprise Solutions
Chan Ka Kit, Tony	Manager – Commercial Sales, Enterprise Solutions
Chan Ka Yan, Kayan	Assistant Project Manager, Enterprise Solutions
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 – Corporate Sales, Enterprise Solutions
Chan Kwok Wah, Ronald	Engineer
Chan Lui	Senior Engineer
Chan Man Wai, Bob	Senior Network Engineer
Chan Po Wai, Eric	Solutions Manager, Enterprise Solutions
Chan Pui Wai, Felix	Assistant Project Manager, Enterprise Solutions
Chan See Wan, Ada	Senior Internal Auditor
Chan Shing Kit, Leo	Manager – Business Support Systems
Chan Siu Fung Angus	Assistant Manager – Customer & Technical Service, Enterprise Solutions
Chan Tik Sum, Dicky	Senior Engineer
Chan Wai Hong, Ken	Senior Account Manager – Corporate Sales, Enterprise Solutions
Chan Wai Hung, Joe	Manager – Channel Business, Enterprise Solutions
Chan Wing Kin, Nicky	District Service Network Consultant
Chan Wing Sze, Annie	Associate Director – Customer Service, Residential Services
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 Business, Enterprise Solutions
Chen Lui Kat, Clara	Senior Account Manager – Corporate Sales, Enterprise Solutions
Chen Xiao Qing, Steven	Officer – System Support

Co-Owner Name	Business Title
Cheng Chung Man, Michelle	Assistant Company Secretary
Cheng Kit Yan Gladys	Associate Director – Corporate Communications
Cheng Ning Tat	Assistant Manager – Corporate Sales, Enterprise Solutions
Cheng Siu Mei, Carol	Senior Draftsman
Cheng Sui Wah, Coco	Senior Manager – Carrier Sales, Enterprise Solutions
Cheng Wai Keung	Assistant Manager – Network Operation
Cheng Wai Tak, Duck	Engineer
Cheng Wing Kai	Manager – Network Operation
Cheung Chi Ming, Chris	Manager – VIP Helpdesk
Cheung Chung Sze, Josey	Manager – Marketing
Cheung Hiu Lun, Winsy	System Analyst
Cheung Ho Fai Paul	Assistant Manager – Commercial 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 – Business Support, Enterprise Solutions
Cheung Siu Fun, Cizzy	Assistant Manager – Business & Sales Support, Enterprise Solutions
Cheung Tsz Wai, King	Assistant Manager – Service Provider Business, Enterprise Solutions
Cheung Yuk Sun, Andy	Senior Engineer, Enterprise Solutions
Cho Ka Wai, Carol	Assistant Manager – Talent Development
Cho Tak Ming, Tim	Engineer
Choi Kai Ming	Senior Officer – Business Analysis
Choi Kwok Keung, Eric	Manager – Corporate Sales, Enterprise Solutions
Choi Sau Luen, Germaine	Manager – Marketing
Choi Tsz Kin Arthur	Assistant Manager – Network Planning
Chow Chun Yu, Chris	Manager – Technology Network Development
Chow Hoi Yan, Ringo	Unit Manager, Residential Services
Chow Ka Yan Kelvin	Accounting Assistant
Chow Tak Yin, Yager	District Service Network Consultant
Choy Pak Nin, Hydro	System Analyst
Choy Siu Fung, Winnie	Project Officer
Chu Chi Chung, Daniel	Manager – Network Planning
Chu Kin Leung, Alex	Senior Manager – Commercial Sales, Enterprise Solutions
Chu Pui Ho Raymond	Assistant Manager – Solutions Consulting, Enterprise Solutions
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 Value Management, Residential Services
Ding Han, Henry	Assistant Manager – Organization Development
Eng Tat Hang, Terry	Assistant Manager – Technology Network Development
Fok Kwan Wah, William	Engineer
Fok Wai Leung, WL	Associate Director – IT

Co-Owner Name	Business Title
Foog Wilson Kang Ching	Senior Engineer
Fung Ka Cheong, Tommy	Business Analyst, Enterprise Solutions
Fung Sze Ming, Ryan	Senior Engineer
Fung Yun On, Henry	Assistant Manager – Quality Management, Enterprise Solutions
Hau Pak Shing, Thomas	Account Manager – Commercial Sales, Enterprise Solutions
Hau Tik Leung, Tony	Account Manager – Corporate Sales, Enterprise Solutions
Ho Chan Fai, Eric	Chief Information Officer
Ho Chun	Unit Manager, Residential Services
Ho Chun Kit	Assistant Manager – Customer Care Services
Ho Hin Wah, Franco	Analyst Programmer
Ho Kwok Kay, Bruce	Manager – Product Management, Enterprise Solutions
Ho May Kiu, May	Manager – Corporate Sales, Enterprise Solutions
Ho Sze Yuen, Kit	Senior Account Manager – Commercial Sales, Enterprise Solutions
Ho Wai Man, Raymond	Manager – Technology Network Development
Ho Yin Tsung, Candy	Senior Officer – Business Analysis
Hong Kin Fat, Kelvin	Manager – International Business, Enterprise Solutions
Hue Khim Ling, Kim	Lead of Marketing Communications
Hui Leong Kin, Ben	Director – Customer Retention & Retail, Residential Services
Hui Sze Man, Sue	Account Manager – Commercial Sales, Enterprise Solutions
Hui Ying Tat, Alex	Officer – System Support
Hui Zin Yiu Samuel	Lead of Digital Innovation & Development
Hung Ka Man	Unit Manager, Residential Services
Hung King Fai, Winnie	Manager – Technology Voice Development
Ip Suk Han Clio	Head of Specialized Products, Enterprise Solutions
Jim Cheung Ko Edward	Head of Corporate Sales, Enterprise Solutions
Kan Wing Cheung, Jerry	Assistant Manager – Network Operation
Ko Ching Yan Loretta	Head of System Integration & Product Management, Enterprise Solutions
Ko Chung Shan, Joanna	Manager – Intelligent Building Access
Kwan Chun Sing Tommy	Manager – Corporate Sales, Major Accounts and Special Project, Enterprise Solutions
Kwan Chung Leung, Alex	Officer – Application Support
Kwan Ka Yau, William	Associate Director – Network Design & Construction
Kwok Wai Kin, Stephen	Manager – IT
Kwok Yi Pan, Ben	Assistant Technical Specialist
Kwong Kwok Keung, Ken	Manager – Project Management, Enterprise Solutions
Lai Chi Ho Benny	Senior System Analyst
Lai Kam Wai, Paul	Senior Engineer
Lai Kar Woo Kelvin	Manager – Marketing, Enterprise Solutions
Lai Ni Quiaque, NiQ	Chief Operating Officer
Lai Sau Wai, Rainse	Assistant Manager – Business Development & Partnership
Lai Yiu Kay	Engineer
Lai Yuen Man, Carol	Senior Manager – Business Development & Partnership

Co-Owner Name	Business Title
Lam Chi Hang, Kenji	Manager – Business Analysis, Enterprise Solutions
Lam Ka Kin, Matthew	Manager – Pre Sales and Project Management, Enterprise Solutions
Lam Ka Ling, June	Director – Digital Operations & Process Transformation, Enterprise Solutions
Lam Pui Pik Monza	Project Management Specialist
Lam Siu Kei, Catherine	Director – Business Development & Partnership
Lam Wai Chun, Anthony	Manager – Corporate 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 Po Chu, Zoe	Officer – Marketing
Lau Yee Ling, Elaine	Associate Director – Customer Services & Business Support, 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 – Corporate Sales, Enterprise Solutions
Law Yun Ha, Emily	Senior Officer – Procurement
Lee Chun Ho, Leo	Officer – Voice Business & Traffic Management, Enterprise Solutions
Lee Chun Yin, Terry	Assistant Manager – Network Operation
Lee Chung Po Brian	Associate Director – Corporate Sales, Enterprise Solutions
Lee Fung Chi, Maisie	Senior Account Servicing Manager, Enterprise Solutions
Lee Sai Ting, Dumas	Engineer
Lee Yuen Lam, Kitty	Manager – Marketing
Leong Man Sze, Money	Senior Officer – Credit & Collection
Leung Chak Sum, Sam	Senior Manager – Carrier Business, 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	Manager – Technical Service
Leung Hip Chun, Thomas	Senior Account Manager – Mobile Business, Enterprise Solutions
Leung Hiu Fung	Engineer
Leung Ka Chun, Eric	Officer – Marketing
Leung Ka Yan, Jenn	Senior Business Analyst – Marketing
Leung Kar Yee, Carrie	Manager – Account Servicing, Residential Services
Leung King Chiu, Patrick	Financial Controller
Leung Pik Lai, Priscilla	Senior Manager – China Business, Enterprise Solutions
Leung Siu Kei, Franco	Assistant Manager – Application Development
Leung Tat Kin, Ken	Assistant Manager – Sales, Residential Services
Leung Wai Chun, Cindy	Associate Director – IT
Leung Wai Hong Franki	Senior Officer – Operation, Residential Services
Leung Wai Lun, Alfred	Assistant Manager – Technology Voice Development

Co-Owner Name	Business Title
Li Chi Lun Alan	Manager – Digital Operations & Process Transformation, Enterprise Solutions
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 – Customer & Technical Service, Enterprise Solutions
Li Man Hong, Don	Manager – Solutions Consulting, Enterprise Solutions
Li Ming Ho, Marco	Manager – Marketing, Enterprise Solutions
Li Wai Ching, Phoebe	Assistant Manager – Marketing
Li Yau Chung, Danny	Director – Network Architecture & Technology
Li Yun Lung Henry	Senior Manager – Marketing, Enterprise Solutions
Lin Nga Chi, Gigi	Senior Officer – Operations Support
Liu Chun Ho, Joe	Manager – Telesales, Residential Services
Liu Chung Wah Maggie	Senior Manager – Major Corporate Account Relations, Enterprise Solutions
Liu Kwok Hei	Project Management Specialist
Liu Wai Sze, John	Senior Access & Services Manager
Lo Ka Chung, Jacky	Manager – Technical Service
Lo Kin Fung, Jason	Assistant Manager – Finance
Lou Tit Fun, Elsie	Executive Secretary, Enterprise Solutions
Lui Chi Wan Stephen	Associate Director – IT
Ma Cheung Tang, Daniel	Unit Manager, Enterprise Solutions
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	Senior 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 – Network Operation & Program Management
Ng Kwok Kei, Eddie	Manager – Sales, Residential Services
Ng Lai King, Yoyo	Senior Manager – Marketing
Ng Man Lung, Calvin	Senior Manager – Sales, Residential Services
Ng Man Piu, Bill	Assistant Manager – Network Operation
Ngan Chiu Cheuk, Simpson	Senior Manager – Network Planning & Commercial
Or Yuk Ka, Oscar	Senior Officer – Digital Operations & Process Transformation, Enterprise Solutions
Pang Shuk Han, Sharon	Manager – Business Process Management
Pang Siu Wai, Peter	Senior Manager – Corporate Sales, Enterprise Solutions
Pun Hei Wa, Herman	Director – Operations Support
Shek Tsz Dik	Manager – Network Design
Sheung Yau Ting, Tim	Senior Engineer

Co-Owner Name	Business Title
Shin Tao Wo, Kelvin	Assistant Manager – Customer Service, Enterprise Solutions
Shiu Chui Shan Trasan	Senior Manager – Customer Retention & Retail, Residential Services
Shiu Yung Yin, Elinor	Head of Marketing
Shum Pak Kin, Ken	Manager – Network Operation
Sin Ho Nam Herman	Quality Assurance Specialist
Sy Shun Wai, David	Senior Officer – Business Analysis
Sze Pik Ki, Joey	Assistant Manager – Marketing
Tai Yu King, King	Account Servicing Manager, Enterprise Solutions
Tam Man Shan	Manager – Audit
Tam Maria Amy	Head of Legal & Company Secretary
Tam Ping Shun, Benson	Assistant Manager – Business Analysis, Enterprise Solutions
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 Sio Kuong, Ben	Engineer
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, Enterprise Solutions
To Wa Chung, Terry	Senior Account Manager – Corporate Sales, Enterprise Solutions
Tong Wing Yee, Wing	Manager – Business Process Management
Tsang Kwong Yin, Don	Analyst Programmer
Tsang Man To	Senior Engineer
Tsang Tat Hong, Anthony	System Analyst
Tsang Tsz Ming, Mingo	Senior Manager – Commercial Sales, Enterprise Solutions
Tse Lai Ping, Betty	Contracts Manager, Enterprise Solutions
Tsoi Kam Fung, Karina	Associate Director – Corporate Sales, Enterprise Solutions
Tung Ki Lok, Peter	Senior Manager – Voice Business & Traffic Management, Enterprise Solutions
Wa Ka Wai, Patrick	Assistant Manager – Business Analysis & Marketing
Wan Chi Yuen	Unit Manager, Residential Services
Watt Chun Man Adrian	Head of Carriers & International Business, Enterprise Solutions
Wong Cheuk Ting, Cheuk	Assistant Manager – Business Support Systems
Wong Chi Hung, Jerry	Assistant Project Manager, Enterprise Solutions
Wong Chung Lam, David	Manager – Building Access
Wong Hing Fan	Engineer
Wong Ho Pan, Kiff	Shop Manager, Residential Services
Wong Hong Yee, Connie	Senior Manager – Finance

Co-Owner Name	Business Title
Wong Kit Hang, Steven	Assistant Manager – Commercial 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	Assistant Manager – Corporate Sales, Enterprise Solutions
Wong Oi Yee, June	Officer – Credit & Collection
Wong Pak Keung, Danny	Senior Engineer
Wong Pak Lin, Thomas	Manager – Product Management, Enterprise Solutions
Wong Pui Yi	Senior Manager – Carrier Business, Enterprise Solutions
Wong Sau Ngai, Taylor	Officer – Business Process Management
Wong Siu Kai, Frankie	Assistant Manager – Commercial Sales, Enterprise Solutions
Wong Tak Shing, Andy	Assistant Manager – Application Development
Wong Tak Shing, Boris	Senior Manager – Commercial Sales, Enterprise Solutions
Wong Wai Kei, Gary	Analyst Programmer
Wong Wai Ki, Edwin	Engineer
Wong Wing Cheong, Jan	Senior Account Manager – Corporate Sales, Enterprise Solutions
Wong Yue Kit Andrew	Financial Controller
Wong Yue Sum, Kathy	Associate Director – Corporate Sales, Enterprise Solutions
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 Bun Yin, Ben	Head of Business Development & Partnership
Yeung Chu Kwong, William	Chief Executive Officer
Yeung Ka Lam, Alvin	Manager – Service Provider Business, Enterprise Solutions
Yeung Kim Ping	Associate Director – IT
Yeung Kwok Chung	Senior Engineer
Yeung Kwong Cheung, Charles	Associate Director – 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	Senior Manager – Carrier Business, Enterprise Solutions
Yim Chung Hoi Eric	Manager – Product Development & Management, Enterprise Solutions
Yip Ka Wai Boris	Senior 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	Solutions Manager, Enterprise Solutions
Yuen Mei Ting, Winnie	Senior Officer – Talent Management

Guangzhou Office

Co-Owner Name	Business Title
Chen Hiu Yin, Bini	Assistant Unit Manager, Residential Services
Chen Kin Ching, Martha	Officer – Legal
Chen Man Yee, Queenie	Manager – Talent Management & Administration
Chen Man Yee, Wendy	Unit Manager, Residential Services
Chou Jian Ming, Dick	Manager, Enterprise Solutions
Deng Kei Biu, Benny	Senior Manager – Talent Engagement
Guan Man Ying, Annie	Assistant Manager – IT
Han Hing Ngai, Shine	Unit Manager, Residential Services
He Man Fung, Man	Assistant Unit Manager, Enterprise Solutions
Hon Yue Wah, Maggie	Officer – Talent Management
Huang Bing Yung, Allen	Assistant Manager – IT
Huang Chun Kit, Vincent	Manager, Enterprise Solutions
Huang Fung Ling, Kubi	Assistant Unit Manager, Enterprise Solutions
Lai Shui Yan, Tracy	Officer – Business Analyst
Li Chi Hoi, Zack	Unit Manager, Residential Services
Li Ngai Hiu, Michelle	Senior Officer – Talent Acquisition & Administration
Li Sin Gei, Grace	Officer – Talent & Organization Development
Li Yung Ming, Roy	Senior Unit Manager, Residential Services
Lin Man Fai, Venfy	Analyst Programmer
Lin Sung Fo, Marvin	Analyst Programmer
Liu Hok To, Matt	System Analyst
Liu Wai Mei, May	Unit Manager – Operation Support, Enterprise Solutions
Liu Wan Ching, Cherry	Senior Programmer

Co-Owner Name	Business Title
Liu Yin Fan, Evon	Senior Manager – Finance & Legal
Lu Ka Ho, Aries	Analyst Programmer
Ou Kin Chung, Jethro	Manager – IT
Qiu Sze Po, Boaris	Manager – IT
Song Dung Ping, Rebecca	Senior Officer – Finance
Su Chun Wing, Fox	System Analyst
Tang Fai, Don	Engineer
Wu Ching Yee, Cherrie	Unit Manager – Operation Support, Enterprise Solutions
Xiao Cheuk Ying, Helen	Unit Manager, Enterprise Solutions
Xiao Lai, Sherry	Unit Manager – Operation Support, Residential Services
Xu Fung Yee, Nancy	Manager, Enterprise Solutions
Xu Kit Kei, Joe	System Analyst
Yang Hiu, Terry	Assistant Unit Manager – Operation Support, Enterprise Solutions
Ye Kit Yi, Vivi	Senior Officer – Administration
Yuan Yim Lan, Kiki	Senior Unit Manager, Residential Services
Zhang King, Jacky	Unit Manager, Residential Services
Zhang Man Ching, Stephanie	Assistant Manager – IT
Zhang Yin Hung, Debora	Senior Officer – Talent Management
Zhi Mei Hao, Miko	Assistant Unit Manager, Enterprise Solutions
Zhong Lai Si, Will	Unit Manager, Residential Services
Zhong Sui Wan, Moon	Senior Officer – Talent & Organization Development
Zhu Chun Kit, Jason	Senior Programmer

Our Commitment to Corporate Social Investment

◉ Empowering people in need in a sustainable way

As a responsible business, the approach we adopt for giving back to the community adheres closely to our core purpose “Make Our Hong Kong a Better Place to Live”. At HKBN, our dedication to local communities espouses a long-term view that favours empowerment over pure philanthropy. We strongly believe that through cooperative investments, our expertise and resources can be utilised to provoke betterment for individuals and communities in a sustainable way.

Our Commitment to Corporate Social Investment

Internally, a dedicated Corporate Social Investment ("CSI") team serves to oversee our CSI efforts, as well as guide our Talents to undertake a diverse range of community initiatives. In order to inspire wider social responsibility participation throughout the Company, we have implemented policies that reward our Talents for their volunteer efforts. Starting August 2017, Talents who volunteer their time for a socially-beneficial cause will be granted up to two days of paid volunteer leave (to spend time-off as preferred) annually.

Financed and operated by our Talents, the HKBN Talent CSI Fund ("CSI Fund") was established for co-creating a better future for Hong Kong. The CSI Fund is a registered charitable organisation run by HKBN Talent representatives, with its daily operation supported by our CSI team. A key tenet behind the CSI Fund leverages the power of our Talents to do good for local communities. This year, HKBN volunteers co-owned and organised a total of 18 community projects in cooperation with 15 NGO partners and social enterprises, some of which were financed by the CSI Fund. As a point of tremendous pride, volunteerism at HKBN continues to increase year after year. In FY17 the cumulative number of volunteers grew to 482 from 263 in FY16, whilst the total number of hours volunteered reached 3,915, a 44% rise compared to the previous year.

Throughout the year, our CSI efforts centred on nurturing youths via both the Company and Talent expertise. The array of initiatives introduced ranged from programmes supporting technology education, enriching the student learning experience to others which initiated career betterment and facilitated exposure to art and culture. The following are some key initiatives undertaken during the year:

The Hope Makers

With an aim of encouraging wider eco-positive change through technical ingenuity, HKBN and the CSI Fund partnered with MakerBay, (a local platform which provides creative workspace, tools and expertise for the community), to organise The Hope Makers programme. Fusing education with friendly competition, and assisted by our HKBN Talent volunteers, this six-month programme helped 25 university students discover the magic of turning ideas into real-world products, as they created six waste reduction solutions.

With plenty to sink their teeth into – including a two-day knowledge boot-camp, hands-on prototyping, as well as an eye-opening study trip to Japan – our participants engineered clever concepts that ranged from a fish tank made to reduce hotel bathwater usage, a smart glove purposed to reduce plastic cup usage at food fairs to a package-free shampoo vending machine designed for university dormitories. Besides putting their resourcefulness to the test, our Hope Makers had to pitch their ideas and face scrutiny from prospective investors – just like they would in the business world.

A showcase of creative collaboration, HKBN volunteers Ben Ip (far left) and Hei Liu (far right) stand proud with their Hope Makers team.

Our PC Doctors volunteer their time to serve people and families from our communities.

HKBN "PC Doctors"

This award-winning CSI initiative was first introduced in 2015 when more than 30 broadband engineers volunteered their time to serve the grassroots communities as "PC Doctors". Through home visits, our PC Doctors help diagnose and fix computers free of charge for underprivileged families. Like the vision behind our telecommunication services, this programme strives to enable Hong Kongers to enjoy the conveniences brought forward by technology, as well as narrow the digital divide for all.

Over time, our PC Doctors expanded the scope of their work by also initiating a series of practical IT classes tailored around the everyday tech needs of children, women and the elderly. This year, through mobile phone use training provided to female members of Evangelical Lutheran Church Social Service – Hong Kong, our PC Doctors helped these individuals make better use of the organisation's mobile application when taking requests to escort people in need.

Since May 2015, our PC Doctors have served 621 families and individuals.

Partnership with Tsuen Wan Trade Association Primary School

Tsuen Wan Trade Association Primary School is constantly mired by financial challenges and the risk of under-enrollment. The majority of students enrolled at the school are recent immigrants who often come from low-income families and cannot afford to pay for extra-curricular learning activities.

Joining hands with the CSI Fund, HKBN collaborated with Chicken Soup Foundation in late 2016 to create a better learning environment for the school and its students. Through this partnership, we shouldered funding to renovate both the kitchen and library areas of the school. In addition, our HKBN volunteers also served to provide an array of extra-curricular activities such as STEM (Science, Technology, Engineering and Math) classes, English cooking lessons and buddy reading sessions for more than 240 students.

Stephen Kwok, Manager – Information Technology and Co-Owner, volunteers to teach STEM learning at Tsuen Wan Trade Association Primary School.

(Left) Yathin Chan, Assistant Engineer, has a blast whilst serving as a volunteer at Our Lady of China Catholic Primary School.

(Right) Ever since completing the climbing wall, life inside the school has been transformed with energy and excitement.

Building a Climbing Wall

Akin to Our Lady of China Catholic Primary School, we shared a similar belief that staying active via wall climbing could strengthen student fitness and enhance their confidence in meeting challenges. With this in mind, HKBN and the CSI Fund sponsored the construction of a rock climbing wall at the school, as well as equip the teachers and our HKBN volunteers with an appropriate level of professional climbing skills training.

To date, six HKBN volunteers have attained a level-two sport-climbing certification, meeting the criteria required to organise climbing classes for the school's underprivileged students. In turn, this has transformed the school by injecting more diversity into the learning environment. As a case in point, the teachers and volunteers, through various co-organised activities like wall painting and rock climbing, have been able to enhance the students' immersion and interest in sports and fitness.

Youth Upward Mobility (YUM) Programme

Since September 2016, we have joined the Hong Kong Church Network for the Poor's YUM programme in its effort to help secondary school graduates who have under-performed in public examinations, develop their careers. For our involvement, a number of HKBN volunteers served to mentor eight secondary school graduates in their pursuit to become certified professional broadband engineers. Through advice and encouragement provided by these mentors, our youth participants acquired the necessary professional skills to serve customers on a daily basis, as well as remain competitive members of society.

To ensure the entire learning journey is holistic and rewarding, our mentees were offered time-off to continue their education and participate in community volunteer services. In the coming year, the programme will be expanded with more diverse job opportunities as more like-minded companies are invited to join our efforts to help youths move upward in society.

Our Youth Upward Mobility Programme is helping new secondary school grads find their path as professional broadband engineers.

Improved job interview skills can be the difference in helping a physically disabled person find a profession they love.

Interview on Wheels

For people with disabilities, finding employment can prove a daunting challenge. In December 2016, we initiated the Interview on Wheels programme, inviting 20 disabled individuals with the help of six NGO partners to undertake three months of training. For our part, HKBN volunteers served as coaches to help participants set career goals, build confidence and improve their skills to perform through a tough job interview with flying colours.

In August 2017, a second phase of training was initiated to benefit another 20 disabled individuals in their pursuit for self-determination.

Our Commitment to Corporate Social Investment

Our HKBN volunteers have proudly helped youngsters and local neighborhood residents discover the wonders of Hong Kong's older districts and the magic of comic-book creation.

Communities Router

With our irrefutable love for this city, we've taken active steps to build a wider appreciation for Hong Kong's various local communities, specifically by promoting the enjoyment and creation of art. To this end, we co-organised Communities Router with MaD Institute, a programme designed to provide 85 youngsters with opportunities to rediscover five of Hong Kong's redeveloping district communities.

Under guidance from HKBN volunteers and five renowned comic artists, the participating youngsters visited and collaborated with local neighborhood residents – people who would not otherwise be engaged in art creation. In total, this unique alliance co-created over 50 comic book pieces inspired by local vernacular history, its people and their stories. An open finale event will be held in September 2017, giving the public a chance to engage in a unique discourse of community discovery via technology and art.

Multicultural Experience Tour

To help make our Hong Kong a more harmonious multicultural city, we collaborated with social enterprise WEDO Global to empower a number of HKBN volunteers and ethnic minorities to develop a fun multicultural experience tour for 150 underprivileged youths in Hong Kong. In total, 10 tours of the specially designed Tsim Sha Tsui route have been planned between July and November 2017. During the period, two ethnic minority individuals were employed as cultural ambassador and project assistant – gaining valuable work experiences and opportunities to share their native culture with locals. By design, the programme provides a platform for people of different cultural backgrounds to interact and understand more about one another, as well as respect and embrace differences to live in harmony.

Via our multicultural tours, participants are gaining a better understanding to ethnic cultural differences in our community.

By destroying language barriers, we're empowering ethnic minorities to live out their full potential.

Chinese Learning Course for Ethnic Minority Students

For more than 90% of Hong Kong's population, Chinese serves as the first language of communication. In order to help ethnic minorities integrate into the community, improving their Chinese language proficiency is crucial. Towards this purpose, HKBN joined hands with social enterprise Above and Beyond Education Limited to provide 10 ethnic minority individuals with free Chinese learning courses from September to November 2016.

At its core, the course introduces a self-learning concept of Chinese characters where students can learn and practise on their own through an innovative online platform and apps, long after completing the course. The programme helps students master Chinese at an early stage so that they may perform better academically and ultimately secure a widen career path in the future. By significantly enhancing their Chinese literacy and enthusiasm for the language, the students are now able to write simple short Chinese paragraphs on their own.

HKBN Volunteer Day 2016

Aside from initiating an array of new CSI programmes, we organised our very first HKBN Volunteer Day on 10 September 2016. Symbolising the accord we share in our passion for volunteerism, a total of 150 HKBN Talents, representing about 10% of our Hong Kong workforce, united to put our goodwill to work for the community. On the day, a total of six volunteer events were concurrently held at locations peppered around the city, allowing our Talent volunteers to make an inclusive impact for beneficiaries who ranged from the elderly and the physically-disabled to the vision and hearing-impaired.

HKBN Volunteer Day was a showcase of the tremendous unity we share as a force for good.

(From left to right) HKBNers Ho Kai Au, Becky Au, Mavis Chow, Erica Tsang and Wai Keung Cheng received acknowledgement for their fervent volunteerism to give back for our communities.

Volunteer Award

The Volunteer Award was given to Talents who demonstrated an exceptional commitment in helping others from the community. From 2016 to 2017, five Talents were selected to receive the award in recognition of their unconditional dedication in promulgating volunteerism throughout the Company.

Social Enterprise Partnership

Over the past year, we continued to dedicate a meaningful portion of our CSI efforts towards collaborating with social enterprises. Through this strategy, we empowered and enabled social enterprises to thrive and become self-sustainable.

By working closely with iEnterprise, we offered career opportunities for physically disabled individuals who support 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 comprising middle to senior managers offers free business advice and consultation to social enterprises. Since 2013, as a proud co-organiser of the Ethical Consumption Month, we have continued to encourage others, including our Talents and key stakeholders, to rethink their consumption habits. Since 2013, our total accumulated amount spent on ethical consumption has exceeded $7.28 million.

Awards & Recognitions

Award/Recognition	Conferred by
2016 Tsuen Wan & Kwai Tsing District Caring Shop and Company Award Scheme – Outstanding Caring Shop and Company	Social Welfare Department – Tsuen Wan/Kwai Tsing District Social Welfare Office
SE Supporter + Award	The Fullness Social Enterprises Society
Caring Company Scheme – 10 Years Plus Caring Company certification	The Hong Kong Council of Social Service
Constituent Member of Hang Seng Corporate Sustainability Benchmark Index	Hang Seng Indexes Company Limited

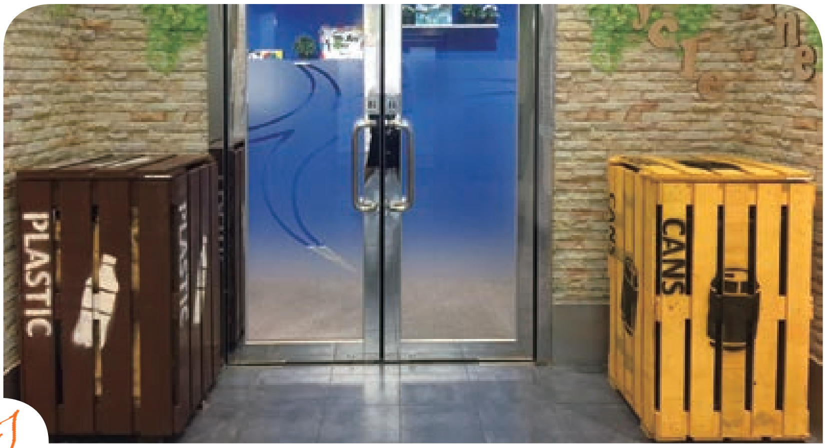
Our Respect for the Environment

◉ Loving earth, living green

As a responsible industry leader, HKBN firmly entrenches sustainability into our business operations to fulfill our Core Purpose of making our Hong Kong a better place to live. To this end, we seek to reduce the environmental footprint in every aspect of our business not only to combat climate change, but also to promote the embrace of environmentally responsible practices amongst our Talents, business partners and the community at large.

Our Respect for the Environment

As a provider of diversified telecom services, we recognise our impact on the environment stems primarily from the electricity consumption at our data centres and hub sites, as well as the generation of waste related to our administration, marketing and customer service. We're committed to mitigating both our environmental impact and carbon emissions footprint. An environmental policy was introduced to govern our behaviour so as to achieve reductions of energy consumption, paper consumption and waste generation year by year. As our operation does not involve significant emissions of air and water pollutants, or have a significant impact on natural habitats, these aspects are not covered in our current Environmental Policy.



To maximise a reduction of waste, discarded materials like plastic bottles and aluminium cans are set aside for recycling.

Carbon Footprint and Energy Efficiency

At all times, we strive to reduce our carbon footprint by improving our operational energy efficiency. The following summarises the many green initiatives undertaken during the year, and the performance achieved:

In 2016, we embarked on a green initiative called 'Something from Nothing'. Setting this ground-breaking scheme apart, a remarkable 630MWh of electricity has been saved this year through office retrofitting and energy efficiency enhancements for office facilities. The initial investment was made by an energy consultant appointed by HKBN. HKBN did not need to invest any money and the consultant was rewarded by sharing a portion of the energy cost savings. The energy savings recorded surpassed our initial target by 20%.

Due to the success of "Something from Nothing", the second phase of the project, along with other energy savings initiatives, commenced on 1 February 2017. We expanded the project scope to our data centres at Mita Centre, World Peace Centre and other locations. Specific retrofitting work included replacing chillers, optimising chiller sequence, installing cooling and lighting systems that apply occupancy controls and other energy saving technologies. Further savings of 1,300 MWh of electricity per annum is anticipated, while the consultant took on all initial investments.

Besides upgrading the energy efficient facilities in our headquarters and data centres, we also introduced motion sensors and timers to our office at Chuen Kei Factory Building. Motion sensors placed in pantries and toilets ensure illumination stays off when not in use, while timers automatically turn off both our lighting and air conditioning systems one hour after close of business.

In addition, the finalisation of our voice network migration led to a significant reduction in electricity consumption. Beginning in 2015, this migration project was kick-started to simultaneously upgrade our voice network and achieve improved energy efficiency. As a result, an 82% reduction in electricity usage was realised for our voice network server room, amounting to HK$1 million in annual savings.

This year, we joined LOOP (Low Carbon Office Operation Programme) to audit our office performance in overall carbon emissions. We achieved an 11.52% reduction of carbon emissions. To further improve our achievement in reducing our environmental footprint in the future, we appointed an energy consultant to complete a comprehensive analysis, with a view to driving energy reduction and facilitating other sustainability initiatives across our business.

Bonnie Chan, Senior Manager – Administration & Corporate Social Investment and Co-Owner (2nd from left) gives our support of Food Grace's Green Mid-Autumn Festival Food Saving Pledge.

To eliminate our use of throwaway cutlery, we've replaced one-off items with reusable equivalents like metal straws.

Waste Management and Resource Consumption

Waste reduction

We observed an opportunity to minimise disposal of waste at our headquarters. For this purpose, an official Waste Management Guideline was introduced to educate our Talents and contractors to minimise waste disposal by reducing waste at source, reusing certain articles and send waste to recycling. To facilitate waste reduction, we've replaced rubbish bins at individual workspace with centralised segregation bins for recyclable materials such as paper, plastic and metals. As a result, a "zero waste zone" now exists in our common areas to gather recyclable items in an organised manner. This approach has been highly effective in discouraging undue waste disposal by Talents.

To make the extent of waste reduction even more far-reaching, we appointed an authorised vendor to help identify our potential operational wastage, and to gather and process recyclable materials and deliver unavoidable waste materials to the landfill. All of these will be methodically undertaken to track our waste reduction performance over the long term.

Reflecting our belief that every effort matters, we continued to support a variety of waste reduction campaigns. In June 2017, HKBN took part in the "No Straw Day" event organised by the Ocean Park Conservation Foundation Hong Kong. Similarly, we pledged to stop consuming plastic bottled water at our internal events and launched a 'no gift policy' in order to minimise the wastage often linked with festive gift-giving.

Uniform Design & Packaging

To meet our marketing needs, our uniform came with different designs every year and we realised that obsolete uniforms, if not properly handled, can be a burden to our precious landfill sites. To address the issue, we examined different ways to alter designs and improve our system of stock-keeping. As a case in point, we consolidated all our different uniforms into one singular design and opted for recyclable materials to avoid further unnecessary disposal. By revamping our system of uniform stock-keeping, we managed to prolong the lifespan of each uniform.

In the past, we also distributed T-shirts for different types of Talent sports events, but we now offer only one T-shirt design for all sports. Likewise, we asked our t-shirt vendor not to include any plastic packaging. Through this practice, we're able to save 1,000 plastic bags annually.

Say No to Plastic

As part of our commitment to reduce daily wastage that is harmful to the environment, we continue to find new ways to minimise the use of plastic, both in our Talent canteen Broadband Delight and internal events. Since 2016, all Talents are encouraged to choose reusable cutlery instead of their plastic equivalent. Not only do we offer a reusable cutlery lending service via Broadband Delight, but we've appointed a social enterprise, TWGHs "WashEasy", to provide daily washing service for any used cutlery and containers. As a result, 8,500 plastic cutlery items were spared from landfills each month, while about HK$100,000 of economic value was shared with the social enterprise last year.

Reducing Paper Usage

As a responsible corporate citizen, we made every effort to reduce the environmental impact associated with our use of paper. In 2017, we expanded the use of FSC-certified paper to all kinds of printed materials, including name cards, letterheads and envelopes. Products which are FSC-certified are sourced from sustainable timber source and are considered less impactful to the natural habitats.

In addition, we developed different workflow systems to replace paper forms and physical documentation for our stationery ordering system, IT support workflow and e-administration self-service systems. To interface with customers, iPads are used to process customer registration, maintenance and installation details, and as a result reduce paper usage.

Conserving Water

Whilst water consumption does not play a significant role in our operations, we have still invested to improve our water efficiency via the installation of water flow controllers in our pantry and toilet facilities. Additionally, labelled signage are purposefully placed to remind our Talents to always conserve water.

Talent Engagement and Education

Mindful that staying aware and informed is the best way to ensure our eco-conscious activities are always sound, we continuously provided our Talents with a variety of green education and training opportunities. In our efforts, we noted that without Talent engagement and participation, success would be limited. During the year, we worked closely with the Hong Kong Productivity Council to organise sustainability inspiration training for 55 managerial-level Talents on approaches of carbon footprint reduction and green procurement.

Labels placed atop Talents' workstations indicates the lighting and cooling zone they belong to. As such, this allows Talents to easily switch off lighting and air-conditioning of their working zones when departing the office. In addition, labels placed above office paper shredders help remind Talents to switch off machines after use.

This year, our Corporate Social Investment team explored how certain green measures could be incorporated across our operations. Findings will be used to identify a greener operational flow for the long run.

To further augment Talent awareness, a series of educational activities pertinent to energy efficiency and waste reduction were organised throughout this past year. These included: upcycling workshops, games, a waste reduction online quiz, green bazaars and an indoor planting workshop.

Environmental Awards and Certifications

Awards & Certifications	Conferred by
Low Carbon Office Operation Programme – Gold label	World Wide Fund for Nature Hong Kong
Hong Kong Awards for Environmental Excellence Media and Communication – Certificate of Merit	Environmental Campaign Committee
Wastewi$e Certificate – Excellence Level	Environmental Campaign Committee
Hong Kong Green Organization	Environmental Campaign Committee
Renewable Energy Certificate	World Wide Fund for Nature Hong Kong

In Focus

企業方案 Enterprise Solutions

Over the past few years, we've been working diligently to build our Enterprise Solutions (ES) jigsaw puzzle via the acquisitions of Y5Zone in 2013 and New World Telecom (NWT) in 2016. And post integration of NWT, we now have a complete Enterprise Solutions business rife with excess fibre network capacity. Spurred by these acquisitions, along with strategic efforts that address an always-developing marketplace, a growing number of large-scale projects, the introduction of our business mobile services and more, HKBNES has come to accomplish some incredible milestones and growth results.

"In recent years, HKBNES has taken on a number of notable projects and partnerships that we're really proud. Collectively, these exemplify the world-class standard which our service and expertise now embodies – and prove our capability in serving business customers who can range from top-tier conglomerates to local retail chains to SMEs. Worth noting is the tremendous progress our business mobile service has garnered. Since launching in October 2016, we've steadily accumulated over 4,000 corporate mobile customers, and to date, our flourishing business mobile service now has nearly 25,000 subscribed users.

3Ps (Penetration, Products and People)

As we push forward for revenue growth, we will follow through to keep our enterprise approach as consistent as ever, focusing on penetration, products and people.

> ***"In recent years, HKBNES has taken on a number of notable projects and partnerships that we're really proud. Collectively, these exemplify the world-class standard which our service and expertise now embodies."***

Penetration

The acquisition and integration of New World Telecom has helped further expand our capacity and penetration. This move, which equips us with two discrete fibre networks, means HKBNES now has the advantage of improved redundancy and surplus fibre capacity. In terms of infrastructure development, we will continue pursuing opportunities to grow our network coverage, as demonstrated by ongoing expansion to extend our fibre services into Wharf-operated commercial buildings around Hong Kong. To ensure we can offer more services for businesses, we will work with partners to offer even more exceptional data centre services to enterprise customers.

Product

Like our quad-play vision in the residential market, Enterprise Solutions will step up efforts to focus our customer relationship from that of single-play to multi-play. We believe the best strategy for revenue growth is to offer customers more compelling services at exceptional value. From data connectivity, Wi-Fi networking, Infinite Voice, cloud solutions, data facilities to system integration, we have a wide range of enterprise solutions in store to support the growth of our customers' business.

People

At HKBN, we have built a highly motivated team that has a deep understanding of technology solutions, support services and the business needs of our corporate customers. Driving our surge forward is the LUCA (Legal Unfair Competitive Advantage) of our Co-Ownership culture. Our Enterprise Solutions division is led by a total of 84 Co-Owners who have invested up to 12 months of their annual remuneration to purchase HKBN shares. Serving as both shareholders and employees, our Enterprise Solutions experts are unparalleled for their passion and commitment to outperform."

Billy Yeung
Chief Operating Officer – Enterprise Solutions
and Co-Owner

Case study

Chasing Opportunities

As a perennial innovative entrepreneur, keeping our eyes alert for untapped opportunities is a natural part of our modus operandi. By discerning areas of business that are underserved, we've long developed a winning formula that strategically addresses customer needs which are overlooked by the incumbent service providers. The result enabled us to engage many new customers in a variety of outside-the-box ways – optimising prospects to build market share.

Retail Wars

"Three years ago, we began to concentrate on the retail sector," says Mikron Ng, Director – Residential Services & Enterprise Solutions and Co-Owner.

The truth was quite a lot of retail customers suffered through telephone-line Internet connections at paltry speeds that often ranged from 1.5Mbps to 3Mbps. "While such low speeds were perhaps enough to power a point-of-sales system, they restricted retailers from doing more like set up high-speed Wi-Fi or other applications. We saw this shortcoming as a breach for HKBN to shake things up. Consequently, I was tasked to lead a dedicated team for the retail market," comments Mikron.

Leveraging powerful fibre and Metro-Ethernet networks, Mikron's team easily persuaded more retail customers to switch for HKBN's exceptionally valued 10Mbps to 100Mbps offerings. "With more bandwidth, our retail customers could incorporate Wi-Fi as well as other advanced solutions like remote ticketing and IP cameras into their retail space," he adds.

> ***"Over the past two years, we've been able to work on close to 30 wholesale-related projects."***

Mingo Tsang
Senior Manager – Commercial Sales, Enterprise Solutions and Co-Owner

> ***"With more bandwidth, our retail customers could incorporate Wi-Fi and other advanced solutions."***

Mikron Ng
Director – Residential Services & Enterprise Solutions and Co-Owner

Mirroring the tremendous success achieved, in the past two years the team attracted over 5,000 retail outlets at more than 140 shopping malls. In addition, around 30 local retail business chains are now subscribers of HKBN's network services.

Amongst them, one of Hong Kong's largest fast food retailers, started a process of migrating its shops to HKBN service two years ago. To date, around 80 restaurants of this renowned retail chain are now enjoying HKBN's integrated services, with this number expected to reach 150 by next year.

A Wholesale Approach to Broadband

As a challenger carrier, the reality is there are still pockets of neighborhoods our fibre network does not cover. But rather than build first – pledging upfront investments for network development – and then wait for customers to sign up, we've adopted an ingenious wholesale approach: by working with Incorporated Owners (homeowner committees responsible for maintenance of an individual residential estate) and/or property developers to welcome HKBN into their homes.

Through wholesale brokering, Incorporated Owners and property developers are signing up to bulk purchase commitments for our services. In return, property residents get to reap benefits such as disruptively competitive rates, higher bandwidth broadband, superb Wi-Fi connectivity at home and in lobby and clubhouse areas, and more.

"Over the past two years, we've been able to work on close to 30 wholesale-related projects located all around the city," says Mingo Tsang, Senior Manager – Commercial Sales, Enterprise Solutions and Co-Owner, a leading member of Mikron's team. "Many of our wholesale customers come to us thanks to good word-of-mouth, they love our reputation as a broadband provider and want the choice of another service provider."

"Recently, we began a wholesale relationship with a massive residential estate located in Kwai Chung. All told, via this wholesale deal, an outstanding value service will be delivered to 924 residential units inside the property," adds Mingo.

Case study

Fostering Carrier Partnerships

Along with the ever-increasing global surge in demand for data, Hong Kong's prominence as an access hub has been notably on the rise. A close proximity to Taiwan and the colossal China market means more and more platforms are discovering the practicalities of choosing Hong Kong as a content delivery gateway – a trend worth leveraging for business growth.

"Hong Kong is in the perfect geographical location," says Adrian Watt, Head of Carriers & International Business, Enterprise Solutions and Co-Owner, "Data from around the world is being aggregated in Hong Kong. Given our background and expertise in fibre telecommunications, we've an abundance of network resources that can be used by carrier customers – with maximum reliability and security."

"Through an open embrace of partnerships, HKBN is working as a local regional partner to help carrier customers build infrastructure and augment their services with a content delivery advantage. The key for us is to always remain flexible; we're serving our carrier partners by addressing requirements pertinent to their needs."

A Global Network Service Provider

When a global network service provider was looking for a local partner in Hong Kong, they turned to HKBN. As a supplier of network services for clients that include a who's who of top-tier financial institutions and multimedia companies, the client demands, in terms of service and technology excellence, a consistent and predictable world-class experience. Through this long-term project, we're providing our client with a reliable metropolitan network that's capable of supporting its high-end clients to enjoy fast and reliable connections from Hong Kong to the globe.

A Global Leader in Content Delivery Network

Our recently completed project (July 2017) with a global leader in content delivery network service is another example of how we're making our role as a local infrastructure partner more persuasive than ever. The client's choice in HKBN affirms both the infrastructure capabilities as well as the dependability that our service delivers. Owing to our acquisition of New World Telecom in March 2016, we were able to provide, as a single carrier, two separate platforms for diversity.

Adrian Watt, Head of Carriers & International Business, Enterprise Solutions and Co-Owner (front row 3rd from left) and HKBNers from his team and supporting departments are steaming ahead to drive our success as a local regional partner.

Case study

Go Mega

Our system integration professionals, led by Loretta Ko, Head of System Integration & Product Management, Enterprise Solutions and Co-Owner (front row middle), continue to "wow" our customers with their passion and commitment to excellence.

From the point of view of potential enterprise customers, a proven track record in system integration (SI) – large-scale projects that coalesce network design and construction, WAN/LAN solutions and telecommunications solutions – is fundamental for big business wins. Over the course of the past several years, HKBN proudly notched a number of mega project achievements that include a park-wide unlimited Wi-Fi service for Ocean Park, integrated Wi-Fi at Kowloonbay International Trade & Exhibition Centre (KITEC), and more recently, one of the largest indoor Wi-Fi solutions for Hong Kong Convention and Exhibition Centre (HKCEC).

"For massive-sized projects, I learned that a good way to achieve success is by injecting the passion and commitment of a business partner when servicing clients," says Loretta Ko, Head of System Integration & Product Management, Enterprise Solutions and Co-Owner. "On these kinds of projects, it's not unusual to work and meet with clients on a fairly regular basis, spending countless hours together over the course of a one or two year period. Taking advantage of the intimacy this affords enables us to infuse a personal touch to think, understand and work from the point-of-view of each client."

Hong Kong Convention and Exhibition Centre

Recently, Hong Kong Convention and Exhibition Centre (Management) Limited ("HML") entrusted us with the task of redefining its Wi-Fi experience. Echoing its standing as a world-class conference and exhibition facility, we're proudly working with HML to build a cutting-edge, high-density wireless network that will provide hi-speed connectivity for 20,000 concurrent users – easily scalable to accommodate for future demands – and supply 5.7 million annual visitors of the Hong Kong Convention and Exhibition Centre with a noticeably improved wireless experience.

Overall, this mega project is slated for full completion by 2018, and features 802.11ac wave 2 technology.

A brand-new hotel in Tsim Sha Shui

In August 2016, we embarked on a journey to design and implement a comprehensive SI project from the ground up – literally so, as construction of a large-scale, brand-new hotel continues in Tsim Sha Tsui. For this complex multimillion dollar project, HKBN's expertise will be extensively demonstrated across every detail – big and small – which includes laying down structural cabling, setting up the sophisticated telephone system and even the emergency electricity backup systems. In total, this completed SI project will combine bespoke IT systems, wired and Wi-Fi network design, configuration and installation of network equipment, and much more.

In Focus

#StartfromLimit

To some, the idea that a revenue making business has for its core purpose, the commitment to make Hong Kong a better place to live, can seem hard to comprehend. But at HKBN, we believe purpose and profit, when done right, can serve to drive long-term business growth. Through everything we do, our legacy tells the story of a company unfailingly passionate about delivering advanced telecommunications with customer value and affordability in mind – an approach we apply to connect and improve the lives of all Hong Kongers.

In Focus: #StartfromLimit

Joined by his multidisciplinary team of savvy marketers, Kim Hue, Lead of Marketing Communications and Co-Owner (1st from left) is helping to create phenomenal buzz for the HKBN brand.

HKBN has always sought to redefine the status quo maintained by our industry peers. In order to transformatively make service excellence and exceptional value into factors consumers should expect – rather than crave – we've uncompromisingly looked at the best facets of our industry as mere limits from which we start improving.

With the recent introduction of unprecedented quad-play service bundles (combining broadband, telephone, OTT and mobile), we've again transformed market norms for the benefit of customers. Unlike our competitors, our quad-play plans empower customers to reap great value through offers that integrate four different services for one special monthly fee in one bill, instead of paying separately for each.

Integrated Marketing Campaign

"Part branding and part tactical exercise, our #StartfromLimit campaign engaged and inspired Hong Kongers to imagine what's possible when limits are just another beginning. When overcome, such limits can lead to bigger and better possibilities. With this mindset, we focused on sharing stories about four local heroes, whose lives and experiences are inspiring Hong Kongers to persevere, demand more and never quit," said Kim Hue, Lead of Marketing Communications and Co-Owner.

"As we hope to create sustained positive impact, we applied an integrated strategy that leveraged more than just traditional media platforms, incorporating the cost-effective and viral benefits of social media in a big way. In this way, buzz was generated through the combination of print and TV ads, as well as a host of interactive activities ignited by active social media efforts for HKBN customers and the public at large.

It's worth noting that amongst the many highlights from our ongoing #StartfromLimit campaign, we offered Hong Kongers an exclusive free livestream to watch boxing champ Rex Tso in his fight against Kohei Kono. In total, about 1.18 million viewers tuned in to watch, whilst the event generated millions of dollars of free media publicity for HKBN."

Boxing Wonder Kid

Rex Tso

In a city not often acknowledged for its sporting pedigree, Rex's story is an anomaly defying most people's expectations. Born into a family of amateur boxers, Rex grew up with trivial interest for the sport. After various stints working manual labor, Rex's life turned a new page when longtime acquaintance Jay Lau – now Rex's agent – opened a boxing gym and invited him to work as an assistant instructor.

Embracing boxing, Rex trained endlessly and made history to become Hong Kong's first-ever professional boxer. Instead of heeding advice to avoid athletics because 'a viable living cannot be made through sports', Rex would dedicate himself and quickly rise through the ranks, defeating every opponent to overcome one limit after the other to become an undisputed boxing champion. To date, Rex has transformed into a hugely popular hometown hero, proudly inspiring Hong Kongers through his pursuit of excellence with a perfect 22-0 boxing record.

Scan the QR code to watch our TV commercial starring Rex

Lion Rock King

Chi-wai Lai

A former world's no. 8 and four-time Asian rock climbing champion, Chi-wai is one of the most accomplished professional athletes borne from Hong Kong. However, one life-changing tragedy saw his dreams shattered after a motorcycle accident left him paralyzed from the waist down. But rather than lose hope and wallow in misery, a resolve to defy the limits of his condition saw Chi-wai quickly embrace a journey of rehabilitation to pursue the impossible – using just his two arms he now climbs larger and grander challenges, including Lion Rock mountain, whilst strapped to a wheelchair!

Through it all, Chi-wai discovered the power of his optimism. His experience and unwavering resolve continues to inspire and remind us that when there is a will, anything is possible. Touched by Chi-wai's determination never to quit, we believe his strength brilliantly captures the essence of Hong Kong's 'can do' spirit.

How would you respond if given the reigns to a school decaying from years of neglect? When Ivy interviewed for the school principal's position at Man Kiu Association Primary School, she was appalled by the terrible condition of the ill-equipped facilities. By all accounts the tiny 'matchbox' school was old and decrepit; water leaked through the roof, the water sprinkler system was non-existent, the school lacked air conditioning. But instead of surrendering a white flag or settling to keep things as they are, she vowed – for the sake of her students, most of whom hail from underprivileged Hong Kong, Mainland Chinese or South Asian families – to bring change, any way she could.

Championing her cause as a compassionate change-maker, Ivy works hands-on each day to improve the educational experience for Man Kiu's students. Amongst her many admirable contributions, she has leveraged the media to build awareness about her school's story and raise funds from the wider public.

Devoted Educator

Ivy Yip

Ocular Drug Scientist

Langston Suen

Like many suffering from retinal-related diseases, Langston's grandfather was prescribed a highly invasive form of needle treatment, widely known as intravitreal injections. Put bluntly, this treatment involves the gruesome act of shoving a needle into the eye. Preferring a less hostile approach, Langston, whilst still studying at the Hong Kong University of Science and Technology, spent nearly ten years of research work to perfect his Sonikure method of drug delivery.

In place of needles, Langston's method uses low frequency ultrasound transducers to permeate medicinal drops into the eye's membrane. Through this breakthrough and ongoing iterative research, the potential exists that Langston's method may help improve treatment for more than 100,000,000 patients around the world. In 2016, he founded Sonikure Technology (HK) Ltd to transform his research into a market-viable medical device.

Auditor's Report

KPMG

Independent auditor's report to the shareholders of HKBN Ltd.

(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of HKBN Ltd. ("the Company") and its subsidiaries ("the Group") set out on pages 112 to 183, which comprise the consolidated statement of financial position as at 31 August 2017, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 August 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report to the shareholders of HKBN Ltd. (continued)

(Incorporated in the Cayman Islands with limited liability)

<table>
<tr><th colspan="2">Assessing of potential impairment of goodwill, intangible assets and property, plant and equipment ("PP&E")</th></tr>
<tr><td colspan="2">Refer to notes 9, 10 and 11 to the consolidated financial statements and the accounting policies on page 125.</td></tr>
<tr><th>The Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>The carrying values of the Group's goodwill, intangible assets and PP&E as at 31 August 2017 totalled HK$1,772 million, HK$1,613 million and HK$2,290 million, respectively and were contained in one cash-generating unit ("CGU") identified by management, the fixed telecommunications network services.

Management performs an annual impairment assessments of its goodwill and the associated intangible assets and PP&E. Management compares the carrying values of the CGU to which the goodwill, intangible assets and PP&E have been allocated against a discounted cashflow forecast to determine the amount of impairment loss which should be recognised, if any.

The preparation of a discounted cashflow forecast involves the exercise of significant management judgement, particularly in estimating long term revenue growth rate and the discount rate applied.</td><td>Our audit procedures to assess potential impairment of goodwill, intangible assets and PP&E included the following:

• evaluating the Group's identification of CGUs, and the value of goodwill, intangible assets and PP&E allocated to the fixed telecommunications network services CGU and assessing the methodology applied by management in the preparation of the discounted cashflow forecast with reference to the requirements of the prevailing accounting standards;

• evaluating the discounted cashflow forecast prepared by management by comparing data in the discounted cashflow forecast with the relevant data, including revenue, network costs and costs of sales and other operating expenses, with data in the financial budget which was approved by the Board of directors, taking into account our understanding of the telecommunications sector and the Group's future business plans;

• assessing the reliability of the management forecasting process by comparing the data for revenue and operating costs included in prior year's discounted cashflow forecast with the current year's actual results and making enquiries of management in respect of any significant variations identified;</td></tr>
</table>

Independent auditor's report to the shareholders of HKBN Ltd. (continued)

(Incorporated in the Cayman Islands with limited liability)

Assessing of potential impairment of goodwill, intangible assets and property, plant and equipment ("PP&E")	
Refer to notes 9, 10 and 11 to the consolidated financial statements and the accounting policies on page 125.	
The Key Audit Matter	**How the matter was addressed in our audit**
We identified assessing the potential impairment of goodwill, intangible assets and PP&E as a key audit matter because the impairment assessment prepared by management is complex and contains judgemental assumptions, particularly the long term revenue growth rate and discount rate applied, which could be subject to management bias in their selection.	• comparing the long term revenue growth rate and discount rate adopted in the discounted cashflow forecast with that of comparable companies and external market data; and • obtaining from management sensitivity analysis of the long term revenue growth rate and the discount rate adopted in the discounted cashflow forecast and assessing the impact of changes in these key assumptions to the conclusions reached in the impairment assessment and whether there were any indicators of management bias.

Independent auditor's report to the shareholders of HKBN Ltd. (continued)

(Incorporated in the Cayman Islands with limited liability)

<table>
<tr><th colspan="2">Revenue recognition</th></tr>
<tr><td colspan="2">Refer to note 2 to the consolidated financial statements and the accounting policies on pages 131 to 132.</td></tr>
<tr><th>The Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>The Group's revenue, which comprises primarily income from fixed telecommunications network services, international telecommunications services and product sales, totalled HK$3,232 million for the year ended 31 August 2017.

The accuracy of revenue recorded in the consolidated financial statements is an inherent industry risk because the billing systems of telecommunications companies are complex and process large volumes of data with a combination of different products sold during the year, through a number of different systems.

Significant management judgement can be required in determining the appropriate measurement and timing of recognition of different elements of revenue within bundled sales packages, which may include telecommunication services and telecommunication products, and complex settings are required in the Group's information technology ("IT") systems to achieve the appropriate allocation of prices for the different elements of revenue.

We identified revenue recognition as a key audit matter because it involves management judgement and complex IT systems both of which give rise to an inherent risk that revenue could be recorded in the incorrect period or could be subject to manipulation to meet targets or expectations.</td><td>Our audit procedures to assess the recognition of revenue included the following:

• with the assistance of our information technology specialists, evaluating the design, implementation and operating effectiveness of key internal controls with particular emphasis on:
  • the capturing and recording of data usage;
  • authorising rate changes; and
  • calculating amounts billed to customers.

• assessing the design, implementation and operating effectiveness of key non-automated internal controls over the revenue recognition process;

• reconciling revenue recognised in the telecom billing system to the general ledger and assessing whether the reconciling items were properly supported by underlying documentation, on a sample basis;

• assessing, on a sample basis, the standalone selling prices determined by management for each distinct service and product offered in bundled sales packages, by comparison with the observable prices for such services or products when the Group sells such services or products separately in similar circumstances and to similar customers;

• evaluating journal entries posted to revenue accounts, on a specific risk-based sample basis, and comparing the details of these journals entries with relevant underlying documentation, which included reports generated from the telecom billing system; and

• comparing cash receipts from customers during the year and subsequent to the financial year end with invoices issued to customers during the year, on a sample basis.</td></tr>
</table>

Independent auditor's report to the shareholders of HKBN Ltd. (continued)

(Incorporated in the Cayman Islands with limited liability)

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Independent auditor's report to the shareholders of HKBN Ltd. (continued)

(Incorporated in the Cayman Islands with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent auditor's report to the shareholders of HKBN Ltd. (continued)

(Incorporated in the Cayman Islands with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lee Wai Shun, Wilson.

KPMG
Certified Public Accountants

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

2 November 2017

Consolidated Income Statement

For the year ended 31 August 2017

(Expressed in Hong Kong dollars)

	Note	2017 $'000	2016 $'000
Revenue	2	**3,232,310**	2,784,007
Other net income	3(a)	**10,644**	16,260
Network costs and costs of sales		**(710,257)**	(451,097)
Other operating expenses		**(2,067,301)**	(1,872,525)
Finance costs	3(c)	**(210,740)**	(141,891)
Share of profits/(losses) of associates	13(b)	**3,418**	(15)
Share of losses of joint ventures	14(b)	**(920)**	(185)
Profit before taxation	3	**257,154**	334,554
Income tax	4	**(86,044)**	(89,875)
Profit for the year attributable to equity shareholders of the Company		**171,110**	244,679
Earnings per share	7		
Basic		**17.1 cents**	24.5 cents
Diluted		**17.1 cents**	24.4 cents

The notes on pages 118 to 183 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 27(b).

Consolidated Statement of Comprehensive Income

For the year ended 31 August 2017

(Expressed in Hong Kong dollars)

	2017 $'000	2016 $'000
Profit for the year	**171,110**	244,679
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	**2,744**	(4,847)
Total comprehensive income for the year attributable to equity shareholders of the Company	**173,854**	239,832

The notes on pages 118 to 183 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 August 2017

(Expressed in Hong Kong dollars)

	Note	2017 $'000	2016 $'000
Non-current assets			
Goodwill	9	**1,771,969**	1,771,969
Intangible assets	10	**1,612,707**	1,550,209
Property, plant and equipment	11	**2,289,790**	2,419,890
Interest in associates	13	**–**	7,473
Interest in joint ventures	14	**8,788**	9,708
Other non-current assets	15	**24,600**	19,618
		5,707,854	5,778,867
Current assets			
Inventories	16	**11,824**	50,541
Trade receivables	17	**205,167**	148,064
Other receivables, deposits and prepayments	17	**266,321**	271,560
Amount due from a joint venture	21	**9,244**	761
Cash and cash equivalents	18	**385,052**	354,955
		877,608	825,881
Current liabilities			
Trade payables	19	**97,658**	107,550
Other payables and accrued charges – current portion	19	**363,181**	448,757
Deposits received		**57,221**	54,454
Deferred services revenue – current portion		**81,949**	50,672
Obligations under granting of rights – current portion	25	**9,024**	9,024
Amount due to an associate	21	**–**	2,165
Amounts due to joint ventures	21	**10,000**	10,000
Contingent consideration – current portion	26	**27,489**	18,091
Tax payable	23	**115,875**	125,073
		762,397	825,786
Net current assets		**115,211**	95
Total assets less current liabilities		**5,823,065**	5,778,962

Consolidated Statement of Financial Position

At 31 August 2017

(Expressed in Hong Kong dollars)

	Note	2017 $'000	2016 $'000
Non-current liabilities			
Other payables and accrued charges – long-term portion	19	**293,748**	99,008
Deferred services revenue – long-term portion		**92,752**	55,923
Obligations under granting of rights – long-term portion	25	**33,843**	42,867
Deferred tax liabilities	24	**423,618**	450,980
Contingent consideration – long-term portion	26	**2,869**	27,885
Provision for reinstatement costs		**16,015**	17,644
Bank loans	20	**3,831,332**	3,721,297
		4,694,177	4,415,604
NET ASSETS		**1,128,888**	1,363,358
CAPITAL AND RESERVES			
Share capital	27(c)	**101**	101
Reserves		**1,128,787**	1,363,257
TOTAL EQUITY		**1,128,888**	1,363,358

Approved and authorised for issue by the board of directors on 2 November 2017.

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

The notes on pages 118 to 183 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 August 2017

(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 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	27(b)(ii)	–	(201,133)	–	–	–	–	(201,133)
Dividend declared in respect of the current year	27(b)(i)	–	(201,133)	–	–	–	–	(201,133)
Equity-settled share-based transactions	22(a)	–	–	11,605	–	–	–	11,605
Balance at 31 August 2016 and 1 September 2016		101	528,260	13,136	596,420	232,272	(6,831)	1,363,358
Changes in equity for the year ended 31 August 2017:								
Profit for the year		**–**	**–**	**–**	**–**	**171,110**	**–**	**171,110**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**2,744**	**2,744**
Total comprehensive income		**–**	**–**	**–**	**–**	**171,110**	**2,744**	**173,854**
Dividend approved in respect of the previous year	27(b)(ii)	**–**	**(201,133)**	**–**	**–**	**–**	**–**	**(201,133)**
Dividend declared in respect of the current year	27(b)(i)	**–**	**(221,247)**	**–**	**–**	**–**	**–**	**(221,247)**
Equity-settled share-based transactions	22(a)	**–**	**–**	**14,056**	**–**	**–**	**–**	**14,056**
Balance at 31 August 2017		**101**	**105,880**	**27,192**	**596,420**	**403,382**	**(4,087)**	**1,128,888**

The notes on pages 118 to 183 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 August 2017

(Expressed in Hong Kong dollars)

	Note	2017 $'000	2016 $'000
Operating activities			
Cash generated from operations	18(b)	**1,023,445**	984,662
Tax paid:			
– Hong Kong Profits Tax paid		**(118,307)**	(54,147)
– Tax paid outside Hong Kong		**(4,298)**	(3,921)
Purchase of tax reserve certificate		**–**	(426)
Net cash generated from operating activities		**900,840**	926,168
Investing activities			
Payment for purchase of property, plant and equipment		**(403,702)**	(392,553)
Proceeds from sale of property, plant and equipment		**48,466**	2,381
Payment for contingent consideration		**(17,053)**	(4,481)
Net cash outflow in respect of disposal of interest in subsidiaries	29	**–**	(1,049)
Net cash inflow in respect of disposal of interest in associates	13	**10,780**	–
Payment for acquisition of subsidiaries	28	**–**	(647,134)
Interest received		**276**	922
Net cash used in investing activities		**(361,233)**	(1,041,914)
Financing activities			
Proceeds from bank loans, net of transaction costs		**3,820,690**	684,064
Repayment of bank loans		**(3,800,000)**	–
(Decrease)/increase in amount due to an associate		**(1,080)**	1,080
Interest paid on interest-rate swap		**(18,664)**	(26,141)
Interest paid on bank loans		**(89,460)**	(79,009)
Payment of amount due to the former substantial shareholder		**–**	(33,372)
Dividend paid		**(422,380)**	(402,266)
Net cash (used in)/generated from financing activities		**(510,894)**	144,356
Net increase in cash and cash equivalents		**28,713**	28,610
Cash and cash equivalents at the beginning of the year	18(a)	**354,955**	328,950
Effect of foreign exchange rate changes		**1,384**	(2,605)
Cash and cash equivalents at the end of the year	18(a)	**385,052**	354,955

The notes on pages 118 to 183 form part of these financial statements.

Notes to the 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 2017 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and joint ventures.

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 35.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(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).

(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.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(d) Associates and joint ventures (continued)

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.

(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.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(e) Business combination and goodwill (continued)

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.

(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

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(g) Property, plant and equipment (continued)

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)).

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.

(Expressed in Hong Kong dollars unless otherwise indicated)

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.

(Expressed in Hong Kong dollars unless otherwise indicated)

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.

(Expressed in Hong Kong dollars unless otherwise indicated)

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.

(Expressed in Hong Kong dollars unless otherwise indicated)

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.

(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.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(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.

(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.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(q) Talent benefits (continued)

(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).

(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.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(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.

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.

(Expressed in Hong Kong dollars unless otherwise indicated)

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.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(t) Revenue recognition (continued)

(iii) Rental income from operating leases

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

(iv) 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.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(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.

(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.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(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.

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:

	2017	2016
	$'000	$'000
Residential revenue	**1,958,286**	1,814,940
Enterprise revenue	**1,208,136**	810,831
Product revenue	**65,888**	158,236
	3,232,310	2,784,007

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

(Expressed in Hong Kong dollars unless otherwise indicated)

3 Profit before taxation

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

	2017 $'000	2016 $'000
(a) Other net income		
Interest income	**(276)**	(922)
Net foreign exchange loss/(gain)	**3,248**	(3,538)
Amortisation of obligations under granting of rights (note 25)	**(9,024)**	(9,024)
Change in fair value of contingent consideration (note 26)	**1,435**	–
Other income	**(6,027)**	(2,776)
	(10,644)	(16,260)
(b) Talent costs		
Salaries, wages and other benefits	**846,791**	773,302
Contributions to defined contribution retirement plan	**55,028**	51,999
Equity-settled share-based payment expenses (note 22(a))	**14,056**	11,605
Cash-settled share-based payment expenses (note 22(b))	**527**	588
	916,402	837,494
Less: Talent costs capitalised as property, plant and equipment	**(32,703)**	(27,578)
Talent costs included in advertising and marketing expenses	**(384,851)**	(294,502)
	498,848	515,414

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

(Expressed in Hong Kong dollars unless otherwise indicated)

3 Profit before taxation (continued)

	2017 $'000	2016 $'000
(c) Finance costs		
Interest on bank loans	**101,505**	100,207
Interest on interest-rate swap, net	**18,664**	25,764
Fair value loss on interest-rate swap	**17,174**	15,920
Originating fee for banking facility expired (note 20)	**73,397**	–
	210,740	141,891
(d) Other items		
Advertising and marketing expenses	**568,896**	481,881
Depreciation (note 11)	**420,206**	383,863
Loss on disposal of property, plant and equipment, net	**25,922**	520
Impairment losses on trade receivables (note 17(b))	**41,206**	16,862
Amortisation of intangible assets (note 10)	**157,802**	122,564
Operating lease charges in respect of land and buildings: minimum lease payments	**45,820**	42,335
Operating lease charges in respect of telecommunications facilities and computer equipment: minimum lease payments	**247,512**	175,028
Auditor's remuneration		
– audit services	**2,912**	2,877
– review services	**319**	309
– tax services	**182**	176
– other services	**–**	3,918
Research and development costs	**21,129**	16,902
Cost of inventories	**45,402**	105,876
Transaction costs in connection with business combination	**–**	27,243

(Expressed in Hong Kong dollars unless otherwise indicated)

4 Income tax in the consolidated income statement

(a) Taxation in the consolidated income statement represents:

	2017 $'000	2016 $'000
Current tax – Hong Kong Profits Tax		
Provision for the year	109,073	105,881
Over-provision in respect of prior years	(9)	(104)
Current tax – Outside Hong Kong		
Provision for the year	4,342	4,142
Deferred tax		
Origination and reversal of temporary differences (note 24)	(27,362)	(20,044)
	86,044	89,875

The provision for Hong Kong Profits Tax for 2017 is calculated at 16.5% (2016: 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% (2016: 25%) for the year.

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

	2017 $'000	2016 $'000
Profit before taxation	257,154	334,554
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	43,756	56,487
Tax effect of non-deductible expenses	46,726	31,080
Tax effect of non-taxable income	(1,013)	(795)
Tax effect of tax losses not recognised in prior year utilised during the year	(5,614)	–
Tax effect of unused tax losses not recognised	606	3,637
Others	1,583	(534)
Actual tax expense	86,044	89,875

(Expressed in Hong Kong dollars unless otherwise indicated)

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:

	2017						
	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Sub-total $'000	Share-based payments (note (i)) $'000	Total $'000
Executive directors							
Mr. William Chu Kwong YEUNG	–	8,900	2,168	919	11,987	1,382	13,369
Mr. Ni Quiaque LAI	–	6,023	1,481	612	8,116	935	9,051
Non-executive director							
Ms. Deborah Keiko ORIDA	–	–	–	–	–	–	–
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	14,923	3,649	1,531	21,267	2,317	23,584

	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 (i)) $'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

Notes:

(i) 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 22.

During the year ended 31 August 2017, 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 (2016: Nil). There was no arrangement under which a director waived or agreed to waive any remuneration during the year ended 31 August 2017 (2016: Nil).

(Expressed in Hong Kong dollars unless otherwise indicated)

6 Individuals with highest emoluments

Of the five individuals with the highest emoluments, two (2016: two) are directors whose emoluments are disclosed in note 5. The aggregate of the emoluments in respect of the other three (2016: three) individuals are as follows:

	2017 $'000	2016 $'000
Salaries and other emoluments	10,033	9,746
Discretionary bonuses	1,889	585
Share-based payments	1,251	943
Retirement scheme contributions	722	721
	13,895	11,995

The emoluments of the three (2016: three) individuals with the highest emoluments are within the following bands:

	2017 Number of individuals	2016 Number of individuals
$3,000,001 – $3,500,000	–	1
$3,500,001 – $4,000,000	1	–
$4,000,001 – $4,500,000	–	2
$4,500,001 – $5,000,000	1	–
$5,000,001 – $5,500,000	1	–
	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 $171,110,000 (2016: $244,679,000) and the weighted average number of ordinary shares in issue less shares held for the Co-Ownership Plan II, of 1,000,887,000 ordinary shares (2016: 1,000,114,000 ordinary shares).

(Expressed in Hong Kong dollars unless otherwise indicated)

7 Earnings per share (continued)

(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 $171,110,000 (2016: $244,679,000) 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:

	2017 **'000**	2016 '000
Weighted average number of ordinary shares less shares held for the Co-Ownership Plan II	**1,000,887**	1,000,114
Effect of the Co-Ownership Plan II	**2,029**	2,931
Weighted average number of ordinary shares (diluted)	**1,002,916**	1,003,045

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 $2,252,000 (2016: $706,000) were used to reduce the current year's level of contributions and $Nil was available at 31 August 2017 (2016: $Nil) 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.

(Expressed in Hong Kong dollars unless otherwise indicated)

9 Goodwill

	$'000
Cost:	
At 1 September 2015	1,594,110
Acquisition of subsidiaries (note 28)	197,280
Disposal of subsidiaries (note 29)	(19,421)
At 31 August 2016, 1 September 2016 and 31 August 2017	1,771,969
Accumulated impairment losses:	
At 1 September 2015, 31 August 2016, 1 September 2016 and 31 August 2017	–
Carrying amount:	
At 31 August 2017	1,771,969
At 31 August 2016	1,771,969

Impairment tests for cash-generating units containing goodwill

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

	2017 $'000	2016 $'000
Fixed telecommunications network services segment	1,771,969	1,771,969

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% (2016: 10%) and a pre-tax discount rate of 8% (2016: 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 2015	1,028,000	164,000	9,296	471,000	8,000	7,721	–	1,688,017
Acquisition of subsidiaries (note 28)	164,954	–	–	–	–	–	–	164,954
Additions	–	–	–	–	–	–	179,478	179,478
Disposal of subsidiaries (note 29)	(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
Additions	–	–	–	–	–	–	220,300	220,300
At 31 August 2017	1,190,597	164,000	9,296	471,000	8,000	7,721	399,778	2,250,392
Accumulated amortisation:								
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 29)	(197)	–	–	–	–	–	–	(197)
At 31 August 2016	316,911	49,784	1,892	100,088	2,431	1,415	7,362	479,883
At 1 September 2016	316,911	49,784	1,892	100,088	2,431	1,415	7,362	479,883
Charge for the year	85,043	11,714	516	23,550	572	386	36,021	157,802
At 31 August 2017	401,954	61,498	2,408	123,638	3,003	1,801	43,383	637,685
Net book value:								
At 31 August 2017	788,643	102,502	6,888	347,362	4,997	5,920	356,395	1,612,707
At 31 August 2016	873,686	114,216	7,404	370,912	5,569	6,306	172,116	1,550,209

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.

(Expressed in Hong Kong dollars unless otherwise indicated)

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 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 28)	–	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 29)	–	–	(125)	–	(513)	–	(638)
At 31 August 2016	52,412	103,697	61,505	3,907	3,522,202	3,093	3,746,816
At 1 September 2016	52,412	103,697	61,505	3,907	3,522,202	3,093	3,746,816
Exchange adjustments	–	–	196	59	384	–	639
Additions	–	–	6,525	1,242	355,302	1,177	364,246
Disposals	–	(67,549)	(1,328)	(227)	(30,673)	(703)	(100,480)
At 31 August 2017	52,412	36,148	66,898	4,981	3,847,215	3,567	4,011,221
Accumulated depreciation:							
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 29)	–	–	(21)	–	(91)	–	(112)
At 31 August 2016	34,562	2,871	18,900	1,854	1,267,479	1,260	1,326,926
At 1 September 2016	34,562	2,871	18,900	1,854	1,267,479	1,260	1,326,926
Exchange adjustments	–	–	117	26	248	–	391
Charge for the year	8,344	2,802	8,471	720	398,910	959	420,206
Written back on disposals	–	(2,554)	(754)	(100)	(21,981)	(703)	(26,092)
At 31 August 2017	42,906	3,119	26,734	2,500	1,644,656	1,516	1,721,431
Net book value:							
At 31 August 2017	9,506	33,029	40,164	2,481	2,202,559	2,051	2,289,790
At 31 August 2016	17,850	100,826	42,605	2,053	2,254,723	1,833	2,419,890

(Expressed in Hong Kong dollars unless otherwise indicated)

11 Property, plant and equipment (continued)

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

	2017 $'000	2016 $'000
In Hong Kong		
– short-term leases	12,057	16,682
– medium-term leases	18,336	81,444
– long-term leases	2,636	2,700
	33,029	100,826

At 31 August 2017 and 2016, 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

(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
Metropolitan Light (HK) Company Limited	Hong Kong	400,000 shares	100	Investment holding in Hong Kong
Y5Zone Limited	Hong Kong	2 shares	100	Provision of Wi-Fi connectivity in Hong Kong
Concord Ideas Ltd.	BVI	US$10	100	Investment holding in Hong Kong
HKBN Enterprise Solutions Limited	Hong Kong	10,000,000 Shares	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
Guangzhou HK Enterprises Information Technology Limited (Formerly known as 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	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
HKBN Telecom International Inc. (Formerly known as 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.

\+ In the process of dissolution.

(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 29). 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.

On 31 May 2017, the Group disposed of the remaining 49% interest in Simple Click Group at a consideration of $10,780,000.

(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 2017	2016	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	10,000 Shares	–	49	Investment holding in Hong Kong
New iMedia Information Consulting (Shenzhen) Limited*	Incorporated	PRC#	HK$4,000,000	–	49	Provision of online market solutions in PRC
New eBusiness Limited	Incorporated	Hong Kong	2 Shares	–	49	Investment holding in Hong Kong
New iMedia Solutions Limited	Incorporated	Hong Kong	1 Share	–	49	Provision of online marketing solutions in Hong Kong
NWT Net Company Limited	Incorporated	Hong Kong	2 Shares	–	49	Inactive
Shenzhen New iMedia Solutions Limited *	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.

Associated companies registered under PRC law.

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

(Expressed in Hong Kong dollars unless otherwise indicated)

13 Interest in associates (continued)

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

	2017 $'000	2016 $'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'		
– Profit/(loss) for the period	3,418	(15)
– Other comprehensive income	–	–
– Total comprehensive income	3,418	(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.

(Expressed in Hong Kong dollars unless otherwise indicated)

14 Interest in joint ventures (continued)

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

	2017 $'000	2016 $'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**8,788**	9,708
Aggregate amounts of the Group's share of those joint ventures'		
– Loss for the year	**(920)**	(185)
– Other comprehensive income	**–**	–
– Total comprehensive income	**(920)**	(185)

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

	2017 $'000	2016 $'000
Trade receivables	**225,647**	160,832
Less: Allowance for doubtful debts (note 17(b))	**(20,480)**	(12,768)
	205,167	148,064
Other receivables, deposits and prepayments	**266,321**	271,560
	471,488	419,624

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 $19,400,000 (2016: $15,349,000). All of the remaining other receivables, deposits and prepayments are expected to be recovered or recognised as expense within one year.

(Expressed in Hong Kong dollars unless otherwise indicated)

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:

	2017 $'000	2016 $'000
Within 30 days	**100,751**	103,144
31 to 60 days	**40,343**	26,825
61 to 90 days	**21,984**	10,419
Over 90 days	**42,089**	7,676
	205,167	148,064

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 30(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:

	2017 $'000	2016 $'000
At the beginning of the year	**12,768**	6,439
Impairment losses recognised (note 3(d))	**41,206**	16,862
Uncollectible amounts written off	**(33,494)**	(10,533)
At the end of the year	**20,480**	12,768

(Expressed in Hong Kong dollars unless otherwise indicated)

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:

	2017 $'000	2016 $'000
Neither past due nor impaired	100,751	103,144
Less than 30 days past due	40,343	26,825
31 to 60 days past due	21,984	10,419
Over 60 days past due	42,089	7,676
	104,416	44,920
	205,167	148,064

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:

	2017 $'000	2016 $'000
Cash at bank and in hand	385,052	354,955

(Expressed in Hong Kong dollars unless otherwise indicated)

18 Cash and cash equivalents (continued)

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

	Note	2017 $'000	2016 $'000
Profit before taxation		**257,154**	334,554
Adjustments for:			
Amortisation of intangible assets	10	**157,802**	122,564
Depreciation	3(d)	**420,206**	383,863
Amortisation of obligations under granting of rights	3(a)	**(9,024)**	(9,024)
Interest income	3(a)	**(276)**	(922)
Finance costs	3(c)	**210,740**	141,891
Loss on disposal of property, plant and equipment, net	3(d)	**25,922**	520
Loss on disposal of interest in subsidiaries	29	**–**	1,604
Loss on disposal of interest in associate		**111**	–
Change in fair value of contingent consideration	3(a)	**1,435**	–
Foreign exchange loss/(gain)		**1,113**	(2,044)
Share of losses of joint ventures	14(b)	**920**	185
Share of (profits)/losses of associates	13(b)	**(3,418)**	15
Equity-settled share-based payment expenses	3(b)	**14,056**	11,605
Changes in working capital:			
Decrease in other non-current assets		**1,010**	2,150
Decrease/(increase) in inventories		**38,717**	(36,168)
Increase in trade receivables		**(57,103)**	(24,881)
Decrease/(increase) in other receivables, deposits and prepayments		**5,239**	(83,784)
Increase in amount due from a joint venture		**(8,483)**	(432)
(Decrease)/increase in amount due to an associate		**(1,085)**	1,085
(Decrease)/increase in trade payables		**(9,892)**	52,785
(Decrease)/increase in other payables and accrued charges		**(92,572)**	75,406
Increase/(decrease) in deposits received		**2,767**	(3,282)
Increase in deferred services revenue		**68,106**	16,972
Cash generated from operations		**1,023,445**	984,662

(Expressed in Hong Kong dollars unless otherwise indicated)

19 Trade payables, other payables and accrued charges

	2017 $'000	2016 $'000
Trade payables	**97,658**	107,550
Other payables and accrued charges		
– Current portion	**363,181**	448,757
– Long-term portion	**293,748**	99,008
	754,587	655,315

All trade payables, other payables and accrued charges are expected to be settled within one year, except other payables and accrued charges of $293,748,000 (2016: $99,008,000) 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:

	2017 $'000	2016 $'000
Within 30 days	**50,179**	30,306
31 to 60 days	**16,574**	14,019
61 to 90 days	**6,433**	17,472
Over 90 days	**24,472**	45,753
	97,658	107,550

In 2015, the Group entered into an interest-rate swap with an notional amount of $2,635,000,000 and with a maturity date on 23 August 2018, to hedge the floating interest rate arisen from the bank loans (see note 20).

In 2017, the Group entered into a new interest-rate swap with effective date on 31 August 2018, to hedge the floating interest rate after the mature of the current interest-rate swap. The new interest-rate swap have a notional amount of $2,635,000,000 and with a maturity date on 29 May 2020.

Under these arrangements, 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.

(Expressed in Hong Kong dollars unless otherwise indicated)

20 Bank loans

At 31 August 2016, the Group has bank loans with principal amount of $3,800,000,000 in total. The bank loans are interest-bearing at Hong Kong Inter-bank Offered Rate plus a margin of 1.85%-2.06% per annum payable quarterly. The maturities of these loans were on 20 January 2020 and 31 March 2021.

At 21 November 2016, the Group entered into terms and revolving credit facilities agreement of $4,100,000,000 with various international bank to replace the original facility. At 28 November 2016, the Group has drawn a bank loan with principal amount of $3,900,000,000 ("New Bank Loan") and repaid the previous bank loans with principal amount of $3,800,000,000. The New Bank Loan is interest-bearing at Hong Kong Interbank Offered Rate plus a margin of 1.35% per annum payable quarterly.

Upon repayment, the bank loans with principal amount of $3,800,000,000 were extinguished and the unamortised transaction cost of $73,397,000 was recorded within the finance costs in the consolidated income statement (note 3(c)) for the year ended 31 August 2017.

The New Bank Loan is recognised initially at fair value less attributable transactions costs. Subsequent to initial recognition, the New Bank Loan is stated at amortised cost with any difference between the amount initially recognised and interest payable using the effective interest method.

The effective interest rate of the New Bank Loan as of 31 August 2017 is 2.58% (2016: 2.9% – 3.1%) and the amortised cost of the New Bank Loan is $3,831,332,000 (2016: $3,721,297,000).

The New Bank Loan is unsecured and covered by a cross guarantee arrangement issued by the Company, MLCL, HKBNGL and HKBN, and repayable in full upon maturity on 28 November 2021.

21 Amounts due from/to joint ventures and an associate

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

(Expressed in Hong Kong dollars unless otherwise indicated)

22 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.

On 24 January 2017, 258,000 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 $8.35.

On 20 July 2017, 253,000 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 grant date to be $7.20.

Equity-settled share-based payment expenses of $14,056,000 (2016: $11,605,000) were recognised as Talent costs in the consolidated income statement (note 3(b)) for the year ended 31 August 2017 and the remaining expenses related to the RSUs are to be recognised in the years ending 31 August 2018, 2019 and 2020 based on the respective vesting periods.

(Expressed in Hong Kong dollars unless otherwise indicated)

22 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 (vii)
– on 20 June 2016	329	notes (iv) and (vii)
RSUs granted to Talents:		
– on 29 June 2015	2,326	notes (i) and (vii)
– on 18 August 2015	133	notes (ii) and (vii)
– on 20 November 2015	158	notes (iii) and (vii)
– on 20 June 2016	1,753	notes (iv) and (vii)
– on 24 January 2017	258	notes (v) and (vii)
– on 20 July 2017	253	notes (vi) and (vii)
Total RSUs granted	5,607	

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.

(Expressed in Hong Kong dollars unless otherwise indicated)

22 Share-based transactions (continued)

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

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

(v) The RSUs granted have a vesting period of three years as follows:
- 25% of RSUs shall vest on 24 January 2018;
- 25% of RSUs shall vest on 24 January 2019; and
- 50% of RSUs shall vest on 24 January 2020.

(vi) The RSUs granted have a vesting period of three years as follows:
- 25% of RSUs shall vest on 20 July 2018;
- 25% of RSUs shall vest on 20 July 2019; and
- 50% of RSUs shall vest on 20 July 2020.

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

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

	Number of RSUs	
	2017	2016
	'000	'000
Outstanding at the beginning of the year	**4,130**	2,848
Granted during the year	**511**	2,240
Vested during the year	**(1,100)**	(685)
Forfeited during the year	**(405)**	(273)
Outstanding at the end of the year	**3,136**	4,130

(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.

(Expressed in Hong Kong dollars unless otherwise indicated)

22 Share-based transactions (continued)

(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 directors estimated the weighted average fair value of each RSU at 31 August 2017 to be $7.18 (2016: $8.44).

On 24 January 2017, 142,000 RSUs were granted to Talents of the Group in the PRC which are to be settled in cash. The directors estimated the weighted average fair value of each RSU at 31 August 2017 to be $6.97.

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).

Cash-settled share-based payment expenses of $527,000 (2016: $588,000) were recognised as Talent costs in the consolidated income statement (note 3(b)) for the year ended 31 August 2017 and the remaining expenses related to the RSUs are to be recognised in the years ending 31 August 2018, 2019 and 2020 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.

23 Current taxation in the consolidated statement of financial position

Current taxation in the consolidated statement of financial position represents:

	2017 $'000	2016 $'000
Provision for Hong Kong Profits Tax for the year	109,073	105,881
Balance of Profits Tax provision relating to prior years	4,987	17,421
	114,060	123,302
Provision for tax outside Hong Kong	1,815	1,771
	115,875	125,073

(Expressed in Hong Kong dollars unless otherwise indicated)

24 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	Amortisation of intangible assets $'000	Amortisation of obligations under granting of rights $'000	Others $'000	Total $'000
Deferred tax arising from:					
At 1 September 2015	(229,434)	(219,533)	10,051	–	(438,916)
Acquisition of subsidiaries (note 28)	(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 29)	–	357	–	–	357
At 31 August 2016	(233,325)	(227,385)	8,562	1,168	(450,980)
At 1 September 2016	(233,325)	(227,385)	8,562	1,168	(450,980)
Credited/(charged) to profit or loss	8,420	20,094	(1,489)	337	27,362
At 31 August 2017	(224,905)	(207,291)	7,073	1,505	(423,618)

(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 $2,909,987,000 (2016: $2,940,339,000) 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.

(c) Deferred tax liabilities not recognised

At 31 August 2017, temporary differences relating to the undistributed profits of the Group's PRC subsidiaries amounted to RMB93,394,000 (equivalent to $110,746,000) (2016: RMB82,988,000 (equivalent to $96,349,000)). 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.

(Expressed in Hong Kong dollars unless otherwise indicated)

25 Obligations under granting of rights

	2017 $'000	2016 $'000
At the beginning of the year	**51,891**	60,915
Amortisation for the year (note 3(a))	**(9,024)**	(9,024)
At the end of the year	**42,867**	51,891
Less: Current portion	**(9,024)**	(9,024)
Non-current portion	**33,843**	42,867

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.

26 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 28. 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 2017 amounted to $27,489,000 (2016: $18,091,000) and $2,869,000 (2016: $27,885,000), respectively. During the year, change in fair value of $1,435,000 (2016: $Nil) was recognised in profit or loss during the year ended 31 August 2017.

The fair value as at 31 August 2017 is determined considering the expected payment, discounted to present value using a discount rate of 2.7% (2016: 2.8%).

(Expressed in Hong Kong dollars unless otherwise indicated)

27 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 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	27(b)(ii)	–	(201,133)	–	–	(201,133)
Dividend declared in respect of the current year	27(b)(i)	–	(201,133)	–	–	(201,133)
Equity-settled share-based transactions	22(a)	–	–	11,605	–	11,605
Balance at 31 August 2016 and 1 September 2016		101	528,260	13,136	572,521	1,114,018
Changes in equity for the year ended 31 August 2017:						
Profit and total comprehensive income for the year		–	–	–	420,982	420,982
Dividend approved in respect of the previous year	27(b)(ii)	–	(201,133)	–	–	(201,133)
Dividend declared in respect of the current year	27(b)(i)	–	(221,247)	–	–	(221,247)
Equity-settled share-based transactions	22(a)	–	–	14,056	–	14,056
Balance at 31 August 2017		101	105,880	27,192	993,503	1,126,676

(Expressed in Hong Kong dollars unless otherwise indicated)

27 Capital, reserves and dividends (continued)

(b) Dividends

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

	2017 $'000	2016 $'000
Interim dividend declared and paid of 22 cents per ordinary share (2016: 20 cents per ordinary share)	**221,247**	201,133
Final dividend proposed after the end of the reporting period of 23 cents per ordinary share (2016: 20 cents per ordinary share)	**231,303**	201,133
	452,550	402,266

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

	2017 $'000	2016 $'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 20 cents per ordinary share (2016: 20 cents per ordinary share)	**201,133**	201,133

(c) Share capital

	No. of shares	$'000
Authorised:		
At 1 September 2015, 31 August 2016, 1 September 2016 and 31 August 2017	3,800,000,000	380
Ordinary shares, issued and fully paid:		
At 1 September 2015, 31 August 2016, 1 September 2016 and 31 August 2017	1,005,666,666	101

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.

(Expressed in Hong Kong dollars unless otherwise indicated)

27 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.

(Expressed in Hong Kong dollars unless otherwise indicated)

27 Capital, reserves and dividends (continued)

(e) Capital management (continued)

The adjusted net debt-to-capital ratio at 31 August 2017 and 2016 was as follows:

	Note	2017 $'000	2016 $'000
Bank loans (principal amount)	20	**3,900,000**	3,800,000
Less: Cash and cash equivalents	18(a)	**(385,052)**	(354,955)
Add: Proposed dividends	27(b)(i)	**231,303**	201,133
Adjusted net debt		**3,746,251**	3,646,178
Total equity		**1,128,888**	1,363,358
Less: Proposed dividends	27(b)(i)	**(231,303)**	(201,133)
		897,585	1,162,225
Net debt-to-capital ratio		**417%**	314%

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

28 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.

(Expressed in Hong Kong dollars unless otherwise indicated)

28 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 24)	(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 26)	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

(Expressed in Hong Kong dollars unless otherwise indicated)

29 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 24)	(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).

(Expressed in Hong Kong dollars unless otherwise indicated)

30 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 32, 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 32.

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.

(Expressed in Hong Kong dollars unless otherwise indicated)

30 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.

	2017 Contractual undiscounted cash outflow			
	Within 1 year or on demand $'000	More than 1 year $'000	Total $'000	Carrying amount at 31 August $'000
Trade payables	97,658	–	97,658	97,658
Other payables and accrued charges	363,181	294,572	657,753	656,929
Deposits received	57,221	–	57,221	57,221
Amounts due to joint ventures	10,000	–	10,000	10,000
Contingent consideration	27,489	3,435	30,924	30,358
Bank loans	82,396	4,167,504	4,249,900	3,831,332
	637,945	4,465,511	5,103,456	4,683,498

(Expressed in Hong Kong dollars unless otherwise indicated)

30 Financial risk management and fair values of financial instruments (continued)

(b) Liquidity risk (continued)

	2016 Contractual undiscounted cash outflow			
	Within 1 year or on demand $'000	More than 1 year $'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

(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 2017, the Group had interest-rate swaps with a notional contract amount of $2,635,000,000 (2016: $2,635,000,000) which were not designated as cash flow hedging instrument. The net fair value of swaps entered into by the Group at 31 August 2017 was $46,507,000 (2016: $29,333,000). The amount is recognised as derivative financial instrument and included in other payables and accrued charges (note 19).

(Expressed in Hong Kong dollars unless otherwise indicated)

30 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.

	2017 $'000	2016 $'000
Variable rate instruments		
Bank loans	**3,831,332**	3,721,297
Derivative financial instrument – interest-rate swap	**46,507**	29,333
	3,877,839	3,750,630

(iii) Sensitivity analysis

At 31 August 2017, it is estimated that a general increase/decrease of 50 basis points (2016: 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 $23,111,000 (2016: $7,088,000). 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.

(Expressed in Hong Kong dollars unless otherwise indicated)

30 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.

	2017		2016	
	USD	**RMB**	USD	RMB
	$'000	**$'000**	$'000	$'000
Cash and cash equivalents	**23,112**	**1,325**	30,181	105
Trade receivables	**6,611**	**–**	21,408	–
Trade payables	**(99,519)**	**–**	(21,207)	(1,085)
Other payables and accrued charges	**(23,343)**	**(111,986)**	(21,277)	(112,380)
Net exposure arising from recognised assets and liabilities	**(93,139)**	**(110,661)**	9,105	(113,360)

(Expressed in Hong Kong dollars unless otherwise indicated)

30 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.

	2017			2016		
	Increase/ (decrease) in foreign exchange rates	**Impact on profit after tax**	**Impact on retained profits**	Increase/ (decrease) in foreign exchange rates	Impact on profit after tax	Impact on accumulated losses
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
RMB	**5%**	**(4,675)**	**(4,675)**	5%	(4,732)	(4,732)
	(5)%	**4,675**	**4,675**	(5)%	4,732	4,732

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 2016.

(Expressed in Hong Kong dollars unless otherwise indicated)

30 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 2017	Fair value measurements as at 31 August 2017 categorised into		
		Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000
Recurring fair value measurement				
Financial liabilities:				
Derivative financial instrument:				
– Interest-rate swap	46,507	–	46,507	–
Contingent consideration	30,358	–	–	30,358

(Expressed in Hong Kong dollars unless otherwise indicated)

30 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 2016	Fair value measurements as at 31 August 2016 categorised into		
		Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000
Recurring fair value measurement				
Financial liabilities:				
Derivative financial instrument:				
– Interest-rate swap	29,333	–	29,333	–
Contingent consideration	45,976	–	–	45,976

During the year ended 31 August 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (year ended 31 August 2016: $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.

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 2.7% (2016: 2.8%).

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

	2017 $'000	2016 $'000
Contingent consideration		
At the beginning of the year	**45,976**	2,457
Acquisition of subsidiaries (note 28)	**–**	48,000
Settlement of contingent consideration for the year	**(17,053)**	(4,481)
Change in fair value during the year	**1,435**	–
At the end of the year	**30,358**	45,976
Contingent consideration – current portion	**27,489**	18,091
Contingent consideration – long-term portion	**2,869**	27,885
Total contingent consideration	**30,358**	45,976

(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 2017 and 2016.

(Expressed in Hong Kong dollars unless otherwise indicated)

30 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 statement of financial position.

	2017		
	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	**472,835**	**(267,668)**	**205,167**
Trade payables	**(365,326)**	**267,668**	**(97,658)**

	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)

(Expressed in Hong Kong dollars unless otherwise indicated)

31 Commitments

(a) Capital commitments

At 31 August 2017, the Group had the following capital commitments:

	2017 $'000	2016 $'000
Purchase of telecommunications, computer and office equipment		
Contracted but not provided for	**163,402**	190,925

(b) Commitment under operating leases

(i) At 31 August 2017, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2017 $'000	2016 $'000
Leases in respect of telecommunications facilities which are receivable:		
Within 1 year	**74,534**	60,411
After 1 year but within 5 years	**100,757**	67,793
After 5 years	**75,512**	48,649
	250,803	176,853

(ii) At 31 August 2017, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017 $'000	2016 $'000
Leases in respect of land and buildings which are payable:		
Within 1 year	**52,118**	49,519
After 1 year but within 5 years	**99,192**	38,206
	151,310	87,725
Leases in respect of telecommunications facilities and computer equipment which are payable:		
Within 1 year	**118,003**	101,996
After 1 year but within 5 years	**21,712**	42,351
	139,715	144,347

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.

(Expressed in Hong Kong dollars unless otherwise indicated)

32 Contingent liabilities

	2017 $'000	2016 $'000
Bank guarantee in lieu of payment of utility deposits	**3,622**	3,622

At 31 August 2017, 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 (2016: $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.

33 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:

	2017 $'000	2016 $'000
Short-term employee benefits	**32,253**	28,683
Post-employment benefits	**2,486**	2,513
Equity compensation benefits	**2,699**	2,431
	37,438	33,627

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)

34 Company-level statement of financial position

	Note	2017 $'000	2016 $'000
Non-current asset			
Investments in subsidiaries		**1,161,914**	1,161,387
Other non-current asset		**579**	810
		1,162,493	1,162,197
Current assets			
Other receivables, deposits and prepayments		**485**	550
Amounts due from subsidiaries		**12,091**	7,592
Cash and cash equivalents		**12,059**	211
		24,635	8,353
Current liabilities			
Other payables and accrued charges		**1,605**	1,294
Amounts due to subsidiaries		**58,847**	55,238
		60,452	56,532
Net current liabilities		**(35,817)**	(48,179)
NET ASSETS		**1,126,676**	1,114,018
CAPITAL AND RESERVES	27(a)		
Share capital		**101**	101
Reserves		**1,126,575**	1,113,917
TOTAL EQUITY		**1,126,676**	1,114,018

Approved and authorised for issue by the board of directors on 2 November 2017.

William Chu Kwong YEUNG	)	
	)	Directors
Ni Quiaque LAI	)	

(Expressed in Hong Kong dollars unless otherwise indicated)

35 Accounting judgement and estimates

Sources of estimation uncertainty

Note 30 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.

(Expressed in Hong Kong dollars unless otherwise indicated)

35 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)

36 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 August 2017

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 2017 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
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
Amendments to HKFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	1 January 2018
HKFRS 16, *Leases*	1 January 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	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 has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

HKFRS 9, Financial instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, Financial instruments: Recognition and measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. Expected impacts of the new requirements on the group's financial statements are as follows:

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI) as follows:

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then effective interest, impairments and gains/losses on disposal will be recognised in profit or loss.

(Expressed in Hong Kong dollars unless otherwise indicated)

36 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 August 2017 (continued)

HKFRS 9, Financial instruments (continued)

(a) Classification and measurement (continued)

Based on the preliminary assessment, the group expects that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of HKFRS 9.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement may not have any impact on the group on adoption of HKFRS 9.

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the group's trade receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

(c) Hedge accounting

HKFRS 9 does not fundamentally change the requirements relating to measuring and recognising ineffectiveness under HKAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting. The group preliminarily assesses that its current hedge relationships will qualify as continuing hedges upon the adoption of HKFRS 9 and therefore it expects that the accounting for its hedging relationships will not be significantly impacted.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts. The group is currently assessing the impacts of adopting HKFRS 15 on its financial statements. Based on the preliminary assessment, the group has identified the following areas which are likely to be affected:

(a) Timing of revenue recognition

The group's revenue recognition policies are disclosed in note 1(t). Currently, revenue arising from the provision of services is recognised over time, whereas revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

(Expressed in Hong Kong dollars unless otherwise indicated)

36 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 August 2017 (continued)

HKFRS 15, Revenue from contracts with customers (continued)

(a) Timing of revenue recognition (continued)

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

As a result of this change from the risk-and-reward approach to the contract-by-contract transfer-of-control approach, it is possible that once the group adopts HKFRS 15 some of the group's contract manufacturing and residential property development activities that are currently recognised at a point in time may meet the HKFRS 15 criteria for revenue recognition over time. This will depend on the terms of the sales contract and the enforceability of any specific performance clauses in that contract, which may vary depending on the jurisdiction in which the contract would be enforced. It is also possible that for the remainder of the group's contracts the point in time when revenue is recognised may be earlier or later than under the current accounting policy. However, further analysis is required to determine whether this change in accounting policy may have a material impact on the amounts reported in any given financial reporting period.

(Expressed in Hong Kong dollars unless otherwise indicated)

36 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 August 2017 (continued)

HKFRS 16, Leases

As disclosed in note 1(i), currently the group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. HKFRS 16 will primarily affect the group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the income statement over the period of the lease. As disclosed in note 31(b), at 31 August 2017 the group's future minimum lease payments under non-cancellable operating leases amount to $151,310,000 and $139,715,000 for properties and other assets respectively, the majority of which is payable either between 1 and 5 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

The group is considering whether to adopt HKFRS 16 before its effective date of 1 January 2019. However, early adoption of HKFRS 16 is only permitted if this is no earlier than the adoption of HKFRS 15. It is therefore unlikely that HKFRS 16 will be adopted before the effective date of HKFRS 15, being 1 January 2018.

Five Year Summary

(Expressed in Hong Kong dollars)

A summary of the results of the Group for the years ended 31 August 2013 and 2014 and of the assets, equity and liabilities of the Group as at 31 August 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				
	2017	2016	2015	2014	2013
	$'000	$'000	$'000	$'000	$'000
Results					
Revenue	**3,232,310**	2,784,007	2,341,113	2,131,581	1,949,434
Profit from operations	**465,396**	476,645	449,980	296,608	191,441
Finance costs	**(210,740)**	(141,891)	(260,023)	(191,570)	(301,401)
Share of profits/(losses) of associates	**3,418**	(15)	–	–	–
Share of losses of joint ventures	**(920)**	(185)	(107)	–	–
Profit/(loss) before taxation	**257,154**	334,554	189,850	105,038	(109,960)
Income tax	**(86,044)**	(89,875)	(85,582)	(51,488)	(29,038)
Profit/(loss) for the year/period	**171,110**	244,679	104,268	53,550	(138,998)

Five Year Summary

(Expressed in Hong Kong dollars)

	As at 31 August				
	2017	2016	2015	2014	2013
	$'000	$'000	$'000	$'000	$'000
Assets and liabilities					
Goodwill	**1.771.969**	1,771,969	1,594,110	1,594,110	1,594,110
Intangible assets	**1,612,707**	1,550,209	1,330,501	1,440,668	1,665,960
Property, plant and equipment	**2,289,790**	2,419,890	1,969,803	1,957,006	1,943,420
Interest in associates	**–**	7,473	–	–	–
Interest in joint ventures	**8,788**	9,708	9,893	–	–
Other non-current assets	**24,600**	19,618	19,503	9,252	9,191
Deferred tax assets	**–**	–	–	–	279
Net current assets	**115,211**	95	138,664	166,041	184,937
Total assets less current liabilities	**5,823,065**	5,778,962	5,062,474	5,167,077	5,397,897
Other payables and accrued charges					
– long-term portion	**(293,748)**	(99,008)	(13,413)	–	–
Deferred services revenue					
– long-term portion	**(92,752)**	(55,923)	(13,844)	(7,932)	(2,344)
Obligations under granting of rights					
– long-term portion	**(33,843)**	(42,867)	(51,891)	(60,915)	(69,939)
Deferred tax liabilities	**(423,618)**	(450,980)	(438,916)	(457,897)	(495,066)
Contingent consideration					
– long-term portion	**(2,869)**	(27,885)	–	(3,430)	(10,239)
Provision for reinstatement costs	**(16,015)**	(17,644)	(11,334)	–	–
Senior notes	**–**	–	–	(2,994,058)	(3,230,631)
Bank loans	**(3,831,332)**	(3,721,297)	(3,018,889)	–	–
NET ASSETS	**1,128,888**	1,363,358	1,514,187	1,642,845	1,589,678
Capital and reserves					
Share capital	**101**	101	101	8	8
Reserves	**1,128,787**	1,363,257	1,514,086	1,642,837	1,589,670
TOTAL EQUITY	**1,128,888**	1,363,358	1,514,187	1,642,845	1,589,678

References to HKEx ESG Reporting Guide

Aspects and General Disclosures	Descriptions	Related chapters
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Our Respect for the Environment
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Our Respect for the Environment
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Our Respect for the Environment
B. Social		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Report of the Directors Our Talent Culture Our Responsibilities

Aspects and General Disclosures	Descriptions	Related sections
B. Social		
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Our Responsibilities
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Report of the Directors Our Talent Culture
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Report of the Directors Our Responsibilities Our Talent Culture
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Report of the Directors Our Responsibilities

References to HKEx ESG Reporting Guide

Aspects and General Disclosures	Descriptions	Related sections
B. Social		
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Report of the Directors Our Responsibilities
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Our Responsibilities
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Caring for the Community

HKBN Ltd.
香港寬頻有限公司

MIX
Paper from responsible sources
FSC™ C021898

PRINTED WITH SOY INK™

Design and Production by: Toppan Vintage Limited
Website: www.toppanvintage.com