“MY company

HKBN Ltd.
香港寬頻有限公司

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

Annual Report 2015

HKBN Co-Ownership

The majority of our Talents who hold supervisors and above positions are Co-Owners of HKBN. With solidarity we have HKBN's long-term success at heart in full alignment with our shareholders.

As shareholders who have chosen to invest their own savings in HKBN, our over 270 Co-Owners lend true meaning to the phrase 'my company'. We proudly serve as custodians who oversee every facet of our business operations across Hong Kong and Guangzhou. Together, the combined entrepreneurial spirit, passion and experience of our Co-Owners ensure that we are always competitive, our infrastructure and technology are the best they can be, investments are sound and we exceed our customer expectation. This forms the basis to HKBN's unique DNA and our Legal Unfair Competitive Advantage (LUCA).

Welcome to HKBN's 2015 Annual Report. This report not only seeks to provide shareholders with a view of our financial and business performance, but also illustrates the evolving strategic value that Co-Ownership plays in enhancing our overall competitiveness. In addition, this report also highlights our relentless efforts for Talent engagement and development, as well as our stalwart commitment to conducting business responsibly and making a difference for our community and environment, in line with our core purpose to "**Make our Hong Kong a better place to live**."

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

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CHAIRMAN AND INDEPENDENT NON-EXECUTIVE DIRECTOR
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EXECUTIVE DIRECTORS
William Chu Kwong YEUNG [3,6]
Ni Quiaque LAI

NON-EXECUTIVE DIRECTOR
Roy KUAN [2,4,6] (resigned on 1 June 2015)

INDEPENDENT NON-EXECUTIVE DIRECTORS
Stanley CHOW [2,4,5]
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
King Chiu LEUNG

AUTHORISED REPRESENTATIVES
Ni Quiaque LAI
King Chiu LEUNG

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
12th Floor, Trans Asia Centre
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

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
Hong Kong

COMPANY'S WEBSITE

www.hkbnltd.net

STOCK CODE

1310

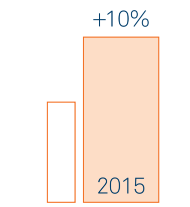
“MAKE OUR Hong Kong a Better Place to Live

At HKBN, we are innovators, managers, marketers, technologists, mothers, husbands and much more. While we wear many different hats, what we share in common is the love for the city that we call home. This Core Purpose is what propels us to scale great new heights.

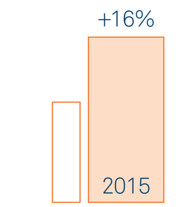
William YEUNG
Chief Executive Officer & Co-Owner
joined in 2005

2015 in Numbers

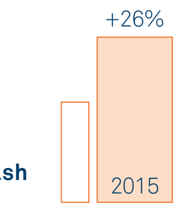
10%
Turnover growth



16%
EBITDA growth

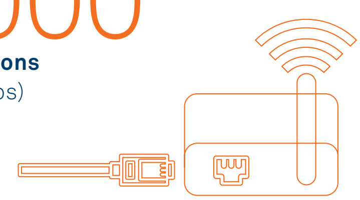


26%
Adjusted Free Cash Flow growth

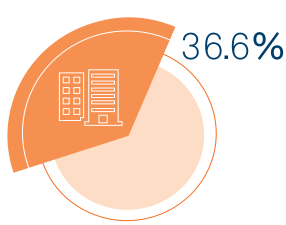


Network coverage to over
2.1million
homes

754,000
residential subscriptions
(100Mbps to 1000Mbps)



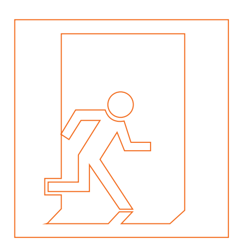
36.6%
market share of residential broadband services



2,000
commercial buildings covered

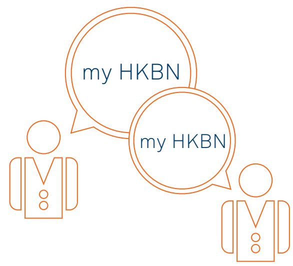
39,000
enterprise customers

0.6%
average monthly residential broadband churn rate

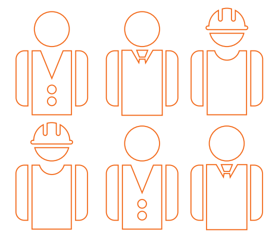


2015 in Numbers

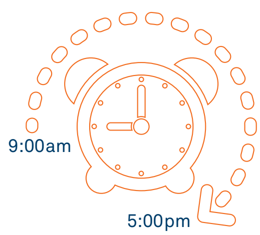
Over
270
Co-Owners



Over
2,400
Talents



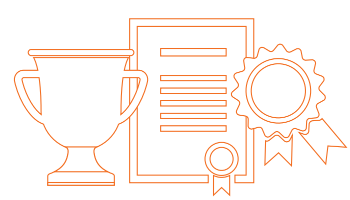
9 to 5
working hours



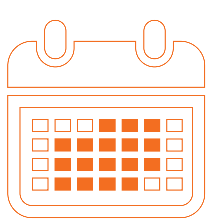
1,043
CSI hours volunteered

12,900kg
of paper recycled

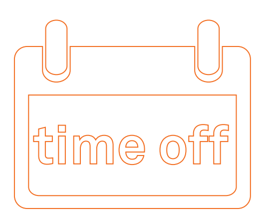
29
awards conferred



17days
annual public holiday
entitlements for all Talents



7.5days
additional time-off



CEO & CFO Letter

DEAR FELLOW SHAREHOLDERS,

We look back at FY2015 with pride as we have taken another step forward with our core purpose to **"Make our Hong Kong a better place to live"**. At HKBN, we realise that with only 1,338 colleagues based in Hong Kong, we are too small to change Hong Kong directly but we are big enough to take the pioneering steps for others to follow.

Key FY2015 achievements include:

1) We delivered a solid set of results with 62,000 net additions of residential broadband subscriptions (adding 2.4% market share gain) together with Revenue, EBITDA and Adjusted Free Cash Flow growth of 10%, 16% and 26% respectively.

2) We extended our Co-Owners from about 90 pre Initial Public Offering to currently over 270, representing the majority of our supervisors and above colleagues. As our Co-Ownership requires a "family" investment, this expanded Co-Ownership reflects higher trust and commitment from our colleagues.

3) We implemented a number of material LIFE-work priorities, significantly shortening our work week, freeing up more time to spend with our families.

William YEUNG
Chief Executive Officer & Co-Owner, joined in 2005

We are very excited by the opportunities awaiting our industry over the next 5 years. We look forward to 2016 to be the year that Over-The-Top (the "OTT") content providers make their disruptive presence felt in Hong Kong, and envision the OTT industry surpassing traditional legacy Pay-TV and IP-TV in terms of revenue by 2020. Better content and mass 4K Ultra High Definition video take-up should fuel demand for our ultra-high-speed fibre broadband services for many years to come.

At HKBN, we dare to dream big. We dare to shoot for the stars, and sometimes miss, as it is better to settle for hitting the moon than aiming for the hills and getting there.

Sincerely yours,

William YEUNG
CEO & Co-Owner

NiQ LAI
Head of Talent Engagement,
CFO & Co-Owner

NiQ LAI
Head of Talent Engagement, CFO & Co-Owner, joined in 2004

Board of Directors and Senior Management

Stanley CHOW ■ Ni Quiaque LAI ■ Bradley Jay HORWITZ ■ William Chu Kwong YEUNG ■ Quinn Yee Kwan LAW

Board of Directors and Senior Management

CHAIRMAN AND INDEPENDENT NON-EXECUTIVE DIRECTOR

Bradley Jay HORWITZ, aged 60, was appointed as an independent non-executive Director, the Chairman of the Board and a member of the Audit Committee and the Nomination Committee of the Company on 6 February 2015. Mr. Horwitz has over 30 years of experience in the wireless and telecommunication industry. Mr. Horwitz founded Trilogy International Partners in 2005 and has been the president and chief executive officer of the company since it was founded. Trilogy International Partners was established to acquire wireless international assets in Haiti and Bolivia and to develop additional international wireless assets, primarily in South America and the Caribbean. Prior to establishing Trilogy International Partners, Mr. Horwitz served as president of Western Wireless International, having founded the company in 1995 while also serving as an executive vice president of Western Wireless Corporation. Previously, Mr. Horwitz was a founder and chief operating officer of SmarTone Mobile Communications Limited and he worked in various management capacities for McCaw Cellular including serving as vice president of international operations. Mr. Horwitz graduated from San Diego State University, U.S. with a Bachelor of Science Degree in August 1978.

EXECUTIVE DIRECTORS

William Chu Kwong YEUNG (also known as William YEUNG), aged 54, 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. Mr. Yeung has more than 23 years of experience in the telecommunications industry. Prior to joining the Group, Mr. Yeung was director of customers division at SmarTone Mobile Communications Limited, and served as a police inspector with the Hong Kong Police Force. Mr. Yeung obtained a Bachelor of Arts Degree from Hong Kong Baptist University, Hong Kong in December 1992 and obtained a Master of Business Administration Degree from the University of Strathclyde, U.K. in November 1995 and a Master of Science Degree in Electronic Commerce and Internet Computing from The University of Hong Kong, Hong Kong in November 2001. In 2010, Mr. Yeung was recognised as “Champion of Human Resources” by The Hong Kong HRM Awards 2010. Mr. Yeung is a Co-Owner of the Company.

Board of Directors and Senior Management

Ni Quiaque LAI (also known as NiQ LAI), aged 45, is Head of Talent Engagement and Chief Financial Officer of the Group and an executive Director of the Company. Mr. Lai joined the Group in May 2004 and has over 20 years of experience in the telecommunications, research and finance industries. Prior to joining the Group, Mr. Lai was an analyst and the Director and Head of Asia Telecom Research for Credit Suisse, where he was involved in numerous global fund raising initiatives for a wide range of Asian Telecom carriers. Prior to Credit Suisse, Mr. Lai held positions in HKT, as a strategic planning manager, and Kleinwort Benson Securities (Asia). He graduated from the University of Western Australia, Australia with a Bachelor of Commerce Degree in April 1990 and obtained an Executive Master of Business Administration Degree from Kellogg-HKUST, Hong Kong in June 2009. Mr. Lai is a Fellow member of Hong Kong Institute of Certified Public Accountants (HKICPA) and CPA Australia, and a Member of the Hong Kong Institute of Directors. In 2009, he was recognised as "Champion of Human Resources" by HRM Awards, and was selected by Global Telecoms Business magazine in 2013 as one of the Top 50 CFOs in the industry to watch. Mr. Lai is a Co-Owner of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Stanley CHOW, aged 51, 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 practiced 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.

Board of Directors and Senior Management

Quinn Yee Kwan LAW, SBS, JP, aged 62, 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, Hong Kong, and a member of Professional Conduct Committee of the Hong Kong Institute of Certified Public Accountants. Mr. Law is currently one of the independent non-executive directors of ENN Energy Holdings Limited (stock code: 2688), whose shares are listed on the Main Board of the Stock Exchange. From 1 March 2008 to 1 March 2013, Mr. Law was the deputy chairman and managing director of the Urban Renewal Authority, a statutory organisation in Hong Kong. Mr. Law is a fellow of the Hong Kong Institute of Certified Public Accountants and is also a fellow of the Association of Chartered Certified Accountants. Mr. Law was admitted as an associate of the Institute of Chartered Secretaries and Administrators on 11 November 1980. In view of Mr. Law's experience in reviewing or analysing audited financial statements of private and public companies, the Directors believe that Mr. Law has the appropriate accounting or related financial management expertise for the purposes of Rule 3.10 of the Listing Rules.

Board of Directors
and Senior Management

William YEUNG ■ **Chan Fai HO** ■ **Selina CHONG** ■ **NiQ LAI** ■ **Billy YEUNG** ■ **Gary MCLAREN**

Board of Directors and Senior Management

SENIOR MANAGEMENT

William YEUNG, his biographical information is set out on page 11.

NiQ LAI, his biographical information is set out on page 12.

Selina CHONG, the Chief Marketing Officer and a Co-Owner of the Group. Ms. Chong joined the Group in 2012 and is responsible for brand strategy, marketing leadership, corporate communications, quality management and overall customer experience. Ms. Chong is the Group's Offline2Online (O2O) architect, responsible for driving online transactions and automation to achieve cost efficiency. Prior to joining the Group, Ms. Chong held various senior positions at various multinational and local corporations including Octopus Cards Limited, American Express, Citibank and Fidelity Investments and brings a wealth of experience in brand management and strategic sales and marketing. Ms. Chong graduated from the University of Toronto, Canada with a Bachelor's Degree in Science in June 1984 and obtained a Master in Business Administration Degree from McMaster University, Canada in May 1986. In 2014, Ms. Chong was recognised as one of the "50 CMOs to Watch" by Global Telecoms Business magazine.

Chan Fai HO, the Chief Information Officer and a Co-Owner of the Group. Mr. Ho joined the Group in July 2012 and is responsible for the Group's information technology strategy development and leads the IT Department to optimise business support and processes through IT system development, integration and management. Mr. Ho brings over 25 years of IT experience in local and overseas markets, which spans across various industries including telecommunications, banking, property, publishing, entertainment and retailing. Prior to joining the Group, Mr. Ho was Head of IT and Service Platform at SmarTone Mobile Communications Limited. He also held senior IT positions at Huawei Software Technology, Emperor International Holdings, Westpac, CSL and Bank of America. Mr. Ho graduated from the University of Hong Kong, Hong Kong with a Bachelor's Degree in Science in November 1981, and obtained a Master in Business Administration Degree from Oklahoma City University, U.S. in December 1988 and a Master in Accountancy Degree from Charles Sturt University, Australia in October 1999.

William Tak Wa YEUNG (also known as Billy YEUNG), the Chief Commercial Officer - Enterprise Solutions and a Co-Owner of the Group. Mr. Yeung joined the Group in January 2013 and leads a team of sales professionals to service corporates of all sizes and carrier customers. Prior to joining the Group, Mr. Yeung was noted for his diverse experience within the telecom industry which began at Cable & Wireless HKT, where he played an important role in their development of Internet services in 1995. Mr. Yeung later branched out to start his own business, Y5Zone, and steered the company to become one of the largest wholesale Wi-Fi supplier in Hong Kong. Y5Zone was later acquired by HKBN Group Limited, an indirectly wholly-owned subsidiary of the Company in January 2013. He also serves as the Vice Chairman of Hong Kong Wireless Technology Industry Association. Mr. Yeung obtained a Master of Business Administration Degree from the University of Birmingham, U.K. in December 1988.

Gary MCLAREN, the Chief Technology Officer and a Co-Owner 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. Prior to joining the Group, Mr. McLaren spent five years as the Chief Technology Officer of NBN Co Limited, Australia's national broadband network company. Mr. McLaren has worked in Australia, Germany and Singapore and has held senior positions at Siemens and Telstra and startup companies Request DSL and Utiba. Mr. McLaren graduated from the University of Melbourne with a Bachelor of Engineering (Honours) in 1985 and a Bachelor of Laws (Honours) in 2001.

2015 Milestones

Sep 2014

Award for Excellence in Training and Development 2014 (Skills Training Category) – Gold Award conferred by The Hong Kong Management Association

Oct 2014

Best Practice Award in Employee Engagement conferred by **Best Practice Management magazine**

Oct 2014

HKBN surpasses 700,000 residential broadband subscriptions

Oct 2014

2014 HKCCA Awards – 13 awards, including Mystery Caller Assessment Gold Award and Best Contact Centre in Corporate Social Responsibility Gold Award presented by Hong Kong Call Centre Association

2015 Milestones

Nov 2014

Our fibre optic network coverage achieves 2.1 million homes passed (about 79% of Hong Kong's total residential units)

Nov 2014

Prestigious Corporate Brand Awards 2014 – Top Favorite Internet Service Brand Voted By Hong Kong Consumers conferred by Ming Pao and The Chinese University of Hong Kong

Nov 2014

Marketing Excellence Awards 2014 - Gold Award for Excellence in Location-Based Marketing presented by Marketing Magazine

Dec 2014

LinkedIn Evolving Employer Award 2014 – Bronze Award

2015 Milestones

Mar 2015

HKBN Ltd. debuts with listing on the main board of The Stock Exchange of Hong Kong on 12 March

Mar 2015

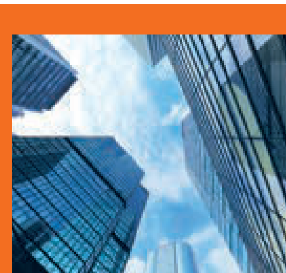
Sing Tao Service Awards 2014 – Broadband Network Provider

Mar 2015

MTR Advertising The Best of the Best Awards 2014 – Best Poster Campaign Silver Award

Jun 2015

HKBN launches Roaming Data SIM Card offering one-card data access to 43 destinations worldwide



Jun 2015

Best SME's Partner Award conferred by Hong Kong General Chamber of Small and Medium Business

2015 Milestones

Jun 2015
Metro Creative Awards – The Best Creative Ad Award by Metro Daily

Jun 2015
Carbon Reduction Certificate conferred by Environmental Campaign Committee

Aug 2015
Co-Ownership Plan II cumulatively attracts over 270 supervisors and above level Talents to become Co-Owners of HKBN

Aug 2015
Hong Kong I.T. Brand Awards 2015 – Excellent Brand of Business Broadband conferred by The Chamber of H.K. Computer Industry & Metro Info

Aug 2015
HKBN fibre optic network coverage expands to over 2,000 commercial buildings across Hong Kong

“WE CANNOT slow down

The future is accelerating. HKBN’s goal has always been to achieve growth and innovation in every aspect of what we do. Being complacent is not an option and is never how we do things.

William Kwan
Senior Manager - Network Infrastructure & Co-Owner
joined in 1999

Financial and Operational Summary

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

TABLE 1: FINANCIAL HIGHLIGHTS

For the year ended 31 August	2015	2014	Increase/Decrease YoY
Key financials ($'000)			
Turnover	**2,341,113**	2,131,581	+10%
Profit for the year	**104,268**	53,550	+95%
Adjusted Net Profit [1,2]	**359,955**	253,940	+42%
EBITDA [1,3]	**978,622**	845,281	+16%
EBITDA margin [1,4]	**41.8%**	39.7%	+2.1pp
Adjusted Free Cash Flow [1,5]	**391,622**	310,814	+26%
Reconciliation of Adjusted Net Profit [1,2]			
Profit for the year	**104,268**	53,550	+95%
Amortisation of intangible assets	**110,167**	225,292	-51%
Deferred tax arising from amortisation of intangible assets	**(18,177)**	(37,173)	-51%
Loss on extinguishment of senior notes	**96,234**	8,633	+1015%
Originating fee for banking facility expired	**11,600**	–	n/a
Listing expenses	**55,863**	–	n/a
Loss on disposal of interests in subsidiaries	**–**	3,638	-100%
Adjusted Net Profit	**359,955**	253,940	+42%
Reconciliation of EBITDA & Adjusted Free Cash Flow [1,3,5]			
Profit for the year	**104,268**	53,550	+95%
Finance costs	**260,023**	191,570	+36%
Interest income	**(2,794)**	(3,714)	-25%
Income tax	**85,582**	51,488	+66%
Depreciation	**365,513**	327,095	+12%
Amortisation of intangible assets	**110,167**	225,292	-51%
Listing expenses	**55,863**	–	n/a
EBITDA	**978,622**	845,281	+16%
Capital expenditure	**(324,084)**	(345,601)	-6%
Net interest paid	**(138,543)**	(165,120)	-16%
Other non-recurring items	**–**	3,638	-100%
Other non-cash items	**(7,479)**	(9,024)	-17%
Income tax paid	**(85,864)**	(42,845)	+100%
Changes in working capital	**(31,030)**	24,485	n/a
Adjusted Free Cash Flow	**391,622**	310,814	+26%

Financial and Operational Summary

TABLE 2: OPERATIONAL HIGHLIGHTS

For the year ended 31 August	2015	2014	Increase/Decrease YoY
Residential business			
Residential homes passed ('000)	**2,143**	2,088	+3%
Subscriptions ('000)			
– Broadband	**754**	692	+9%
– Voice	**534**	576	-7%
Market share [6]			
– Broadband	**36.6%**	34.2%	+2.4pp
– Voice	**22.0%**	23.4%	-1.4pp
Residential customers ('000)	**822**	779	+6%
Broadband churn rate [7]	**0.6%**	0.8%	-0.2pp
Residential ARPU [8]	**$183**	$175	+5%
Enterprise business			
Commercial building coverage ('000)	**2.0**	1.9	+5%
Subscriptions ('000)			
– Broadband	**35**	28	+25%
– Voice	**98**	81	+21%
Market share [6]			
– Broadband	**14.3%**	12.0%	+2.3pp
– Voice	**5.3%**	4.4%	+0.9pp
Enterprise customers ('000)	**39**	32	+22%
Broadband churn rate [9]	**0.8%**	1.2%	-0.4pp
Enterprise ARPU [10]	**$1,010**	$1,026	-2%

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), non-recurring finance costs and other non-recurring items. Non-recurring finance costs, in the year under review, include loss on extinguishment of senior notes and originating fee for banking facility expired. Other non-recurring items, in the year under review, include listing expenses.

(3) EBITDA means profit for the year plus finance costs, income tax expense, listing expenses, depreciation and amortisation of intangible assets and less interest income.

(4) EBITDA margin means EBITDA divided by turnover.

(5) Adjusted Free Cash Flow means EBITDA plus interest received and less capital expenditure, interest paid and tax paid, and adjusted by changes in working capital, other non-recurring items and other non-cash items. Working capital includes other non-current assets, inventories, accounts receivable, other receivables, deposits and prepayments, accounts payable, deposits received and deferred services revenue. Other non-cash items, in the year under review, include amortisation of obligations under granting of rights and Co-Ownership Plan II related non-cash items.

(6) Our market share in broadband or voice services in Hong Kong, for residential or enterprise business, is calculated by dividing the number of broadband or voice subscriptions we have at a given point in time by the total number of corresponding broadband or voice subscriptions recorded by the Office of the Communications Authority (OFCA) at the same point in time.

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

(8) ARPU means average revenue per user per month. Calculated by dividing the revenue generated in the relevant period from services subscribed by residential broadband subscribers, which include broadband services and any bundled voice, IP-TV and/or other entertainment services, by the number of average residential broadband subscriptions and further dividing by the number of months in the relevant period. Average residential broadband subscriptions are calculated by dividing the sum of such subscriptions at the beginning of the period and the end of the period by two. Our use and computation of residential ARPU may differ from the industry definition of ARPU due to our tracking of turnover generated from all services subscribed by residential broadband subscribers. We believe this gives us a better tool for observing the performance of our business as we track our residential ARPU on a bundled rather than standalone basis.

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

(10) ARPU means average revenue per user per month. Calculated by dividing the revenue generated in the relevant period from the enterprise business (excluding revenue from IDD services) by the average number of enterprise customers and further dividing by the number of months in the relevant period. Average number of enterprise customers 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.

Management's Discussion and Analysis

BUSINESS REVIEW

During the year ended 31 August 2015, the Group delivered a solid set of operational and financial results. Our market share by broadband subscriptions increased further in both residential and enterprise businesses. Turnover, EBITDA and Adjusted Free Cash Flow increased year-on-year by 10%, 16% and 26% respectively to $2,341 million, $979 million and $392 million.

Turnover grew by 10% year-on-year to $2,341 million driven by strong growth in broadband subscriptions and gains in market share for both residential and enterprise businesses.

- Residential revenue grew by 8% year-on-year to $1,757 million as we continued to gain market share within the residential broadband market mainly by converting our competitors' legacy copper-based customers to our fibre-based services. During the year ended 31 August 2015, we achieved 62,000 net additions to 754,000 residential broadband subscriptions together with a 5% year-on-year increase in residential ARPU to $183. Our market share by broadband subscriptions increased to 36.6% as of 31 August 2015, up from 34.2% as of 31 August 2014.

- Enterprise revenue grew by 12% year-on-year to $476 million as the enterprise business continued to build on positive momentum with our focus in the small and medium-sized enterprise (SME) segment and developing a comprehensive set of service offerings to serve these customers. During the year ended 31 August 2015, we achieved 7,000 net additions to 39,000 enterprise customers which more than offset a 2% year-on-year decrease in enterprise ARPU to $1,010 as a result of our focus on small enterprise accounts. Our market share by broadband subscriptions increased to 14.3% as of 31 August 2015, up from 12.0% as of 31 August 2014.

- Product revenue grew by 39% year-on-year to $109 million, representing 4.7% of turnover.

Network costs and costs of sales rose by 7% year-on-year to $306 million mainly due to higher costs of sales amidst the increase in product revenue, partly offset by lower IP-TV content costs and IDD costs.

Other operating expenses increased by 3% year-on-year to $1,602 million. Excluding the impact of listing expenses of $56 million, other operating expenses fell by 1% year-on-year.

- Advertising and marketing expenses, Talent costs and depreciation increased year-on-year by 6%, 9% and 12% respectively to $399 million, $404 million and $366 million to drive business growth.

- Amortisation of intangible assets fell by 51% to $110 million since one category of intangible assets, namely backlog of fixed telecommunications network services ("FTNS") contracts with residential and enterprise customers, had been fully amortised during the year ended 31 August 2014.

Finance costs increased by 36% year-on-year to $260 million mainly due to the one-off finance costs of $108 million relating to the refinancing of 5.25% senior notes, comprising the loss on extinguishment of senior notes of $96 million and originating fee for banking facility expired of $12 million.

- Finance costs excluding the loss on extinguishment of senior notes and originating fee for bank facility expired amounted to $152 million for the year as compared to $183 million for the previous year.

Management's Discussion and Analysis

- On 19 January 2015, the Group drew down a five-year bank loan of $3,100 million bearing interest at HIBOR plus 2.06% per annum to finance the redemption of the remaining 5.25% senior notes in full. This refinancing improved the Group's debt maturity profile with a two-year time extension to January 2020 and offered the Group an opportunity to achieve long term savings in borrowing costs.

- The Group entered into an interest-rate swap arrangement with the notional amount of $2,635 million for a term of 3.5 years commencing from 23 February 2015, fixing the HIBOR interest rate exposure at 1.453% per annum during the period covered by the interest-rate swap. Under the current hedging arrangement, 85% of the bank loan will effectively bear interest at a fixed rate of 3.513% per annum whereas the remaining 15% will bear interest at a floating rate of HIBOR plus 2.06% per annum, as compared to the interest rate of 5.25% per annum for the senior notes redeemed.

Income tax amounted to $86 million for the year as compared to $51 million for the previous year. The Group's finance costs and listing expenses were not tax deductible. Income tax as a percentage of profit before taxation, finance costs and listing expenses was approximately 17% for each of the years ended 31 August 2015 and 2014.

Profit attributable to equity shareholders increased by 95% year-on-year to $104 million despite the impact of one-off finance costs related to refinancing of $108 million and listing expenses of $56 million, collectively $164 million.

Adjusted Net Profit, excluding the impact of amortisation of intangible assets, non-recurring finance costs and non-recurring items, increased by 42% year-on-year to $360 million.

EBITDA rose by 16% year-on-year to $979 million, with EBITDA margin improving by 2.1 percentage points to 41.8% from 39.7% in the previous year.

Adjusted Free Cash Flow increased by 26% year-on-year to $392 million.

Additions to fixed assets amounted to $380 million for the year ended 31 August 2015, as compared to $346 million for the previous year.

OUTLOOK

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

- Continue to cultivate and deepen our Talent-oriented Co-Ownership culture that aligns risks and rewards with shareholders by enlarging the base of Co-Owners via the newly launched Co-Ownership Plan II;

- Expand our network coverage by focusing on economically attractive residential premises and commercial buildings;

- Disrupt the Pay-TV market by offering world-class broadband and OTT entertainment at breakthrough prices and redefine the way Hong Kong people enjoy their Internet entertainment;

- Enhance our customer yield through segmentation and up-selling;

- Further penetrate the enterprise market with a strong focus on small businesses; and

- Enhance our EBITDA margin through operating leverage and effective cost management.

Management's Discussion and Analysis

LIQUIDITY AND CAPITAL RESOURCES

As at 31 August 2015, the Group had total cash and cash equivalents of $329 million (31 August 2014: $436 million) and gross debt (principal amount of outstanding borrowing) of $3,100 million (31 August 2014: $3,041 million), which led to a net debt position of $2,771 million (31 August 2014: $2,605 million).

- The Group's gearing ratio, which was expressed as a percentage of the gross debt over total equity, was 205% as at 31 August 2015 (31 August 2014: 185%).
- The Group's net debt to EBITDA ratio, which was expressed as a percentage of the gross debt net of cash and cash equivalents over EBITDA for the last twelve months, was 2.8 times as at 31 August 2015 (31 August 2014: 3.1 times).

On 19 January 2015, the Group drew down a five-year bank loan of $3,100 million denominated in Hong Kong Dollars bearing interest rate at HIBOR plus 2.06% per annum, in order to finance the redemption of the remaining 5.25% senior notes in full. Since the bank loan is repayable in full upon final maturity in January 2020, the Group can either refinance or renew it on maturity or earlier through sources that it deems appropriate at that time. This provides us with flexibility to plan for various sources of financing arrangement to support the expansion of our business.

Cash and cash equivalents consisted of cash at bank and in hand. There was no pledged bank deposit as at 31 August 2015 and 31 August 2014. As at 31 August 2015, the Group had an undrawn revolving credit facility of $200 million (31 August 2014: $100 million).

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

HEDGING

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

In connection with the existing bank loan, the Group entered into an interest-rate swap arrangement in the principal amount of $2,635 million with an international financial institution for a term of 3.5 years commencing from 23 February 2015. Benefiting from the hedging arrangement, the Group fixed the HIBOR interest rate exposure at 1.453% per annum. This interest-rate swap arrangement is recognised initially at fair value and remeasured at each balance sheet date. 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 2015 and 31 August 2014, no assets of the Group were pledged to secure its loans and banking facilities.

CONTINGENT LIABILITIES

As at 31 August 2015, the Group had total contingent liabilities of $4 million (31 August 2014: $5 million) in respect of bank guarantees provided to suppliers and utility vendors in lieu of payment of utility deposits.

Management's Discussion and Analysis

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 2015, 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 2015, the Group had 2,430 permanent full-time Talents versus 2,596 as of 31 August 2014. 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 remuneration of Talents are regularly reviewed based on their performance. The Group also provides comprehensive medical insurance coverage, competitive retirement benefits schemes, and Talent training programmes.

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

Please refer to "Share Incentive Scheme" on page 84 for a summary of the Plan.

Corporate Governance Report

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

As the Company's shares were not listed on the Stock Exchange until 12 March 2015 (the "Listing Date"), the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") was not applicable to the Company for the period before the Listing Date. During the period from the Listing Date to 31 August 2015, the Company has applied the principles of and has complied with all the applicable code provisions of the CG Code, 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, 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, the Audit Committee and the Remuneration Committee respectively, the Board appointed Mr. Yeung as the Chairman of the Nomination Committee to make sure that each Director, especially the independent non-executive Directors, could dedicate sufficient time to perform his role. Since Mr. Yeung is involved in the day-to-day management of the Company and can provide valuable insight on the suitability of a proposed director, the Board considers that he is capable of assuming the responsibility of the Chairman of the Nomination Committee by leading the process of identifying suitable candidates and making recommendations to the Board. As at the date of this report, the remaining three members in the Nomination Committee are all 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 Financial Officer and the senior management of the Company. The delegated functions and work tasks are periodically reviewed.

Board Composition

The Board currently comprises five Directors, including two executive Directors, Mr. William Chu Kwong Yeung and Mr. Ni Quiaque Lai 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 "Board of Directors and Senior Management" section on pages 11 to 13. None of the members of the Board are related to one another.

Corporate Governance Report

Board Diversity

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

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

		Number of Directors
Gender	Male	5
	Female	
Designation	Independent Non-executive Directors	3
	Executive Directors	2
Ethnicity	Chinese	4
	Non-Chinese	1
Age Group	45-50	1
	51-55	2
	56-60	1
	61-65	1

Educational Background

	Number of Directors
Science	2
Business Administration	2
Arts	1
Commerce	2
Accounting & Finance	2
Legal	1

Business Experience

	Number of Directors
Telecommunications	3
Legal	1
Banking	1
Accounting & Finance	2

Corporate Governance Report

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 period from the Listing Date to 31 August 2015, 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 period from their date of appointment to 31 August 2015 pursuant to Rule 3.13 of the Listing Rules, and considered all of them to be independent.

Corporate Governance Report

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.

In accordance with article 16.2 of the Articles, Mr. Bradley Jay Horwitz, Mr. William Chu Kwong Yeung, Mr. Ni Quiaque Lai, Mr. Stanley Chow and Mr. Quinn Yee Kwan Law who were appointed to fill casual vacancies or as additions to the Board will hold office until the forthcoming annual general meeting when they will retire and being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

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. During the year, the Company also engaged professional firms to provide certain trainings in order to update the Directors on the developments on matters of corporate governance, regulatory and accounting standards.

All the Directors of the Company received trainings during the year and provided the training records to the Company.

Directors' Liability Insurance and Indemnity

The Company has arranged for appropriate liability insurance to cover the liabilities of the Directors that may arise out of the corporate activities. The insurance coverage is reviewed on an annual basis. During the year ended 31 August 2015, no claims were made against the Directors.

Corporate Governance Report

Meetings

The Board meets on a regular basis, and on an ad hoc basis, as required by business needs. During the period from the Listing Date to 31 August 2015, the Board convened five meetings to approve the interim results announcement and interim report, the appointment to the Remuneration Committee and the grant of restricted share units under the Co-Ownership Plan II adopted by the Company on 21 February 2015 (the "Plan"), and to review the Group strategies and business updates. The attendance of each individual Director at the board meetings, committee meetings and general meeting during the period from the Listing Date to 31 August 2015 is set out in the following table.

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	General Meeting
	Number of Meeting Attended/Held				
Chairman and Independent Non-executive Director					
Bradley Jay Horwitz	5/5	1/2	N/A	1/1	0/0
Executive Directors					
William Chu Kwong Yeung	4/5 (Note)	N/A	0/1 (Note)	1/1	0/0
Ni Quiaque Lai	4/5 (Note)	N/A	N/A	N/A	0/0
Non-executive Director					
Roy Kuan (resigned on 1 June 2015)	2/2	1/1	0/0	0/0	0/0
Independent Non-executive Directors					
Stanley Chow	5/5	2/2	1/1	1/1	0/0
Quinn Yee Kwan Law	5/5	2/2	1/1	1/1	0/0

Note: abstained from the meeting due to conflict of interests

Corporate Governance Report

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 viewing under the Corporate Governance section of the Company's website at www.hkbnltd.net (the "Company's Website").

The Remuneration Committee currently comprises 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 period from the Listing Date to 31 August 2015, the Remuneration Committee held one meeting to review the grant of restricted share units under the Plan and recommend for Board's approval. The Remuneration Committee also held a meeting on 30 October 2015 to review the remuneration package of Directors and senior management and remuneration policy of the Company.

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 2015 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 under the Corporate Governance section of the Company's Website. The principal duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) required of the Board, make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identify individuals suitably qualified to become Directors and select or make recommendations to the Board on the selection of individuals nominated for directorships, assess the independence of independent non-executive Directors of the Company, and make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

Corporate Governance Report

The Nomination Committee currently comprises four members including three independent non-executive Directors, Mr. Stanley Chow, Mr. Bradley Jay Horwitz, Mr. Quinn Yee Kwan Law and one executive Director and chief executive officer, Mr. William Chu Kwong Yeung (Chairman of the Nomination Committee).

During the period from the Listing Date to 31 August 2015, the Nomination Committee held one meeting to review the appointment of member to the Remuneration Committee and recommend for Board's approval. The Nomination Committee also held a meeting on 30 October 2015 to review the independence of independent non-executive Directors, and to consider the re-election of the Directors at the forthcoming annual general meeting of the Company.

Audit Committee

The Audit Committee was established with written terms of reference available under the Corporate Governance section of the Company's Website.

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

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

The audited consolidated financial statements for the year ended 31 August 2015 have been reviewed by the Audit Committee.

The Audit Committee currently comprises of 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.

The following is a summary of the work performed by the Audit Committee during the period from the Listing Date to 31 August 2015:

- met with the external auditor to discuss the general scope of their audit work and report;
- reviewed the internal audit work plan, its Talent resources requirement and risk management framework of the Company; and
- reviewed the unaudited interim results for the six months ended 28 February 2015.

The Audit Committee also held a meeting on 30 October 2015 to discuss the internal control and financial reporting matters.

CORPORATE GOVERNANCE FUNCTIONS

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

- developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board;

Corporate Governance Report

- 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;
- reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

RISK MANAGEMENT AND INTERNAL CONTROL

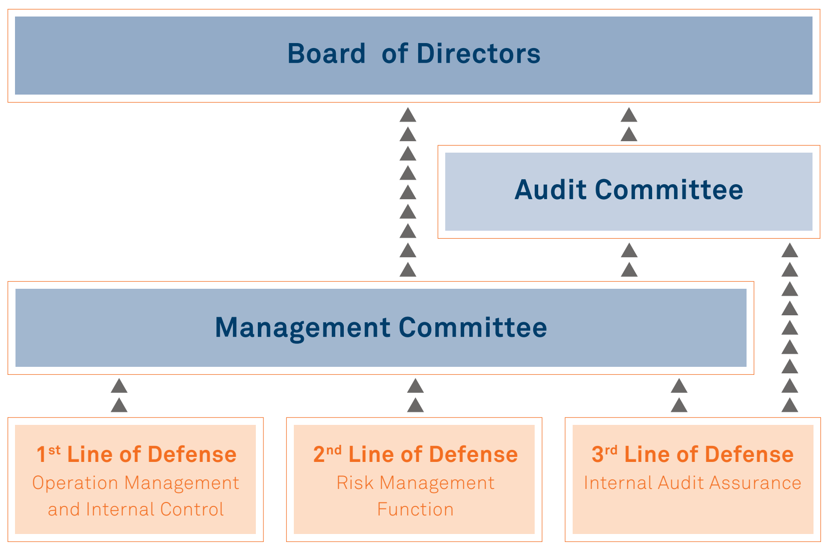
The Board has the overall responsibility for maintaining sound and effective risk management and internal control systems for the Group. Appropriate policies and control procedures have been designed and established to safeguard our assets against improper use or disposal; relevant laws, rules and regulations are adhered to and complied with; and that reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements. These procedures can only provide reasonable, and not absolute, assurance against material errors, loss and fraud.

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.

Three Lines of Defense

Our Risk Management Structure is based on the best practices model known as the "Three Line of Defense" model. Our operation management and established internal control serves as our first line of defense, where the newly established risk management committee functions as the second line of defense and our internal audit being the third.

Corporate Governance Report



First line of defense – Risk Management

- The first line of defense includes company policy and business conduct, and related policies, procedures and guidelines with defined authority for effective segregation of duties and controls, and they are kept under regular review.
- Operation Management is responsible to assess, report and manage their operating and business risks by submitting the departmental risk register to the risk management committee on an annual basis to ensure proper remediation actions are in place to address the identified risks.
- Our Whistleblowing Policy is in place to facilitate employees and other stakeholders to report on any suspected misconduct or malpractice within the Group in confidence and without fear of reprisal or victimisation. The policy is available on the Company's website.
- A Continuous Disclosure Obligation Procedures is in place to prevent potential inside information from being captured and confidentiality of such information is maintained.

Second line of defense – Risk Oversight

- The newly established risk management committee composed of nominated department heads and executives facilitates the implementation of the Risk Management Framework. It is responsible for understanding the risks affecting the organisation and ensures major risks are addressed with appropriate actions.
- The Group Risk Register is the result of a top down risk assessment from the corporate level and is complemented by a bottom up approach of separate risk registers reported by different departments.
- The Departmental Risk Register assesses risks in five categories: business, financial, operational, compliance and external. The risk management committee meets regularly to identify and evaluate major risks that could have material effects to the Group based on its potential financial impact and likelihood of occurrence. For all key risks, existing controls are identified and assessed with respective improvement plans.
- The Board reviewed the key risks and their management plan proposed by the risk management committee.

Corporate Governance Report

Third line of defense – Independent assurance

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

- An annual audit plan is prepared based on a risk assessment with reference to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework which covers all material controls, including the financial, operational and compliance controls and risk management functions.

- During 2015, the 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 with an emphasis on information technology, data privacy, systems contingency planning and procurement.

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

Risk Management Framework

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

Key Risk Management Process

Phase 1
Establish Risk Context

- Establish risk assessment criteria

Phase 2
Risk Identification

- Process of finding, recognising and describing a risk

Phase 3
Risk Assessment

- Understanding the causes and sources of the risk, and score the potential impact on the business and likelihood of a risk occurring

Phase 4
Risk Treatment

- Developing appropriate risk mitigation strategies

Phase 5
Risk Reporting and Monitoring

- Ongoing and periodic monitoring of risks
- Reporting risk to stakeholders

Corporate Governance Report

HKBN 2015 Key Exposures

Financial risk is reported on note 29 to the consolidated financial statements of this annual report.

For the year under review, the Audit Committee 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 2015, the remuneration paid or payable to the Company's external auditor, KPMG, is set out as follows:

	$'000
Audit services	1,580
Other services[note]	5,969
	7,549

Note: Other services fees include the review of the Group's interim financial report amounting to $300,000, tax advisory services amounting to $120,000 and the reporting accountant's work and internal control review work in connection with the IPO amounting to $4,846,000 and $703,000 (total $5,549,000 included in listing expenses as set out in note 3(b) to the consolidated financial statements).

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 2015 are set out on page 89 of this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by Directors of the Company. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard as set out in the Model Code for the period from the Listing Date to 31 August 2015.

COMPANY SECRETARY

The Company Secretary, Mr. King Chiu Leung is an employee of the Group and is appointed by the Board. Mr. Leung is responsible for facilitating the Board's processes and communications among Board members, with shareholders and with management. Mr. Leung undertakes at least 15 hours of relevant professional training annually to update his skills and knowledge.

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.

Corporate Governance Report

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 in the above paragraph heading "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 enable shareholders to 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 conditionally 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 from the effective date to 31 August 2015.

“WE CANNOT forget we are investors, too

A dual role as both investor and Talent has transformed the way our Co-Owners perform with an unmatched sense of responsibility and passion.

CJ Tan
Investor Engagement & Co-Owner
joined in 2012

Our Co-Ownership Advantage

What role does Co-Ownership play in our long-term success? Collectively, our more than 270 Co-Owners have an ever-evolving mission to watch over every aspect of HKBN's success and competitiveness.

That means everything from risk assessment and network reliability all the way down to customer satisfaction are ventured with a sense of accountability that goes beyond what's normally expected of an employee. Far from typical, our passionate Co-Owners always have the company's best interest at heart.

In this section, 10 of our Co-Owners decode the advantages that Co-Ownership plan has brought forward for the company, as well as what it has meant for them on a personal level.

About HKBN Co-Ownership	
Co-Ownership I	Established as part of the CVC Acquisition in 2012, Co-Ownership I allowed managers and above executives to choose to invest, on average, an amount that was about two times their annual compensation and collectively acquire a stake in HKBN prior to IPO. There were 87 Co-Owners during the preparation of IPO.
Co-Ownership II	Established in 2015, Co-Ownership II was expanded for participation from all supervisors and above HKBN executives working in our Hong Kong and Guangzhou offices. More than 270 Talents, representing the majority of all eligible supervisors and above Talents, chose to become Co-Owners by investing their personal savings, with the minimum commitment set at two months and maximum at six months.

Our Co-Ownership Advantage

Before joining HKBN in June 2015 to lead its future as CTO, Gary was CTO of Australia's NBN Co Limited, responsible for developing and implementing architecture, design and integration of network technologies for the country's national broadband network. He also held senior corporate positions at a number of multinational telcos as well as technology start-ups.

"Co-Ownership is a great scheme for me as a senior manager of HKBN. My team is especially motivated. Co-Ownership allows my teammates to see the value in working towards common goals within the company, and it has the ability to really create good teamwork between our team and others teams inside HKBN. It's a great tool for the company to engage Talents in a way that ensures we actually have committed, innovative working relationships.

Going forward, Co-Ownership is really about making sure we sustain these common goals and that we are looking at what can make this company better. The structure of the scheme rewards Talents if they stay invested over a number of years. And decisions are being made not just about short term goals but also with the long term future in mind.

HKBN is in a unique position in the world. We have a great fibre network that is the envy of telcos all around the world. And we have the ability to leverage our network in a way that no other telco has because we're a challenger. We are flexible, ours Talents are truly motivated to do new things that will disrupt the market and create new opportunities. The fact that we are all Co-Owners in the same boat means we have alignment, regardless of position and hierarchy, across the whole company. Many larger telcos and vendors don't have the ability to have these schemes. They are too big, too cumbersome and too bureaucratic. When I looked at HKBN, this was a key element of why I wanted to join. I knew a Co-Ownership scheme would create the incentives to work toward the future and grow the company, as well as serve to engender innovation and change."

Gary McLaren
Chief Technology Officer & Co-Owner, joined in 2015

Our Co-Ownership Advantage

Sarah oversees the smooth running of our numerous shops. On a day to day basis she manages all aspects of shop operations to ensure customer satisfaction is consistently met via outstanding shopping experience and supporting services.

"When people know that I'm a Co-Owner, they always find the idea of Co-Ownership intriguing. Afterwards they become curious to learn more about HKBN.

A great aspect of our Co-Ownership scheme is how it incentivises every participant to stay working at HKBN for a minimum of three years. This means as Co-Owners we must all share the risks and rewards as well as grow together with the company over this period. So instead of looking elsewhere for opportunities of financial gain or professional advancement, our Co-Owners can use this time to contemplate how they can develop and improve themselves."

Sarah Au
Officer – Operation, Residential Services & Co-Owner, joined in 2014

Angus leads a team of over 300 Certified Professional Engineers to provide superb onsite engineering service across Hong Kong. His team has helped to bring our fibre broadband service to over 750,000 households and 39,000 enterprise customers over the past decade.

"For me, what sets HKBN apart is the exposure and opportunities it offers to its Talents, as well as the commitment to do things differently for the better. I had opportunities to first work in the Customer Service Department and later on in the Certified Professional Engineer (CPE) team as a broadband technician. After I was promoted to lead the CPE team, I received strong support from management to build a strong, professional in-house team and set a new benchmark in their professional proficiencies. Quite different from many industry players who rely heavily on outside contractors, we pioneered a certification programme for all our CPEs to take customer service, technical knowledge and product knowledge to an unprecedented level. The programme even won us the Gold Award of the Award for Excellence in Training and Development 2014 from the Hong Kong Management Association.

I am very proud to be a Co-Owner of HKBN."

Angus Chan
Senior Manager – Technical Service & Co-Owner, joined in 2001

Our Co-Ownership Advantage

Lisa leads the Online Acquisition team at HKBN. With a view to deviate from the local market norm of relying on outdoor and in-shop sales, Lisa spearheads numerous initiatives to create new growth opportunities by way of the digital online world.

"My sense of belonging is undoubtedly much stronger. In light of the company's strategies I often take wider consideration of the overall benefit for HKBN, rather than just adopting a narrow view based on gains for an individual team or department."

Lisa Chan
Senior Manager – Marketing & Co-Owner, joined in 2011

Jacky plays an active role in the preparation of financial statements as well as financial analysis to support the dynamic strategic business development of HKBN. He also participates in a number of collaboration projects with external parties. In March 2015, he became a father to a beautiful baby girl.

"Considering that my obligations include a mortgage, child care expenses and the money needed to sustain a family, the investment in HKBN was an important family decision. I have strong confidence in our company and I can definitely say it is an investment worth making.

The change in identity has transformed my attitude. I now pay much greater attention about HKBN in the news. On the streets, I am always observant of what our promoters are doing and conversely what our competitors' promoters are up to. I believe this comes naturally when we assume ownership in the company."

Jacky Cheung
Manager – Finance & Co-Owner, joined in 2014

Our Co-Ownership Advantage

Annie has served as team leader and system analyst for applications development at our Guangzhou Office. She is currently responsible for developing online platforms which support growth of our business as well as our customer service commitments.

“I never imagined that a company would do so much to allow its Talents to become Co-Owners. I was pleasantly surprised to see this happen.

My husband was a former HKBN Talent. This means he is quite acquainted with everything about our company. When the invitation of Co-Ownership emerged, without even hesitating, he encouraged me to invest. We both share a similar view of optimism about HKBN's future prospects.”

Annie Guan
Senior System Analyst & Co-Owner, joined in 2005

Having joined the Enterprise Solutions Division in 2014, Loretta has served many years in the development of Wi-Fi service. She leads a team of elite sales professionals to deliver solutions for our highly engaged corporate customers from various sectors including hospitality, IT and professional services.

“For me Co-Ownership felt a lot like crossing the Red Sea – you really have to experience it for yourself to appreciate the 'miracle'. Prior to being invited to become a Co-Owner I was somewhat hesitant. Obviously this was a big investment, but once I decided to give my vote of confidence there were a few unexpected things that emerged. My sense of belonging suddenly became tangible. The company's success and failure had a correlation with me, and there's a sense of pride that suddenly emerges, for example, whenever we engage our customers.

Recently, we've won over a number of key clients for our Enterprise Solutions business due in large part to the innovative and ground breaking proposals that we've made. I would say it was the passion we have as Co-Owners which helped to set us apart.”

Loretta Ko
Associate Director – Sales, Enterprise Solutions & Co-Owner, joined in 2000

Our Co-Ownership Advantage

Terry has served a variety of roles for our Guangzhou operations including Telesales Team Leader, Customer Service Executive and Regional Service Support. In his current role, he monitors and ensures the quality of frontline services.

"I had heard plenty about Co-Ownership prior to IPO, and so I understood the pride in becoming a Co-Owner. Now that I am a Co-Owner, I have felt a fundamental shift in our attitude – before I was only an employee, but after joining I gained a true sense of responsibility to perform at my best. Many of us feel the same way."

Terry Yang

Officer – Quality Management & Co-Owner, joined in 2004

Stephen helms the Network Operation Department to ensure optimal availability and reliability of our network performance. Prior to his current role, he played an instrumental role in the Voice Network Operation team, responsible for developing HKBN's next generation VoIP network.

"After we became Co-Owners, many of us began to think differently, adopting a more self-initiated and all-encompassing approach towards our duties. We truly became entrepreneurial.

Now we wear two hats, one as employees and the other as Co-Owners. Quite often we would switch roles and think from different perspectives before making a decision or recommendation, for instance, on whether or not to commit on a particular expenditure. This attitude has also trickled down to our non-Co-Owner Talents. As a department head, this has made my tasks a lot easier to achieve."

Steven Yau

Associate Director – Network Operation & Co-Owner, joined in 1996

Our Co-Ownership Advantage

As a dedicated manager, Boris leads a Customer Service team and oversees the operation of our Call Centre in Guangzhou. His experience helps elevate and maintain the quality of our customer service standards.

“My participation in the Co-Ownership plan is an investment of confidence in HKBN. If I didn't believe in the company and its future, I would not have committed my personal savings into the company.

There are times when customers would call our hotline asking to speak with someone of 'higher authority'. When they find out that they are speaking directly to a Co-Owner, customers feel more reassured.”

Boris Yip
Manager – Customer Service, Residential Services & Co-Owner, joined in 2010

“MY company MY HKBN”

Our Co-Ownership Advantage

The following is a list of the Co-Owners as at the date of this report(Note):

HONG KONG OFFICE:

TALENT NAME	BUSINESS TITLE
AU Kar Fai Patrick	Senior Officer – Customer & Technical Service, Enterprise Solutions
AU Ming Lai, Min	Senior Officer – Sales Support, Enterprise Solutions
AU Pik Yan, Becky	Graduate Technical Trainee – "The Next CTO" Program
AU Wai Ming, Sarah	Officer – Operation, Residential Services
AU Wing Hong, Brian	Senior Officer – Quality Management
AU Yeung Yuen Mei Regina	Senior Manager – Procurement
CHAN Bo Chun, Bonnie	Manager – Administration & Corporate Social Investment
CHAN Che Lan, Angus	Senior Manager – Technical Service
CHAN Cheung Ching	Officer – Online Services
CHAN Chun Yu, CY	Associate Director – Talent & Organization Development
CHAN Fan Hei, Joe	Account Manager, Enterprise Solutions
CHAN Fung Yee, Peggy	Executive Secretary
CHAN Hiu Ting, Rachel	Assistant Manager – Sales, Enterprise Solutions
CHAN Ka Kit, Tony	Manager – Sales, Enterprise Solutions
CHAN Ka Yan, Kayan	Graduate Technical Trainee – "The Next CTO" Program
CHAN Kai Fung Jeffrey	Manager – Finance
CHAN Kam Kwan, Wendy	Analyst Programmer
CHAN Kin Sun, Sunny	Senior Engineer
CHAN Kwok Fai, Patrick	Manager – Sales, Enterprise Solutions
CHAN Lik Hang, Lionel	Senior Officer – Customer & Technical Service, Enterprise Solutions
CHAN Lui	Engineer
CHAN Man Wai, Bob	Senior Network Engineer
CHAN Pui Yin, Lisa	Senior Manager – Marketing
CHAN See Wan, Ada	Senior Internal Auditor
CHAN Shing Kit, Leo	Manager – IT
CHAN Siu Fung Angus	Senior Officer – Customer & Technical Service, Enterprise Solutions
CHAN Tai, Alvin	Associate Director – Sales, Enterprise Solutions
CHAN Tik Sum, Dicky	Engineer
CHAN Wai Hong, Ken	Senior Account Manager, Enterprise Solutions
CHAN Wai Hung, Joe	Account Manager, Enterprise Solutions
CHAN Wai Tim, Timmy	Engineer
CHAN Wing Kin, Nicky	Assistant District Service Network Consultant
CHAN Wing Sze, Annie	Associate Director – Customer Service, Residential Services
CHAN Yiu Man, Vincent	Assistant Manager – Network Operation

Our Co-Ownership Advantage

TALENT NAME	BUSINESS TITLE
CHAN Yuen Fong, Ada	Project Officer
CHANG Kwok Ho, Dallas	Senior Unit Manager, Residential Services
CHANG Sze Cheong, Ken	Associate Director – Carrier Sales, Enterprise Solutions
CHEN Lui Kat, Clara	Senior Account Manager, Enterprise Solutions
CHEN Xiao Qing, Steven	Officer – System Support
CHENG Kit Yan Gladys	Associate Director – Corporate & Digital Communications
CHENG Sui Wah, Coco	Senior Manager – China Business, Enterprise Solutions
CHENG Wai Keung	Senior Engineer
CHENG Wing Kai	Manager – Network Operation
CHEUNG Chung Sze, Josey	Assistant Manager – Marketing
CHEUNG Hiu Lun, Winsy	Analyst Programmer
CHEUNG Ho Fai Paul	Assistant Manager – Sales, Enterprise Solutions
CHEUNG Hong Lai, Steven	Officer – Business Process Management
CHEUNG Ka Ho, Jacky	Manager – Finance
CHEUNG Mi Yi, Fion	Officer – Sales Support, Enterprise Solutions
CHEUNG Siu Fun, Cizzy	Senior Officer – Sales Support, Enterprise Solutions
CHEUNG Tsz Wai, King	Senior Account Manager, Enterprise Solutions
CHEUNG Yiu Lung, Samuel	Account Manager, Enterprise Solutions
CHEUNG Yuk Sun, Andy	Engineer
CHIU Lun Hang, Victor	Senior Manager – Project Management, Enterprise Solutions
CHO Ka Wai, Carol	Senior Officer – Talent Development
CHOI Kai Ming, Ming	Graduate Technical Trainee – “The Next CTO” Program
CHOI Sau Luen, Germaine	Manager – Digital Communications
CHONG Selina	Chief Marketing Officer
CHOW Hoi Yan, Claudia	Senior Officer – Talent Acquisition
CHOW Hoi Yan, Ringo	Unit Manager, Residential Services
CHOW Tak Yin, Yager	District Service Network Consultant
CHOY Pak Nin, Hydro	Analyst Programmer
CHOY Siu Fung, Winnie	Project Officer
CHU Kin Leung, Alex	Manager – Sales, Enterprise Solutions
CHU King Shun, Johnson	Senior Manager – Strategic Marketing
CHU Lap, Danny	Senior Manager – IT
CHU Pui Ho Raymond	Assistant Manager – Project Management, 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	Officer – Digital Operations
CHUNG Lui Nar, Fiona	Manager – Sales, Enterprise Solutions
ENG Tat Hang, Terry	Assistant Manager – Network

Our Co-Ownership Advantage

TALENT NAME	BUSINESS TITLE
FAN Shu Yee Cindy	Associate Director – Customer Care & Support
FOK Wai Leung, WL	Associate Director – IT
FUNG Sze Ming, Ryan	Senior Engineer
FUNG Wai Yuk, May	Manager – Sales, Enterprise Solutions
HAU Tik Leung, Tony	Account Manager, Enterprise Solutions
HO Chan Fai, Eric	Chief Information Officer
HO Chun	Unit Manager, Residential Services
HO Chun Kit	Senior Officer – Customer Care
HO Hin Wah, Franco	Analyst Programmer
HO Kwok Kay, Bruce	Manager – Product Development & Management, Enterprise Solutions
HO May Kiu, May	Manager – Sales, Enterprise Solutions
HO Wai Man, Raymond	Manager – Network
HO Yin Tsung, Candy	Business Process Analyst
HUANG Jiajun, Fiona	Assistant Company Secretary
HUE Khim Ling, Kim	Manager – Marketing Communications
HUI Leong Kin, Ben	Director – Customer Retention & Retail, Residential Services
HUI Sze Man, Sue	Account Manager, Enterprise Solutions
HUI Ying Tat, Alex	Officer – Technical Support
IP Chi Chuen Bono	District Service Network Consultant
IP Ying Ho, Housman	Assistant Manager – Talent Management
JIANG Han, Tony	Senior Programmer
KAM Wing Kit, Edith	Manager – Talent Development
KAN Wing Cheung, Jerry	Senior Engineer
KO Ching Yan Loretta	Associate Director – Sales, Enterprise Solutions
KO Chung Shan, Joanna	Manager – Intelligent Building Access
KONG Tsz Wai, Sally	Associate Director – Quality Management, Enterprise Solutions
KWAN Chun Sing Tommy	Assistant Manager – Sales, Enterprise Solutions
KWAN Chung Leung, Alex	Officer – Application Support
KWAN Ka Yau, William	Senior Manager – Network Infrastructure
KWOK Wai Kin, Stephen	Manager – IT
KWONG Kwok Keung, Ken	Manager – Project Management, Enterprise Solutions
LAI Chi Ho Benny	Senior System Analyst
LAI Kam Wai, Paul	Engineer
LAI Ni Quiaque, NiQ	Head of Talent Engagement & Chief Financial Officer
LAI Yuen Man, Carol	Manager – Marketing
LAM Chi Hang, Kenji	Manager – Business Analysis, Enterprise Solutions
LAM Ka Ling, June	Director – Digital Operations
LAM Pui Pik Monza	System Analyst

Our Co-Ownership Advantage

TALENT NAME	BUSINESS TITLE
LAM Siu Kei, Catherine	Associate Director – Marketing
LAM Wai Chun, Anthony	Manager – Sales, Enterprise Solutions
LAU Ka Shing Stanley	Analyst Programmer
LAU Kin Wah, Andy	Associate Director – Customer Retention & Retail, Residential Services
LAU Mau Chun	Manager – Network Infrastructure
LAU Mei Yin, Ivy	Director – Talent Engagement & Corporate Social Investment
LAW Ka Ho, Kevin	Engineer
LAW Yee Nei, Sharon	Account Manager, Enterprise Solutions
LAW Yun Ha, Emily	Officer – Procurement
LEE Chun Yin, Terry	Senior Engineer
LEE Chung Po Brian	Associate Director – Sales, Enterprise Solutions
LEE Fung Chi, Maisie	Senior Account Manager, Enterprise Solutions
LEE Sai Ting, Dumas	Engineer
LEE Siu Ming, Justin	Assistant Manager – Network Operation
LEE Yuen Lam, Kitty	Assistant Manager – Marketing
LEONG Man Sze, Money	Officer – Credit & Collection
LEUNG Chi Wai, Van	District Service Network Consultant
LEUNG Hiu Fung	Engineer
LEUNG Kar Yee, Carrie	Senior Officer – Operation, Residential Services
LEUNG King Chiu, Patrick	Company Secretary & Financial Controller
LEUNG Siu Kei, Franco	Senior System Analyst
LEUNG Wai Chun, Cindy	Senior Manager – IT
LEUNG Wai Hong Franki	Senior Officer – Operation, Residential Services
LEUNG Wai Lun, Alfred	Senior Engineer
LI Chi Lun Alan	Assistant Manager – Digital Operations
LI Ka Yu, Ryan	Associate Director – Customer Acquisition, Residential Services
LI Lok, Eddy	Unit Manager, Residential Services
LI Man Chung, Craig	Manager – Technical Customer Service, Enterprise Solutions
LI Man Hong, Don	Manager – Solutions Consulting, Enterprise Solutions
LI Ming Ho, Marco	Assistant Manager – Marketing
LI Wai Ching, Phoebe	Assistant Manager – Marketing
LI Yun Lung Henry	Senior Manager – Marketing
LIN Nga Chi, Gigi	Officer – Operations Support
LIU Chun Ho, Joe	Manager – Telesales, Residential Services
LIU Wai Sze, John	Senior Area Service Manager
LO Ka Chung, Jacky	District Service Network Consultant
LO Kin Fung, Jason	Assistant Manager – Finance
LUI Chi Wan Stephen	Associate Director – IT

Our Co-Ownership Advantage

TALENT NAME	BUSINESS TITLE
MA Chung Yeung, Norman	Senior Engineer
MA Ling, Sharron	Officer – Legal
MAK Yiu Man, Lawrence	Senior Engineer
MCLAREN Gary Alexander	Chief Technology Officer
MEI Wai Ming Jacky	Manager – Sales, Residential Services
MUNG Wai Kin, Warren	Manager – Telesales, Residential Services
NG Chi Ho, Mikron	Director – Customer Acquisition
NG Kwok Kei, Eddie	Manager – Sales, Residential Services
NG Lai King, Yoyo	Senior Manager – Digital Operations
NG Man Lung, Calvin	Manager – Sales, Residential Services
NG Man Piu, Bill	Senior Engineer
OR Yuk Ka, Oscar	Officer – Digital Operations
PANG Shuk Han, Sharon	Senior Officer – Business Process Management
PANG Siu Wai, Peter	Senior Manager – Sales, Enterprise Solutions
PUN Hei Wa, Herman	Director – Operations Support
SHEK Tsz Dik	Senior Engineer
SHIU Chui Shan Trasan	Senior Manager – Marketing
SHIU Yung Yin, Elinor	Associate Director – Marketing, Enterprise Solutions
SHUM Pak Kin, Ken	Manager – Network Operation
SIN Ho Nam Herman	Senior Officer – Software Quality Assurance
SZE Pik Ki, Joey	Assistant Manager – Digital Communications
TAI Yu King	Account Manager, Enterprise Solutions
TAM Man Shan	Manager – Audit
TAM Maria Amy	Legal Counsel
TAM Shuk Ling, Tina	Senior Engineer
TAM Siu Yun, Jason	Senior Officer – System Support
TAM Sze Yan, Bus	Engineer
TAN Sze Jye, CJ	Investor Engagement
TANG Chi Biu Gary	Engineer
TING Man Sin, Nick	Assistant Manager – Network
TO Suk Fai, Toby	Assistant Manager – Marketing
TONG Wing Yee, Wing	Manager – Business Process Management
TSANG Kwong Yin, Don	Analyst Programmer
TSANG Man To	Engineer
TSANG Tsz Ming, Mingo	Senior Manager – Sales, Enterprise Solutions
TSE Lai Ping, Betty	Manager – Corporate Relationship, Enterprise Solutions
TUNG Wai Shing, Wilson	Manager – Telesales, Residential Services
WA Ka Wai, Patrick	Assistant Manager – Strategic Marketing

Our Co-Ownership Advantage

TALENT NAME	BUSINESS TITLE
WAN Chi Yuen	Unit Manager, Residential Services
WATT Chun Man Adrian	Director – Carrier Sales, Enterprise Solutions
WONG Cheuk Ting, Cheuk	Senior System Analyst
WONG Chi Hung, Jerry	Account Manager, Enterprise Solutions
WONG Ching Ha Lemon	Senior Officer – Talent Management
WONG Chung Lam, David	Manager – Building Access
WONG Ho Pan, Kiff	Shop Manager, Residential Services
WONG Ka Ki, Chris	Associate Director – Business & Technical Service, Enterprise Solutions
WONG Kit Hang, Steven	Assistant Manager – Sales, Enterprise Solutions
WONG Kwai Shim, Bonnie	Senior Officer – Network Operation
WONG Kwok Kin, Rex	Manager – Project Management, Enterprise Solutions
WONG Man Hau, Tony	Senior Account Manager, Enterprise Solutions
WONG Man Ping Gary	Associate Director – Sales, Enterprise Solutions
WONG Oi Yee, June	Officer – Credit & Collection
WONG Pak Keung, Danny	Engineer
WONG Pak Lin, Thomas	Manager – Product Development & Management, Enterprise Solutions
WONG Pui Fong Ivy	Senior Programmer
WONG Siu Kai, Frankie	Assistant Manager – Sales, Enterprise Solutions
WONG Siu Ping Agnes	Senior Manager – Talent Management
WONG Tak Shing, Andy	System Analyst
WONG Tak Shing, Boris	Manager – Sales, Enterprise Solutions
WONG Wai Ki, Edwin	Technical Support Officer
WONG Wai Shing, Wai Shing	Engineer
WOO Chi Chung, Edwin	Senior Account Manager, Enterprise Solutions
YAU Ka Ming, Steven	Associate Director – Network Operation
YEUNG Chu Kwong, William	Chief Executive Officer
YEUNG Ka Lam, Alvin	Assistant Manager – Sales, Enterprise Solutions
YEUNG Kwok Chung	Senior Engineer
YEUNG Kwong Cheung, Charles	Senior Manager – Regulatory Affairs & International Business
YEUNG Man Chung, Wilson	Manager – Application Development
YEUNG Tak Wa William	Chief Commercial Officer – Enterprise Solutions
YEUNG Wai Him	Engineer
YIM Chung Hoi Eric	Manager – Product Development & Management, Enterprise Solutions
YIP Ka Wai Boris	Manager – Customer Service, Residential Services
YIP Yuen Wai, Jason	Engineer
YIU Cheung Lung Alex	Officer – Operation, Enterprise Solutions
YU Lok Yuen, Joe	Senior Engineer
YUEN Man Chung, Benson	Assistant Manager – Solutions Consulting, Enterprise Solutions
YUEN Mei Ting, Winnie	Officer – Talent Management

Our Co-Ownership Advantage

GUANGZHOU OFFICE:

TALENT NAME	BUSINESS TITLE
CHEN Min Yi, Queenie	Assistant Manager – Talent Management
CHEN Min Yi, Wendy	Unit Manager, Residential Services
CHEN Xiao Yan, Bini	Officer – Quality Management
CHOU Jian Ming, Dick	Manager – Tele Promotion, Enterprise Solutions
DENG Qi Biao, Benny	Manager – Talent & Organization Development
GUAN Min Ying, Annie	Senior System Analyst
HAN Xing Yi, Shine	Assistant Unit Manager, Residential Services
HUANG Bing Yong, Allen	System Analyst
HUANG Feng Ling, Kubi	Assistant Manager – Tele Promotion, Enterprise Solutions
HUANG Jun Jie, Vincent	Manager – Tele Promotion, Enterprise Solutions
LAI Sui Xin, Tracy	Officer – Business Analyst
LI Qian Ji, Grace	Officer – Talent & Organization Development
LI Yi Xiao, Michelle	Senior Officer – Talent & Organization Development
LI Yong Ming, Roy	Unit Manager, Residential Services
LI Zhi Kai, Zack	Unit Manager, Residential Services
LIN Chong Ke, Marvin	Analyst Programmer
LIN Wen Hui, Venfy	Analyst Programmer
LIU Hui Mei, May	Officer – Operation Support, Enterprise Solutions
LIU Xue Tao, Matt	Analyst Programmer
LIU Yan Fen, Evon	Manager – Finance

Our Co-Ownership Advantage

TALENT NAME	BUSINESS TITLE
LIU Yun Jing, Cherry	Senior Programmer
LU Jia Hao, Aries	Programmer
OU Jian Cong, Jethro	Manager – IT
OU Wei Jie, Wiky	Analyst Programmer
QIU Si Bo, Boaris	Manager – IT
SONG Dong Ping, Rebecca	Senior Officer – Finance
SU Jin Rong, Fox	Analyst Programmer
TANG Hui, Don	Engineer
WU Jing Yi, Cherrie	Senior Officer – Operation Support, Enterprise Solutions
XIAO Li, Sherry	Senior Officer – Operation Support, Residential Services
XU Feng Yi, Nancy	Assistant Manager – Quality Management
YANG Xiao, Terry	Officer – Quality Management
YE Jie Yi, Vivi	Officer – Administration
YUAN Yan Lan, Kiki	Unit Manager, Residential Services
ZHANG Jian, Jacky	Unit Manager, Residential Services
ZHANG Wen Qing, Stephanie	System Analyst
ZHANG Yan Hong, Debora	Senior Officer – Talent Management
ZHI Mei Hao, Miko	Assistant Manager – Tele Promotion, Enterprise Solutions
ZHONG Li Si, Will	Assistant Unit Manager, Residential Services
ZHONG Rui Yun, Moon	Officer – Talent & Organization Development
ZHU Jun Jie, Jason	Senior Programmer

Note: The list excludes 6 Co-Owners who opted to remain anonymous.

“WE CANNOT abandon our search for a happy life

Happy and fulfilled Talents deliver extraordinary results. Behind our staunch commitment to Talent engagement and development, we uphold LIFE-work priority and continuous learning.

Agnes Wong
Senior Manager - Talent Engagement & Co-Owner
joined in 2012

CY Chan
Associate Director - Talent & Organization Development & Co-Owner
joined in 2011

Our Talent Culture

More than any other factor, our Talents remain fundamental to our success. Mindful of this, we are committed to long-term investments that benefit our Talents by helping them adapt both professionally and intellectually to a complex and ever-changing business environment. Company-wide policies and initiatives are designed to espouse a corporate culture which champions Talent engagement and LIFE-work priority. This Talent-first approach to business is not only what sets us apart, but more importantly drives our capabilities 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 contributors in our ability to attract and retain staff are competitive salaries, comprehensive benefits and appealing career development opportunities.

HKBN is an energetic and youthful group comprising more than 2,400 Talents employed throughout our operations in Hong Kong and Guangzhou. The accompanying diagrams show both the age and gender profile of Talents across our entire organisation in 2015.

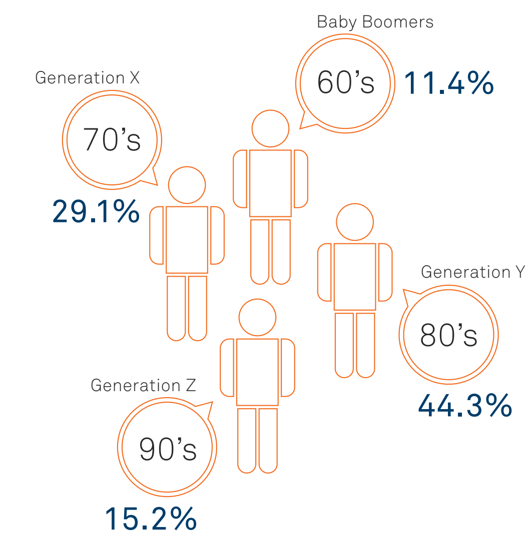
TALENT ENGAGEMENT

We're a communications company in every way, and it all starts at home with a special dedication to engaging our own Talents.

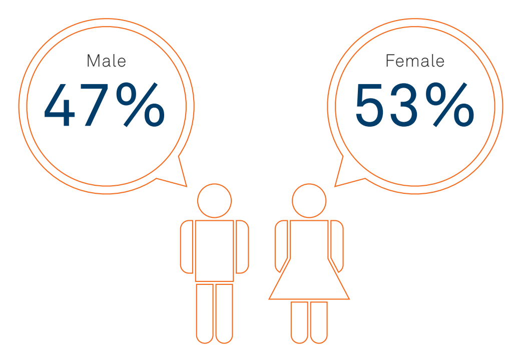
To foster open and direct communication, we hold town hall meetings for all our Talents in Hong Kong and Guangzhou at least twice a year which allow our senior management to share the latest updates on our business and get direct feedback from our Talents.

Furthermore, to gain insights on Talent opinions and improve performance as well as our Talent engagement policies, we work with external parties to conduct a company-wide Talent Engagement Survey every year. This approach enables us to gauge and measure Talent sentiments on a wide range of topics and issues that range from confidence in HKBN's leadership and development opportunities to remuneration and benefits.

Generation of Talent (%)



Gender distribution



Our Talent Culture

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

From: William Yeung [mailto:william.yeung@hkbn.com.hk]
Sent: Tuesday, July 07, 2015 9:59 AM
To: point3_above@hkbn.com.hk
Subject: Genuine delegation of work

All,

Today is my first working day after almost 3 weeks of VL. There are only a few documents requiring my signing. I signed and am arranging to meet someone on important and priority topics.

There is no more pending items on my table. This is a genuine implementation of delegation of work. Note that NiQ and Selina are also on VL now.

Pls critically assess yourself and your supervisor/team members. If no genuine delegation of authority between your upper or lower layer, something is wrong with you or them.

** I want to repeat to all, including recent new-joined executives, that I assess leaders on the outputs(positive/impactful outcome) of their work, NOT their process or long working hours. If output is good, process is certainly efficient and effective. If output is not good, something is wrong with process.

Cheers!

William Yeung

CEO & Co-Owner
Hong Kong Broadband Network Limited

From: NiQ Lai [mailto:niq.lai@hkbn.com.hk]
Sent: Monday, October 26, 2015 3:25 PM
To: HK Talents of HKBN; GZ Talents of HKBN
Subject: HKBN Memo: How much is 520 dinners at home worth to you?

Dear All HKBNers,

At HKBN, there is a cliché that we firmly subscribe to – "We work to live rather than live to work". This is why our company policies are built around LIFE-work priority rather than work-life balance.

Today, after 4 months trial, we have formally launched our shorten office working hours from 9am-6pm to 9am-5pm without lowering pay. We are addressing a sematic problem in HK work culture, i.e. most people in HK do not make it home in time to have a family dinner at a reasonable time which we believe is not right.

For our new 9am-5pm policy to work, we must lead from the top, i.e. the more senior you are, the more important it is, that we lead by example. Whilst we understand that market realities means that we may not leave the office every day at 5pm, even if we are able to start by doing this just once a week, this equates to 52 times a year or 520 times per decade.

How much is 520 dinners at home worth to you? If this is a worth a lot to you then our HKBN policies will mean a lot to you.

P.S. whilst the above applies to only office based Talents, our Talent Engagement team is working on ways to improve the LIFE-work priority for all HKBN Talents over time.

Cheers,

NiQ Lai
Head of Talent Engagement, CFO & Co-Owner
Hong Kong Broadband Network Ltd

Our Talent Culture

LIFE-WORK PRIORITY

Given that our Talents play a predominant role in our overall success, we strive to ensure they can work and enjoy happy, productive lives. While others talk about work-life balance, we uphold LIFE-work priority. We maintain that personal well-being and family should come first, so that our Talents become extra motivated to contribute the results we strive for as a business.

In order to accomplish this, we have adopted an array of initiatives to allow our Talents to enjoy much greater flexibility for leisure and personal reasons. Key perks include a five-day work week, a 17-day public holiday entitlement for all Talents including those working in the frontline in retail shops and promotional sites, flexible working hours, once a month early-off Friday, half-day leave during important festive occasions and more.

Starting from July 2015, we initiated a pilot run policy to reduce daily working hours from the usual 8 down to 7 by shortening the standard work day from 9am-6pm to 9am-5pm, without cutting pay. Beyond merely offsetting the shortened work day, we aim to achieve higher productivity with improved work priorities, efficiency and operational arrangements.

Throughout 2015, we introduced a number of new benefits and entitlements that comprehensively enhanced our Talent engagement policies. The following demonstrate how our commitment to LIFE-work priority was put into practise:

New leave benefits:

2-for-1 Bonus Leave	Through this creative scheme, Talents can flexibly choose to exchange two days of leave for one day of pay for up to 10 days of leave annually.
Anniversary Leave	To both celebrate an individual's growth in HKBN, as well as his/her contributions made for each completed year of service, we allow our Talents to take one day of paid Anniversary Leave during the month of their joining.
Sabbatical Leave	Talents can apply for up to one year of Sabbatical Leave as an opportunity to pursue a personal goal or dream.
Family Care Leave	Family Care Leave provides one additional day of paid leave to encourage Talents to spend quality time together with their family.
Upgraded Paternity Leave	Ever since February 2015, our policy has improved to provide our full-time permanent male Talents with five days of full-pay Paternity Leave.
5 extra days of public holiday entitlement to all frontline Talents	While frontline workers in most telecom companies are entitled to only 12 days of statutory public holidays as mandated by the Employment Ordinance, we provide our frontline Talents with five additional days of annual holiday entitlements. Regardless of job, rank or seniority, all HKBN Talents now enjoy 17 days of public holidays annually.
Shortened working hours	In July 2015, we began a six-month pilot run to shorten our working hours from 8 to 7 hours daily, for a total of 35 hours per week.
Flexible working arrangement	To cater for a wide range of needs that span from the care of children to the grind of each daily commute, we extended our flexible working hours by allowing Talents the choice to begin work between 8:30 a.m. to 10 a.m.

Talents and business partners in full attendance at our bespoke "Do Nothing" management workshop led by award winning professor J. Keith Murnighan from the Kellogg-HKUST EMBA programme.

In active weekly preparation for our 'Promise of Speed' run at the Hong Kong Marathon.

A feeling of comradery is built amongst teams after completing a 15km hike.

Our Certified Professional Engineer Team show excitement ahead of their incentive trip to South Korea. HKBN offers reward trips not only to our frontline sales Talents, but also top-performers across different departments.

Our Graduate Technical Trainees and summer interns after an enlightening day at J.P. Morgan Hong Kong.

A well-timed snapshot showcases the vigour and determination of our award-winning HKBN Dragon Boat Team.

In everything we do, a 'can do' spirit exists in all our Talents.

Celebrating a dream come true with the graduation of our 30 "Next Station: University" Talents.

Candidates of Graduate Technical Trainee Programme undergo a unique set of trials to test their ingenuity and problem solving skills at Ocean Park.

HKBN's most recent town hall meeting occurred inside Hong Kong's Ocean Park. Under a mood of fun and laughter, our senior management took centre stage at the iconic Ocean Theatre, sharing the latest updates and prospects about our business to a gathering of all Talents. Taking advantage of this occasion, our 1000-plus Talents performed a pre-launch stress test of Ocean Park's free Wi-Fi service powered by HKBN.


HKBN 1310
COOWNER

Our Talent Culture

Through the combination of these initiatives, we provide our Talents with a total of 7.5 days of additional time-off on top of their annual leave entitlements. Also worth noting was the 14% decline in medical claims recorded during FY2015, which suggests that our Talents are living healthier as a result of our LIFE-work priority efforts.

In our 9-5 shortened work day initiative, we don't expect all Talents shall leave at 5pm daily. However, we will strive to do so for as many days possible. So even if our Talents can only leave early once per week, this means they will enjoy 52 dinners at home per year with their families by 6.30 pm.

Besides developing our Talents' professional skills and learning as well as providing them with ample life-work benefits, we also recognise the importance of building a cooperative work atmosphere. To this end, we regularly organise team building activities such as our annual experiential management trips and others which serve to inspire as well as improve cross-team networking, foster cooperative relationships and enhance team work, efficiency and morale.

Similarly, every year we organise ourselves into teams to take part in a variety of sports and challenging activities. This past year alone, 194 of our Talents ran in our promise of speed at the Standard Chartered Hong Kong Marathon 2015. 30 Talents form our formidable Dragon Boat team partook and earned a 2nd runner up finish at the 2015 Hong Kong Dragon Boat Short Course Races. And rather impressively, we organised our very own HKBN football league which consists of 160 Talents who perform for one of eight individual teams.

Scan to view the Next Station: University graduation ceremony

Scan to view our 2014 experiential management trip

DRIVING GROWTH THROUGH TALENT DEVELOPMENT

Encouragement and support for continuous learning and development of our Talents is a quintessential part of life inside HKBN. Talents are appropriately nurtured through formal development and training programmes in order to expand our long-term prospects as well as facilitate continuation of our corporate aspirations, culture and values.

Examples of how we tackle ongoing development of our Talents can be observed through our continuous learning education programmes. Highlights include the following:

Next Station: University

Next Station: University is a customised education programme that embodies the life-long learning commitment and the 'can do' spirit of HKBN. Under this five-year programme organised in association with the Hong Kong Management Association, we supported 30 Talents from Hong Kong and Guangzhou to fulfill their dream to earn a bachelor's degree in business administration from the University of Wales. With a significant majority of their tuition sponsored by HKBN, Talents attended lessons taught by accredited professors at our office. After seeing 30 of our Talents graduate in November 2014, Next Station: University II has now been revamped into a three-year curriculum with enrollment set to begin in late 2015. To date, 46 applicants have submitted their three-year career plans.

Talent Infinity Scheme

This special programme aims to further cultivate Talents who are incumbent managers or have management potential by subsidising their enrollment in eMBA or MBA courses. This serves to equip them with forward-looking business knowledge and up-to-date market insights, and help develop their entrepreneurship skills so as to engender business opportunities for the Company.

Our Talent Culture

Training Development Sponsorship Scheme

To ensure development of the business and our individual departments are always aligned, we encourage our Talents to enroll in external courses that directly address operational needs or are required by regulatory mandate.

NURTURING WELL-ROUNDED TALENTS

Our ability to adapt stems from efforts we make to expose each Talent to different aspects and roles inside HKBN. To this end, we run a distinctive PowerBar Program that empowers Talents with potential to provisionally work in a different department. Through this approach our Talents are able to transform by learning to deal with new challenges that are beyond their core strengths.

POWERBAR: IN FOCUS

An example of how we leverage PowerBar transfers to widen our Talents' capabilities was the 10-month journey undertaken by CY Chan, Associate Director – Talent & Organization Development and Co-Owner. Normally tasked with leading his department to plan and deploy programmes for comprehensive development of Talents, this PowerBar exercise leveraged CY's prior experience and passion for sales, and afforded him a unique opportunity to lead a sales team in our Enterprise Solutions business. After the PowerBar, CY returned to his original position with a whole new perspective that now helps better inform his team's decision making for the benefit of Talent development.

At the end of the programme (which generally lasts between 6 to 12 months), Talents resume duties in their original positions and start applying the newly acquired experience for greater job fulfillment and satisfaction.

In 2015, we published the Talent Career Development Roadmap as a handy reference. Besides comprehensively mapping out the available paths, this useful tool provides clear guidelines about the requisite skills and knowledge needed for each respective level in our organisational hierarchy.

LEADERSHIP DEVELOPMENT FOR 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 supervisory skills. The following development programmes are exemplary of how we identify and cultivate successors and other high potential Talents:

Be a Pioneer

A one-year programme designed to groom high potential team leaders with the aim of preparing them to step into a management role within an expected 2-year period.

Next CTO Graduate Trainee Development Programme

A long-term management development programme that aims to groom a group of technical graduate trainees into Talents capable of formulating technology development at the strategic level along with leadership skills to assume a future management role. In 2015, this programme enlisted seven Talents out of 1,185 applicants.

“WE CANNOT just donate

Why only donate when we can invest? Why only assist when we can empower? HKBN takes a Corporate Social Investment approach to create long-term, sustainable social impact for our communities.

Marco Li
Manager - Marketing & Co-Owner
Steering Committee Member of HKBN Talent CSI Fund
joined in 2011

Cindy Fan
Associate Director - Customer Care & Support, Co-Owner
Member of HKBN Knowledge Volunteer Team
joined in 2006

Our Commitment in Corporate Social Investment

As a responsible corporate citizen, the fundamental approach we adopt for giving back to the community adheres closely to our core purpose "Make Our Hong Kong a Better Place a Live". With this guiding us, we espouse a long-term view that goes beyond pure philanthropy to use Corporate Social Investment (CSI) to drive sustainability and betterment for those we help in Hong Kong. We believe strongly that through cooperative investments, we are able to create a much wider, more extensive and more sustainable social impact than from merely donating resources.

Understanding that our services affect a significant number of the population, we have embraced customer affordability of our basic broadband service as a pledge to social responsibility. We do this by setting a price ceiling for our 100Mbps residential broadband service at 1% of Hong Kong's median monthly household income, ensuring that world-class Internet service is always easily accessible (According to government figures, Hong Kong's overall median monthly household in Q2 2014 stood at $22,900).

Importantly, we realise our Talents possess an assortment of knowledge and expertise that could be helpful, for example, to social enterprises in improving their business strategy or operational efficiency. By sharing our intellectual proficiencies and experiences, our community-minded initiatives prioritise sustainability to ensure there is a lasting contribution for the benefit of society.

The following showcases how our CSI approach is put into practice through various enabling initiatives and volunteer programmes.

Social Partnership and Initiatives

Since 2013, we expanded our social responsibility programmes to include collaborations with social enterprises. These are businesses designed to pursue a social objective in a financially sustainable manner. By targeting to meet a double bottom line, social enterprises are helping tackle social problems, and very often create employment and development opportunities for the underprivileged.

To this end, we strive to work with social enterprises on a variety of levels both within the scope of our business and beyond. Rather uniquely, this has included an award-winning partnership with iEnterprise, whom we employ to augment our 1083 telephone number enquiry service. Through this mutually-gainful relationship, iEnterprise employs around 15 physically disabled individuals who, having undergone professional training of their customer service skills, are empowered to pursue productive livelihoods and contribute as able members of society.

Our Commitment in Corporate Social Investment

During our initial public listing in March 2015, we deviated from the fairly standard approach of incurring a HK$1 million expense for the right to pick a preferred stock code of The Stock Exchange of Hong Kong. Conscious of our purpose to make Hong Kong better, we instead decided (via consensus by our Talents) to inject money into ChickenSoup Foundation, a local charity initiative which provides assistance to children from low-income families. Our investment was used to hire experienced personnel in managing the day-to-day operations of four new service centres in Tseung Kwan O, Tin Shui Wai, Tung Chung, and Kwai Chung, benefitting over 700 grassroots children in their education, well-being and inspiration. Over the next three years, it is estimated our social investment may bring almost 30 times in social benefit returns for the community.

At home, our in-house canteen, Broadband Delight, is run by a social enterprise that not only does the majority of its sourcing ethically but also provides employment opportunities for the underprivileged.

Knowledge Volunteers for the Community

Among the first of its kind in Hong Kong, our Knowledge Volunteer team includes middle to senior management who contribute their free time, on top of making use of up to half a work day per month during office hours, to personally understand the many challenges faced by each social enterprise and share our business experience. To their credit, our Knowledge Volunteers propose suggestions that help social enterprises achieve objectives in a successful and sustainable manner.

Our Commitment in Corporate Social Investment

To date, 12 social enterprises have benefitted from these efforts. They include: MY Concept Event Management, Leave Love, 3H Handicraft, NEIGHBOR Plus Workshop, Fair Trade Hong Kong Foundation, Tithe Ethical Consumption, Teresa New Life Coffee Shop, rwb330, eshop330, Essence Hub, Hong Kong Youth Talent Institute, and HK Recycles.

What our social enterprise partners say:

3H HANDICRAFT

"The HKBN team was very supportive. Unlike some of our prior experience with other volunteers from the business sector, the team was willing to listen and work along our pace, without imposing their ideas or playing the role as an expert. The team provided practical and feasible advice to our social enterprise."

HK RECYCLES

"The expertise of the Knowledge Volunteers was tremendously valuable. They helped us devise a member-get-member scheme that increased our penetration rate and lowered our costs for logistics. In addition, they also provided advice on ways to handle customer service for local speaking customers, as well as different ways to incentivise sales employees – all these have directly helped HK Recycles become a more sustainable social enterprise."

Caring by Sharing

This past year, we continued our difference-making in the community through a steady stream of volunteer work that sought to empower a range of needy sectors with our knowledge. Through the work of 94 HKBN volunteers, we contributed 1,043 volunteer hours to local communities, bringing benefits to 340 underprivileged families and individuals as well as 6 social enterprises. In recognition of our profound efforts to assist others, the Hong Kong Productivity Council conferred HKBN with a Bronze Award in the Volunteer Category of the 5th Hong Kong Outstanding Corporate Citizenship Award.

Volunteer service highlights for the year:

HKBN PC Doctors

Relying on their own expertise, 35 broadband engineers volunteered to become PC Doctors to diagnose and fix computers free of charge for underprivileged families. Spending one day a week on home visits across Hong Kong, our PC Doctors have served 92 families volunteering 258 hours during 2015. The programme is expected to provide assistance for 200-250 families in the approaching year.

Our Commitment in Corporate Social Investment

Challenge the Future YOU

In July 2015, HKBN and UBS, jointly organised an inspirational workshop for 20 local secondary school students to engage and flourish in a series of challenges that highlight what life is like inside a high-octane work environment. Aided by eight volunteers from HKBN and UBS, the students emerged from the day with many fresh new perspectives to see their future under a different light.

School-Company-Parent Program (SCP Program) 2014-2015

Three HKBN Talents joined the inspirational SCP Programme as "company ambassadors" to share their work experience across six interactive workshops to 40 Form 3 to Form 6 students from Lingnan Dr. Chung Wing Kwong Memorial Secondary School. Through this work, our Talents have successfully sown the seeds to enhance each student's prospects for career and life planning in the future.

HKBN Magicians Nurturing Mini Magicians

Serving others whilst acquiring new skill sets best describes this program. From July to August 2015, nine of our Talents volunteered to attend magic lessons and become empowered to hold summer magic classes for 30 underprivileged kids in our local Kwai Chung community.

Ethical Consumption

As a proud co-organiser of Ethical Consumption Month in 2013 and 2014, we continued to engage in efforts to change consumer buying habits. Since 2013, we directly helped generate over HK$2 million in the consumption of ethical goods and services.

On a corporate level, we internalise ethical consumption by adopting social enterprise services for everything starting from company-wide celebrations to the purchase of corporate festive gifts and even for team building activities and interest classes. When choosing venders, our selection principles are based on strict procurement guidelines and input from relevant stakeholders to ensure that our choices meet the expected purpose.

Towards our Talents, we encourage personal consumption through a steady stream of fair trade bazaars at our headquarters, which we set up using self-help kiosks that sell fair trade foodstuffs.

Our Commitment in Corporate Social Investment

To effect wider change, throughout 2014 and 2015 we purchased HK$700,000 in social enterprise coupons from the Hong Kong Council of Social Services. These coupons were distributed as gifts to customers who renewed their service contracts with us. In total, 3,500 HKBN customers became influenced by our campaign for ethical consumption, enlisting greater public support for social enterprise services.

HKBN Talent CSI Fund

While the HKBN Talent CSI Fund (the "Fund") is 100% independently financed out of the pockets of our Talents, its existence is nonetheless indicative of the caring spirit that exists within our people. First established in July 2015, the Fund began with an initial startup funding of HK$5 million from our Co-Owners who, after completing our IPO listing, sought to give back to the community. The Fund seeks to immerse our Talents in a variety of CSI projects to create long-term value for Hong Kong.

The Fund, independent of HKBN Ltd., aims to share our resources by initiating corporate social investment and volunteer projects managed and co-owned by our Talents for the good of the local communities. A Steering Committee, formed by 12 Talents from various departments on a voluntary basis, helps ensure that a coordinated, coherent and focused social investment strategy is realised. Prioritising efforts on people-oriented projects, key target beneficiaries include underprivileged families, children, the elderly, disabled persons, ethnic minorities and more.

HKBN Talent CSI Fund Steering Committee

“WE CANNOT stop loving our planet

As a responsible business, we conduct ourselves in an environmentally judicious manner.

Bonnie Chan
Manager - Administration & Corporate Social Investment & Co-Owner
joined in 2007

Our Respect for the Environment

The concept of sustainability and its bearing over our Talents, our community and our planet occupies a big part of our everyday thinking. As a responsible industry leader, we aim to minimise the environmental footprint of our business and operations in order to achieve more with less.

We focus on improving our carbon reduction targets and proactively monitor and minimise environmental impact through an array of energy saving and carbon reduction measures. Adding to this, Talents and stakeholders are leveraged as partners in an alliance towards a sustainable future.

Our main environmental goal is using energy and resources more efficiently across our network, data centres and operations. With the continued escalation of environmental regulation, both in scope and stringency, we strive not just to comply but where possible exceed our obligatory responsibilities. To achieve this, we use environmental management oversight to set and review our goals, as well as track our performance for persistent improvement.

The following summarises both the green initiatives undertaken during the year and the performance achieved.

ENERGY EFFICIENCY

We are working to improve efficiency across all our existing operations, and continue to pursue investments in energy saving technologies, systems and facilities. In our offices, we implement a number of forward-looking solutions like installing the latest high-efficiency chillers to reduce energy consumption of our air-conditioning system. In addition, we have optimally set our interior luminance standard at between 300 to 500 lux as a way to remove any unnecessary lighting. The zoning of lighting and air-conditioning allows us to easily switch off any areas not in use. We have installed water flow controllers to reduce water consumption. The switch to Cloud technology has also greatly minimised the energy footprint of our in-house servers.

Our Respect for the Environment

WASTE REDUCTION

Overall, we seek to minimise waste in our operations and business activities by adopting a 4Rs (reduce, reuse, recycle, replace) approach and by going electronic. Since May 2015, we introduced our own innovative recycling bin campaign, which completely removed all personal waste bins in favour of a centralised recycling system for paper, plastics and metals. This initiative was first proposed by a member of our IT department to help our fellow Talents rethink their wasteful habits.

To reduce paper usage, we now implement a company-wide e-workflow system for daily processes such as stationery order placements, room bookings and other internal processes. We also provide single-sided paper collection points and other recycling points to save paper, toner printer cartridges and other office materials.

TALENT & STAKEHOLDER ENGAGEMENT

On a fairly regular basis, we try to encourage and inspire our Talents to make a positive impact for the environment through educational activities and green living sharing sessions. We organise inter-departmental Talent committees that are tasked to brainstorm further green enhancement schemes as well as collect feedback about our various eco-measures.

In 2015, a total of 14 green educational and Talent engagement activities were organised. These include our rubbish bin recycling workshop, barter trade day, low carbon diet lunch seminar, farm-to-table farming experiential outings, indoor planting skills workshops and a series of interactive online eco-questionnaires.

In addition, we share tips and our environmental performance reports with Talents through our Green Tuesday e-newsletter. And we have also made it a rule that Talents bring their own containers for internal group celebrations, a measure that has greatly reduced our reliance on throwaway plates and cutlery.

Externally, we have taken the initiative to engage our stakeholders through the adoption of advanced technologies like utilising tablets to go paperless, and have invited our business partners to co-organise a number of green campaigns.

To proactively monitor and track our environmental performance, we have assigned a third-party auditor to assess our green practices and carbon reduction performance. This data is an important indicator to guide and inform us as we continue striving for better standards and results.

Our Respect for the Environment

OUR GREEN PERFORMANCE IN 2015

Carbon emissions:

CARBON FOOTPRINT

4,007 tonnes
Hong Kong Office total carbon emissions
July 2014 to June 2015

2.94 tonnes
Hong Kong Office total carbon emissions per Talent

Recycling:

12,900kg
Paper
May 2014 to April 2015

50kg
Old clothing

564pcs
Electric devices/computers

644pcs
Name card boxes

83pcs
Toner cartridges

We are proud to have earned recognition from prominent local and international organisations in 2015 for our commitments in protecting the environment:

- WWF Hong Kong – Low Carbon Operation Programme – Gold Label
- Hong Kong Awards for Environmental Excellence – Certificate of Merit – Media and Communication Sector
- Wastewi$e Hong Kong Awards for Environmental Excellence – Class of Good Wastewi$e Label
- Environmental Campaign Committee – Carbon Reduction Certificate in 2014

“WE CANNOT act irresponsibly

Integrity is at the foundation of our business. HKBN is committed to ethical practices and responsible governance to improve overall sustainability and reduce risk.

Shan Tam
Manager - Audit & Co-Owner
joined in 2009

Our Responsibility

Throughout HKBN's operations, responsible governance encompasses every aspect of our business particularly for the customers and communities we serve. Each day, we make every effort to do business responsibly and ethically, maintaining our integrity for trust and sincerity wherever we operate.

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

WORKPLACE QUALITY

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

Engagement of independent professionals and the provision of appropriate trainings are regularly engaged to ensure compliance with applicable laws, rules and regulations. During the year, we invited the Equal Opportunities Commission to conduct training on Sex Discrimination Ordinance, which helped to enhance awareness about sexual harassment in the workplace, its impact and liabilities as well as preventive measures.

Health & Safety

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

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

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

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

For technical departments, Project Leaders are tasked to conduct on-site inspection of activities whenever work commences to ensure that the control measures implemented follow our Safe Working Procedures. Our Talents and new hires are required to undergo mandatory safety certification training and workshops. In 2015, 38 HKBN Talents attended our first aid training workshop and were certified as qualified first aiders.

Our Responsibility

To continuously implement the latest safety measures as well as enhance our approach to Talent protection, we review and monitor our safety measures on a fairly regular basis.

OPERATING PRACTICES

Anti-corruption

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

In addition, periodic refresher training sessions and training for new hire Talents are arranged to ensure all employees become aware of HKBN's zero-tolerance stance on fraud and corruption. Topics covered include explanation of the law and case sharing. In 2015, total of 6 information sessions were held.

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

Whistleblowing Policy

A whistleblowing policy is in place to facilitate the reporting of any suspected misconduct or malpractice within the Company in confidence. Full details of this policy are available on 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 is fundamental to maintaining that trust. Our privacy policy governs how we collect, use and manage customer information. As such, our policies and programmes are designed to ensure the privacy and security of all customer information, and they are regularly reviewed and updated to adapt to the changing requirements of our customers, law and regulation, and business environments.

Stringent IT policy was established to ensure only authorised personnel have access to customer data whilst information is available upon request by law enforcement or the appropriate authorities. Periodic reviews of our security systems are arranged by Audit and Risk Department, where tests and inspection are performed by certified and trained professionals. In 2015, a comprehensive audit was conducted over the security of our online and mobile applications.

Supply Chain Management

We recognise our ability to positively influence supplier behaviour through our purchasing decisions. At any time, we demand to work with world-class suppliers and reputable local vendors who, like us, are inclined towards long-term sustainable partnerships. To target improvements into the future, we will continue to seek opportunities to improve supplier performance. Plans

Our Responsibility

are currently in place to have a sustainable procurement policy established by the end of 2016. Our goal is to reduce harmful pollutants and emissions, while pursuing ethical sourcing practices.

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. We choose and only work with world-class partners who perform rigorous testing of their products before making them available on the market.

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

Commitment to Customers

We are committed to providing excellent customer experiences and a consistently high standard of service that puts customer needs at the forefront. We undertake great efforts to provide comprehensive training to our customer service teams, ensuring they possess suitable product knowledge and the requisite skills to effectively handle customer requests. To this end, our customer service teams were recognised with 13 prominent customer service awards in 2015.

Stakeholder Engagement

Communicating and listening to stakeholders plays a critical role. The feedback we get from investors, Talents, business partners, suppliers, 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 result 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 development.

Report of the Directors

The Directors have the pleasure in presenting their annual report and the audited consolidated financial statements for the year ended 31 August 2015.

PRINCIPAL ACTIVITIES

HKBN Ltd. (the "Company", together with its subsidiaries, the "Group") is an investment holding company. The Group is a provider of fibre high-speed residential broadband service (symmetrical 100Mbps and above) in Hong Kong, offering a diversified portfolio of premier telecom services to both residential and enterprise markets, including broadband and Wi-Fi access, communication, entertainment and Cloud solutions.

CONSOLIDATED FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 August 2015 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 91 to 159 of this annual report.

TRANSFER TO RESERVES

Profits attributable to shareholders, before dividends, of $104,268,000 (2014: $53,550,000) have been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity on page 96 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 August 2015 are set out in the consolidated income statement on page 91 of this annual report.

Dividend of US$29,660,000 (equivalent to $230,158,000) was paid to the former immediate holding company on 9 March 2015.

The Directors now recommend the payment of a final dividend of 20 cents per ordinary share to the shareholders on the register of members on Wednesday, 23 December 2015, amounting to approximately $201,133,000 (2014: $Nil).

SUBSIDIARIES AND JOINT VENTURES

Details of the principal subsidiaries and joint ventures of the Group at 31 August 2015 are set out in notes 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 four financial years/period is set out on page 160 of this annual report.

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 12 to the consolidated financial statements.

RETIREMENT SCHEMES

Details of the retirement schemes of the Group are set out in note 9 to the consolidated financial statements.

BANK LOAN

Particulars of bank loan of the Group as at 31 August 2015 are set out in note 20 to the consolidated financial statements.

Report of the Directors

DONATIONS

During the year ended 31 August 2015, the Group made charitable and other donations totalling approximately $1,002,000 (2014: $390,000).

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 August 2015, the Company's reserves available for distribution to shareholders were $1,102,712,000 (31 August 2014: $Nil).

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 period from 12 March 2015 being the date on which the Company was listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") to the date of this report were:

Chairman and Independent Non-executive Director	
Bradley Jay Horwitz[2,4]	
Executive Directors	
William Chu Kwong Yeung[3,6]	(appointed as a member of the Remuneration Committee on 1 June 2015)
Ni Quiaque Lai	
Non-executive Director	
Roy Kuan[2,4,6]	(resigned as a non-executive Director and a member of Audit Committee, Nomination Committee and Remuneration Committee on 1 June 2015)
Independent Non-executive Directors	
Stanley Chow[2,4,5]	
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

Report of the Directors

In accordance with article 16.2 of the Articles, Mr. Bradley Jay Horwitz, Mr. William Chu Kwong Yeung, Mr. Ni Quiaque Lai, Mr. Stanley Chow and Mr. Quinn Yee Kwan Law who were appointed to fill casual vacancies or as additions to the Board will hold office until the forthcoming annual general meeting when they will retire and being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

Currently, all Directors are subject to retirement by rotation at least every three years and re-election in accordance with the provision of the Rules Governing the Listing of Securities (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.

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 under review.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 August 2015, the interests or short positions of the Company's Directors, Chief Executives and their associates in the shares and/or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

Report of the Directors

Long positions

Ordinary shares of HK$0.0001 each in the Company

Name of Director	Note	Number of shares held	Percentage of the issued share capital of the Company
Bradley Jay Horwitz	1	100,000	0.01%
William Chu Kwong Yeung	2	26,437,906	2.63%
Ni Quiaque Lai	3	32,549,652	3.24%

Note:

1. Mr. Bradley Jay Horwitz personally interested in the 100,000 ordinary shares.
2. Among the 26,437,906 shares which Mr. William Chu Kwong Yeung personally interested in, 238,608 restricted share units were granted to him pursuant to the Plan (as defined under "Share Incentive Scheme"), which were subject to certain vesting conditions, remained unvested.
3. Among the 32,549,652 shares which Mr. Ni Quiaque Lai personally interested in, 158,132 restricted share units were granted to him pursuant to the Plan (as defined under "Share Incentive Scheme"), which were subject to certain vesting conditions, remained unvested.

Other than the interest disclosed above, none of the Directors nor the Chief Executives nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 August 2015.

INTERESTS IN COMPETING BUSINESSES

During the period from the date on which the Company was listed on the Stock Exchange (the "Listing Date") to 31 August 2015, none of the Directors is 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.

Report of the Directors

SHARE INCENTIVE SCHEME

Co-Ownership Plan II (the "Plan")

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

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

Grants were made under the Plan on 29 June 2015 and 18 August 2015 with details below:

Participants	Date of Grant	Number of RSUs granted	Vesting on 29 June/18 August 2016	2017	2018
Mr. William Chu Kwong Yeung*	29 June 2015	238,608	59,652	59,652	119,304
Mr. Ni Quiaque Lai*	29 June 2015	158,132	39,533	39,533	79,066
Other Participants	29 June 2015	2,326,246	581,471	581,471	1,163,304
Other Participants	18 August 2015	273,612	68,386	68,386	136,840
Total		**2,996,598**	**749,042**	**749,042**	**1,498,514**

* Director of the Company

Report of the Directors

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

The register of substantial shareholders maintained by the Company pursuant to Section 336 of Part XV of the SFO shows that, as at 31 August 2015, other than the interests disclosed in "Directors' and Chief Executives' Interests in Securities", the following shareholders had notified the Company of their relevant interests in shares representing 5% or more of the issued share capital of the Company.

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 share capital of the Company
Canada Pension Plan Investment Board	(a)	181,048,500	18.00%
GIC (Ventures) Pte Ltd	(b)	97,821,891	9.73%
GIC Private Limited	(b)	97,821,891	9.73%
The Capital Group Companies, Inc.	(c)	60,580,000	6.02%
JPMorgan Chase & Co.	(d)	60,054,965	5.97%
CVC Capital Partners SICAV-FIS S.A	(e)	59,869,679	5.95%
CVC Capital Partners 2013 PCC (formerly known as CVC Capital Partners 2012 Limited)	(e)	59,869,679	5.95%
CVC Capital Partners Asia Pacific III Parallel Fund – A, L.P.	(e)	59,869,679	5.95%
Matthews International Capital Management, LLC	(f)	51,130,000	5.08%

Note:

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

(b) The 97,821,891 ordinary shares are directly held by City-Scape Pte Ltd, which is wholly-owned by GIC (Ventures) Pte Ltd. GIC Special Investments Pte Ltd manages the investments of City-Scape Pte Ltd, and is wholly-owned by GIC Private Limited.

(c) The 60,580,000 ordinary shares are directly held by Capital Research and Management Company, which is wholly-owned by The Capital Group Companies, Inc.

Report of the Directors

(d) The 60,054,965 ordinary shares are held as to 49,897,000 ordinary shares in the capacity as investment manager and 10,157,965 ordinary shares in the capacity as custodian corporation/approved lending agent.

Of the 60,054,965 ordinary shares held by JPMorgan Chase & Co., 675,500 ordinary shares are directly held by JF International Management Inc., 47,411,500 ordinary shares are directly held by JF Asset Management Limited, 98,000 ordinary shares are directly held by JPMorgan Asset Management (Japan) Limited, 1,712,000 ordinary shares are directly held by JPMorgan Asset Management (Taiwan) Limited, and 10,157,965 ordinary shares are directly held by JPMorgan Chase Bank, N.A..

Each of JF International Management Inc., JF Asset Management Limited, JPMorgan Asset Management (Japan) Limited and JPMorgan Asset Management (Taiwan) Limited is wholly-owned by JPMorgan Asset Management (Asia) Inc., which is in turn wholly-owned by JPMorgan Asset Management Holdings Inc. Each of JPMorgan Asset Management (Asia) Inc. and JPMorgan Asset Management Holdings Inc is therefore deemed to be interested in an aggregate of 49,897,000 ordinary shares.

Each of JPMorgan Chase Bank N.A. and JPMorgan Asset Management Holdings Inc is wholly-owned by JPMorgan Chase & Co.. JPMorgan Chase & Co. is therefore deemed to be interested in an aggregate of 60,054,965 ordinary shares.

(e) The 59,869,679 ordinary shares which are beneficially owned by CVC Capital Partners SICAV-FIS S.A are directly held by Metropolitan Light Group Holdings Limited.

Metropolitan Light Group Holdings Limited is owned as to 88.00% to CVC Capital Partners Asia Pacific III L.P. and as to 12.00% to CVC Capital Partners Asia Pacific III Parallel Fund – A, L.P.. Each of CVC Capital Partners Asia Pacific III L.P. and CVC Capital Partners Asia Pacific III Parallel Fund – A, L.P. is wholly-controlled by CVC Capital Partners Asia III Limited as general partner, which is in turn wholly-owned by CVC Capital Partners Advisory Company Limited, which is in turn wholly-owned by CVC Capital Partners Finance Limited, which is in turn wholly-owned by CVC Group Holdings L.P., which is in turn wholly-controlled by CVC Portfolio Holdings Limited as general partner and wholly-controlled by CVC Group Limited as limited partner. CVC Group Limited is owned as to 80.83% by CVC Portfolio Holdings Limited, which is in turn wholly-owned by CVC MMXII Limited, which is wholly-owned by CVC Capital Partners 2013 PCC, which is in turn wholly-owned by CVC Capital Partners SICAV-FIS S.A, which is therefore deemed to be interested in an aggregation of 59,869,679 ordinary shares.

(f) The 51,130,000 ordinary shares are held by Matthews International Capital Management, LLC 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 of the Company as at 31 August 2015.

Report of the Directors

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS

None of the related parties transactions as disclosed in note 32 to the consolidated financial statements for the year ended 31 August 2015 constituted connected transaction or continuing connected transaction as defined under Chapter 14A of the Listing Rules.

There is 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 2015, the aggregate amount of turnover attributable to the Group's five largest customers were approximately 1.4% of the Group's total turnover and the turnover attributable to the Group's largest customer were approximately 0.7% of the Group's total turnover.

For the year ended 31 August 2015, the aggregate amount of purchases and costs incurred attributable to the Group's five largest suppliers were approximately 7.8% of the Group's total purchases and costs incurred, and purchases and costs incurred from the largest supplier accounted for approximately 3.6% of the total purchases and costs incurred.

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

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

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors of the Company since the date of the Company's 2015 interim report on 29 April 2015 are set out below:

On 1 June 2015, Mr. Roy Kuan resigned as a non-executive Director, and a member of Audit Committee, Nomination Committee and Remuneration Committee of the Company.

On 1 June 2015, Mr. William Chu Kwong Yeung, an executive Director and the Chief Executive Officer of the Company was appointed as a member of the Remuneration Committee of the Company.

On 25 June 2015, Mr. Quinn Yee Kwan Law, an independent non-executive Director of the Company, retired as an independent non-executive director of National Agricultural Holdings Limited whose shares are listed on the Stock Exchange.

Report of the Directors

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 under review.

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 2015 are set out in notes 5 and 6 to the consolidated financial statements, respectively.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 28 to 39 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 from the Listing Date and up to the date of this annual report.

SUBSEQUENT EVENT

No significant events occurred after the balance sheet date.

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

Bradley Jay HORWITZ
Chairman
Hong Kong, 2 November 2015

Auditor's Report

KPMG

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

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of HKBN Ltd. (the "Company") and its subsidiaries (together "the Group") set out on pages 91 to 159, which comprise the consolidated and company balance sheets as at 31 August 2015, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

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

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

(Incorporated in the Cayman Islands with limited liability)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 August 2015 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
2 November 2015

Consolidated Income Statement
for the year ended 31 August 2015

(Expressed in Hong Kong dollars)

	Note	2015 $'000	2014 $'000
Turnover	2	**2,341,113**	2,131,581
Other net income	3(a)	**16,772**	12,925
Network costs and costs of sales		**(305,930)**	(287,121)
Other operating expenses	3(b)	**(1,601,975)**	(1,560,777)
Finance costs	3(d)	**(260,023)**	(191,570)
Share of losses of joint ventures	14(b)	**(107)**	–
Profit before taxation	3	**189,850**	105,038
Income tax	4	**(85,582)**	(51,488)
Profit for the year attributable to equity shareholders of the Company		**104,268**	53,550
Earnings per share	8		
Basic		**10.4 cents**	5.4 cents
Diluted		**10.4 cents**	5.4 cents

The notes on pages 98 to 159 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 2015

(Expressed in Hong Kong dollars)

	2015 $'000	2014 $'000
Profit for the year	**104,268**	53,550
Other comprehensive income for the year		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of a subsidiary outside Hong Kong, with nil tax effect	**(4,299)**	(383)
Total comprehensive income for the year attributable to equity shareholders of the Company	**99,969**	53,167

The notes on pages 98 to 159 form part of these financial statements.

Consolidated Balance Sheet at 31 August 2015

(Expressed in Hong Kong dollars)

	Note	2015 $'000	2014 $'000
Non-current assets			
Goodwill	10	**1,594,110**	1,594,110
Intangible assets	11	**1,330,501**	1,440,668
Fixed assets	12	**1,969,803**	1,957,006
Interests in joint ventures	14	**9,893**	–
Other non-current assets	15	**19,503**	9,252
		4,923,810	5,001,036
Current assets			
Inventories	16	**14,373**	21,680
Accounts receivable	17	**81,685**	79,995
Other receivables, deposits and prepayments	17	**201,910**	181,084
Amount due from a joint venture	22	**329**	–
Cash and cash equivalents	18	**328,950**	435,630
		627,247	718,389
Current liabilities			
Accounts payable	19	**6,561**	11,611
Other payables and accrued charges	19	**217,394**	306,625
Deposits received		**33,385**	32,021
Deferred services revenue – current portion		**55,168**	84,399
Obligations under granting of rights – current portion	26	**9,024**	9,024
Amount due to the former substantial shareholder	22	**33,372**	–
Amounts due to joint ventures	22	**10,000**	–
Contingent consideration – current portion		**2,457**	6,145
Tax payable	25(a)	**121,222**	102,523
		488,583	552,348
Net current assets		**138,664**	166,041
Total assets less current liabilities		**5,062,474**	5,167,077

Consolidated Balance Sheet at 31 August 2015

(Expressed in Hong Kong dollars)

	Note	2015 $'000	2014 $'000
Non-current liabilities			
Derivative financial instrument	23	**13,413**	–
Deferred services revenue – long-term portion		**13,844**	7,932
Obligations under granting of rights – long-term portion	26	**51,891**	60,915
Deferred tax liabilities	25(b)	**438,916**	457,897
Contingent consideration – long-term portion		**–**	3,430
Provision for reinstatement costs		**11,334**	–
Senior notes	21	**–**	2,994,058
Bank loan	20	**3,018,889**	–
		3,548,287	3,524,232
NET ASSETS		**1,514,187**	1,642,845
CAPITAL AND RESERVES			
Share capital	27(c)	**101**	8
Reserves		**1,514,086**	1,642,837
TOTAL EQUITY		**1,514,187**	1,642,845

Approved and authorised for issue by the board of directors on 2 November 2015.

William Chu Kwong YEUNG)
) Directors
Ni Quiaque LAI)

The notes on pages 98 to 159 form part of these financial statements.

Balance Sheet
at 31 August 2015

(Expressed in Hong Kong dollars)

	Note	2015 $'000	2014 $'000
Non-current asset			
Investments in subsidiaries	13	**1,160,799**	–
Current assets			
Other receivables, deposits and prepayments	17	**1,596**	–
Amount due from a subsidiary	22	**1,531**	–
Cash and cash equivalents	18	**637**	–
		3,764	–
Current liabilities			
Other payables and accrued charges	19	**964**	–
Amount due to the former substantial shareholder	22	**33,372**	–
Amounts due to subsidiaries	22	**25,883**	–
		60,219	–
Net current liabilities		**(56,455)**	–
NET ASSETS		**1,104,344**	–
CAPITAL AND RESERVES	27(a)		
Share capital		**101**	–
Reserves		**1,104,243**	–
TOTAL EQUITY		**1,104,344**	–

Approved and authorised for issue by the board of directors on 2 November 2015.

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

The notes on pages 98 to 159 form part of these financial statements.

Consolidated Statement of Changes in Equity for the year ended 31 August 2015

(Expressed in Hong Kong dollars)

	Note	Share capital $'000	Share premium $'000	Capital reserve $'000	Other reserve $'000	Accumulated losses $'000	Exchange reserve $'000	Total $'000
		Attributable to equity shareholders of the Company						
Balance at 1 September 2013		8	1,757,197	–	–	(170,225)	2,698	1,589,678
Changes in equity for the year ended 31 August 2014:								
Profit for the year		–	–	–	–	53,550	–	53,550
Other comprehensive income		–	–	–	–	–	(383)	(383)
Total comprehensive income		–	–	–	–	53,550	(383)	53,167
Balance at 31 August 2014 and 1 September 2014		8	1,757,197	–	–	(116,675)	2,315	1,642,845
Changes in equity for the year ended 31 August 2015:								
Profit for the year		**–**	**–**	**–**	**–**	**104,268**	**–**	**104,268**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**(4,299)**	**(4,299)**
Total comprehensive income		**–**	**–**	**–**	**–**	**104,268**	**(4,299)**	**99,969**
Issue of shares	27(c)(ii)	**100**	**1,160,685**	**–**	**–**	**–**	**–**	**1,160,785**
Elimination on the completion of the Share Transfer	27(d)(iii)	**(8)**	**(1,757,197)**	**–**	**596,420**	**–**	**–**	**(1,160,785)**
Dividend declared prior to the Reorganisation	27(b)(ii)	**–**	**(230,158)**	**–**	**–**	**–**	**–**	**(230,158)**
Capitalisation issue	27(c)(iii)	**1**	**(1)**	**–**	**–**	**–**	**–**	**–**
Equity-settled share-based transactions	24(a)	**–**	**–**	**1,531**	**–**	**–**	**–**	**1,531**
Balance at 31 August 2015		**101**	**930,526**	**1,531**	**596,420**	**(12,407)**	**(1,984)**	**1,514,187**

The notes on pages 98 to 159 form part of these financial statements.

Consolidated Cash Flow Statement
for the year ended 31 August 2015

(Expressed in Hong Kong dollars)

	Note	2015 $'000	2014 $'000
Operating activities			
Cash generated from operations	18(b)	**791,170**	917,502
Tax paid:			
– Hong Kong Profits Tax paid		**(81,968)**	(38,569)
– Tax paid outside Hong Kong		**(3,896)**	(4,276)
Purchase of tax reserve certificate		**(48,000)**	–
Net cash generated from operating activities		**657,306**	874,657
Investing activities			
Payment for purchase of fixed assets		**(324,084)**	(345,601)
Proceeds from sale of fixed assets		**1,790**	661
Decrease in bank deposits		**–**	45,000
Decrease in amount due to the former immediate holding company		**–**	(14,718)
Payment for contingent consideration		**(4,195)**	(3,090)
Net cash outflow in respect of disposal of interests in subsidiaries	28	**–**	(10,038)
Interest received		**2,794**	3,714
Net cash used in investing activities		**(323,695)**	(324,072)
Financing activities			
Proceeds from bank loan, net of transaction costs		**3,009,843**	–
Payments of transaction costs for banking facilities		**(14,806)**	–
Payment for early redemption of senior notes		**(3,095,624)**	–
Payment of transaction costs on bank loan		**(4,060)**	–
Payment for repurchases of senior notes		**–**	(255,267)
Payment of transaction costs on repurchases of senior notes		**–**	(946)
Dividend paid to the former immediate holding company	27(b)(ii)	**(230,158)**	–
Interest paid on interest-rate swap		**(14,151)**	–
Interest paid on bank loan		**(45,062)**	–
Interest paid on senior notes		**(82,124)**	(168,834)
Proceeds from initial public offering payable to the former substantial shareholder		**33,372**	–
Net cash used in financing activities		**(442,770)**	(425,047)
Net (decrease)/increase in cash and cash equivalents		**(109,159)**	125,538
Cash and cash equivalents at the beginning of the year	18(a)	**435,630**	310,029
Effect of foreign exchange rate changes		**2,479**	63
Cash and cash equivalents at the end of the year	18(a)	**328,950**	435,630

The notes on pages 98 to 159 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. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period, as permitted by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules'), continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32). These financial statements also comply with the applicable disclosure provisions of the Listing Rules. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 August 2015 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in joint ventures.

The Company was incorporated in the Cayman Islands on 26 November 2014 as an exempted company with limited liability under the Companies Law, Chapter 22 (2013 Revision) of the Cayman Islands. As part of a group reorganisation (the "Reorganisation"), the entire issued share capital of Metropolitan Light Company Limited ("MLCL") was transferred to the Company in consideration for an issue of the Company's shares to Metropolitan Light Holdings Limited ("MLHL") (the "Share Transfer") on 17 February 2015. MLHL was the immediate holding company of MLCL prior to the Share Transfer. Upon the completion of the Share Transfer, the Company became the parent company of MLCL and its subsidiaries, and the holding company of the Group.

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

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 12 March 2015 (the "Listing"). Upon the Listing, all of the shares offered were sold by the then shareholders, the Company did not issue any new shares. The proceeds from the initial public offering were approximately $6,508 million, after deduction of underwriting fees and commissions, in which $517 million was received by the Group on behalf of the former substantial shareholder and the Company remitted $484 million to the former substantial shareholder. The remaining balance of $33 million was recorded in the amount due to the former substantial shareholder (see note 22).

MLCL was incorporated in the Cayman Islands on 15 March 2012. On 30 May 2012, MLCL acquired the telecommunication business from Hong Kong Television Network Limited ("HKTV").

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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(f) and 1(g).

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 33.

(c) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

– Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*

– *Annual Improvements to HKFRSs 2010-2012 Cycle*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on these financial statements as they are consistent with the policies already adopted by the Group.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

Annual Improvements to HKFRSs 2010-2012 Cycle

This cycle of annual improvements contain amendments to seven standards with consequential amendments to other standards. Among them, HKAS 24, *Related party disclosures* has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

(d) 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.

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

(e) Joint ventures

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 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(f) and (k)). 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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Joint ventures (continued)

When the Group's share of losses exceeds its interest in 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 joint venture.

Unrealised profits and losses resulting from transactions between the Group and its 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 a joint venture becomes an investment in an associate, 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 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 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.

(f) Business combination and goodwill

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

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

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling 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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Business combination and goodwill (continued)

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

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

(g) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(h) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses (note 1(k)).

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

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Intangible assets (other than goodwill)

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

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

– Backlog of fixed telecommunications network services ("FTNS") business	2 years
– Customer relationship – FTNS business	14 years
– Customer relationship – International telecommunications services ("IDD") business	14 years
– Customer relationship – broadband wireless ("Wi-Fi") connectivity business	18 years
– Brand and trademark – "HKBN" for FTNS business	20 years
– Brand and trademark – "IDD0030" & "IDD1666" for IDD business	14 years
– Brand and trademark – "Y5Zone" for Wi-Fi business	20 years

Both the period and method of amortisation are reviewed annually.

(j) Leased assets

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

(i) Classification of assets leased to the Group

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

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

(ii) 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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Leased assets (continued)

(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.

(k) 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 each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

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

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

- For investments in joint ventures accounted for under the equity method in the consolidated financial statements (see note 1(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(k)(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(k)(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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of assets (continued)

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

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

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

(ii) Impairment of other assets

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

- fixed assets;
- intangible assets;
- goodwill; and
- investments in subsidiaries in the Company's balance sheet.

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

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– 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.

(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(k)(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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) 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.

(m) Trade and other receivables

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

(n) 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.

(o) 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(t), 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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) 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

(q) 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.

(r) 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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) 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 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 PRC in respect of RSUs, 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 each balance sheet date 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 balance sheet, 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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income tax

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income tax (continued)

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

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

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

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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) 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(t)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Contingent liabilities assumed in business combinations

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

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Revenue recognition

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

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

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

(ii) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership.

(iii) Rental income from operating leases

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

(iv) 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.

(v) Research and development costs

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Translation of foreign currencies

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

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

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

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

(x) 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.

(y) 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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Related parties (continued)

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

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

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

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

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

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

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

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

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

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

(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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Segment reporting (continued)

The Group's management assesses the performance and allocates the resources of the Group as a whole, as all of the Group's activities are considered to be primarily the operation of fixed telecommunications network services. Therefore, management considers there is only one operating segment under the requirements of HKFRS 8, *Operating Segments*. In this regard, no segment information is presented.

No geographic information is shown as the turnover and profit from operations of the Group are primarily derived from its activities in Hong Kong.

2 TURNOVER

The principal activities of the Group are provision of fixed telecommunications network services and international telecommunications services to residential and enterprise customers in Hong Kong and product sales.

Turnover represents revenue from fixed telecommunications network services and international telecommunications services to residential and enterprise customers in Hong Kong and product sales.

The amount of each category of revenue recognised in turnover during the year is as follows:

	2015 **$'000**	2014 $'000
Residential revenue	**1,756,511**	1,630,472
Enterprise revenue	**475,738**	422,975
Product revenue	**108,864**	78,134
	2,341,113	2,131,581

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

3 PROFIT BEFORE TAXATION

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

	2015 $'000	2014 $'000
(a) Other net income		
Interest income	**(2,794)**	(3,714)
Net foreign exchange loss/(gain)	**576**	(437)
Amortisation of obligations under granting of rights (note 26)	**(9,024)**	(9,024)
Change in fair value of contingent consideration	**(2,923)**	–
Other (income)/loss	**(2,607)**	250
	(16,772)	(12,925)
(b) Other operating expenses		
Advertising and marketing expenses	**399,215**	377,975
Depreciation (note 12)	**365,513**	327,095
(Gain)/loss on disposal of fixed assets, net	**(323)**	1,377
Impairment losses on accounts receivable (note 17(b))	**18,838**	15,417
Talent costs (note 3(c))	**404,442**	369,404
Amortisation of intangible assets (note 11)	**110,167**	225,292
Listing expenses	**55,863**	–
Others	**248,260**	244,217
	1,601,975	1,560,777
(c) Talent costs		
Salaries, wages and other benefits	**636,045**	591,236
Contributions to defined contribution retirement plan	**45,662**	46,429
Equity-settled share-based payment expenses (note 24(a))	**1,531**	–
Cash-settled share-based payment expenses (note 24(b))	**14**	–
	683,252	637,665
Less: Talent costs capitalised as fixed assets	**(25,188)**	(20,961)
Talent costs included in advertising and marketing expenses	**(253,622)**	(247,300)
	404,442	369,404

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

3 PROFIT BEFORE TAXATION (CONTINUED)

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

	2015 $'000	2014 $'000
(d) Finance costs		
Interest on bank loan	**57,421**	–
Interest on interest-rate swap, net	**14,529**	–
Interest on senior notes	**66,826**	182,937
Fair value loss on interest-rate swap	**13,413**	–
Loss on extinguishment of senior notes (note 21)	**96,234**	8,633
Originating fee for banking facility expired	**11,600**	–
	260,023	191,570
(e) Other items		
Amortisation of deferred expenditure	**–**	5,915
Operating lease charges in respect of land and buildings: minimum lease payments	**30,018**	39,471
Operating lease charges in respect of telecommunications facilities and computer equipment: minimum lease payments	**122,796**	125,056
Auditor's remuneration		
– audit services	**1,580**	878
– review services	**300**	190
– tax services	**120**	202
Research and development costs	**19,970**	18,746
Cost of inventories	**105,366**	60,025
Loss on disposal of interests in subsidiaries (note 28)	**–**	3,638

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

4 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2015 $'000	2014 $'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**100,858**	83,548
Under-provision in respect of prior years	**57**	–
Current tax – Outside Hong Kong		
Provision for the year	**3,648**	4,830
Deferred tax		
Origination and reversal of temporary differences (note 25(b))	**(18,981)**	(36,890)
	85,582	51,488

The provision for Hong Kong Profits Tax for 2015 is calculated at 16.5% (2014: 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 People's Republic of China (the "PRC'). The Corporate Income Tax rate applicable to the subsidiary located in the PRC is 25% (2014: 25%) for the year.

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

	2015 $'000	2014 $'000
Profit before taxation	**189,850**	105,038
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**32,719**	18,843
Tax effect of non-deductible expenses	**53,003**	29,264
Tax effect of non-taxable income	**(1,339)**	(251)
Others	**1,199**	3,632
Actual tax expense	**85,582**	51,488

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

5 DIRECTORS' REMUNERATION

Directors' remuneration disclosed with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

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

	2014						
	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Sub-total $'000	Share-based payments $'000	Total $'000
Executive directors							
Mr. William Chu Kwong YEUNG	–	7,848	2,242	784	10,874	–	10,874
Mr. Ni Quiaque LAI	–	5,122	1,492	523	7,137	–	7,137
Non-executive director							
Mr. Roy KUAN	–	–	–	–	–	–	–
	–	12,970	3,734	1,307	18,011	–	18,011

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

5 DIRECTORS' REMUNERATION (CONTINUED)

Notes:

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

(ii) These represent the estimated value of RSUs granted to the directors under the Company's Co-Ownership Plan II ("the Plan"). The value of these RSUs is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(r)(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 24.

During the year ended 31 August 2015, 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 (2014: Nil). There was no arrangement under which a director waived or agreed to waive any remuneration during the year ended 31 August 2015 (2014: Nil).

6 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2014: two) are directors whose emoluments are disclosed in note 5. The aggregate of the emoluments in respect of the other three (2014: three) individuals are as follows:

	2015 $'000	2014 $'000
Salaries and other emoluments	**7,995**	7,584
Discretionary bonuses	**1,310**	1,504
Share-based payments	**129**	–
Retirement scheme contributions	**611**	700
	10,045	9,788

The emoluments of the three (2014: three) individuals with the highest emoluments are within the following band:

	2015 Number of individuals	2014 Number of individuals
$3,000,001 – $3,500,000	**3**	3

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

7 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of $57,972,000 (2014: $Nil) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the period:

	2015 $'000	2014 $'000
Amount of consolidated loss attributable to equity shareholders dealt with in the Company's financial statements	(57,972)	–
Dividend from a subsidiary approved and paid during the period	230,158	–
Company's profit for the period (note 27(a))	172,186	–

Details of dividends paid and payable to equity shareholders of the Company are set out in note 27(b).

8 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 $104,268,000 (2014: $53,550,000) and the weighted average number of ordinary shares in issue less shares held for the Co-Ownership Plan II, of 1,000,000,000 ordinary shares (2014: 1,000,000,000 ordinary shares). The calculation is based on the assumption that 1,000,000,000 ordinary shares were in issue as if these ordinary shares issued at the date the Company became the holding company of the Group were outstanding throughout both years ended 31 August 2015 and 2014 presented.

(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 $104,268,000 (2014: $53,550,000) 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:

	2015 '000	2014 '000
Weighted average number of ordinary shares less shares held for the Co-Ownership Plan II	1,000,000	1,000,000
Effect of the Co-Ownership Plan II	1,084	–
Weighted average number of ordinary shares (diluted)	1,001,084	1,000,000

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

9 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 $123,000 (2014: $Nil) were used to reduce the current year's level of contributions and $186,000 was available at 31 August 2015 (2014: $101,000) to reduce future years' 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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

10 GOODWILL

	The Group $'000
Cost:	
At 1 September 2013, 31 August 2014, 1 September 2014 and 31 August 2015	1,594,110
Accumulated impairment losses:	
At 1 September 2013, 31 August 2014, 1 September 2014 and 31 August 2015	–
Carrying amount:	
At 31 August 2015 and 31 August 2014	1,594,110

Impairment tests for cash-generating units containing goodwill

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

	2015 $'000	2014 $'000
Fixed telecommunications network services segment	**1,594,110**	1,594,110

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows for the five-year period are estimated based on an average annual growth rate of turnover of 10% (2014: 10%) and a pre-tax discount rate of 8% (2014: 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 turnover of the fixed telecommunications network services (including Wi-Fi connectivity services), which is determined based on the past performance and management's expectation for market development. The discount rate used is pre-tax and reflects specific risks relating to the fixed telecommunications network services segment. Any adverse change in the key assumptions could reduce the recoverable amount below carrying amount.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

11 INTANGIBLE ASSETS

The Group

		Customer relationship			Brand and trademark			
	Backlog of FTNS business $'000	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	Total $'000
Cost:								
At 1 September 2013, 31 August 2014, 1 September 2014 and 31 August 2015	307,000	1,028,000	164,000	9,296	471,000	8,000	7,721	1,995,017
Accumulated amortisation:								
At 1 September 2013	191,875	91,786	14,642	344	29,438	715	257	329,057
Charge for the year	115,125	73,429	11,714	516	23,550	572	386	225,292
At 31 August 2014	307,000	165,215	26,356	860	52,988	1,287	643	554,349
At 1 September 2014	307,000	165,215	26,356	860	52,988	1,287	643	554,349
Charge for the year	–	73,429	11,714	516	23,550	572	386	110,167
At 31 August 2015	307,000	238,644	38,070	1,376	76,538	1,859	1,029	664,516
Net book value:								
At 31 August 2015	–	789,356	125,930	7,920	394,462	6,141	6,692	1,330,501
At 31 August 2014	–	862,785	137,644	8,436	418,012	6,713	7,078	1,440,668

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

- Backlog of FTNS contracts with residential and enterprise customers
- Customer relationship of FTNS and IDD business
- Brand and trademark of FTNS and IDD business, including “HKBN”, “IDD1666” and “IDD0030”
- Customer relationship of Wi-Fi business
- Brand and trademark of Wi-Fi business

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

12 FIXED ASSETS

The Group

	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 2013	45,355	15,470	10,383	1,983	2,180,114	1,847	2,255,152
Exchange adjustments	–	–	(8)	(8)	(150)	–	(166)
Additions	61	9,890	12,613	146	321,875	1,016	345,601
Disposal of subsidiaries (note 28)	–	–	–	(160)	(3,809)	–	(3,969)
Disposals	–	–	(1,306)	–	(12,726)	(19)	(14,051)
At 31 August 2014	45,416	25,360	21,682	1,961	2,485,304	2,844	2,582,567
At 1 September 2014	45,416	25,360	21,682	1,961	2,485,304	2,844	2,582,567
Exchange adjustments	–	–	(96)	(47)	(518)	–	(661)
Additions	1,498	–	17,909	424	359,970	208	380,009
Disposals	–	–	–	(5)	(2,030)	–	(2,035)
At 31 August 2015	46,914	25,360	39,495	2,333	2,842,726	3,052	2,959,880

	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
Accumulated depreciation:							
At 1 September 2013	10,099	411	1,392	700	298,504	626	311,732
Exchange adjustments	–	–	(7)	(2)	(27)	–	(36)
Charge for the year	8,067	444	3,724	517	313,709	634	327,095
Written back on disposal of subsidiaries (note 28)	–	–	–	(41)	(1,176)	–	(1,217)
Written back on disposals	–	–	(261)	–	(11,733)	(19)	(12,013)
At 31 August 2014	18,166	855	4,848	1,174	599,277	1,241	625,561
At 1 September 2014	18,166	855	4,848	1,174	599,277	1,241	625,561
Exchange adjustments	–	–	(86)	(36)	(307)	–	(429)
Charge for the year	8,093	526	7,679	443	347,954	818	365,513
Written back on disposals	–	–	–	(5)	(563)	–	(568)
At 31 August 2015	26,259	1,381	12,441	1,576	946,361	2,059	990,077
Net book value:							
At 31 August 2015	20,655	23,979	27,054	757	1,896,365	993	1,969,803
At 31 August 2014	27,250	24,505	16,834	787	1,886,027	1,603	1,957,006

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12 FIXED ASSETS (CONTINUED)

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

	2015 $'000	2014 $'000
In Hong Kong		
– medium-term leases	21,214	21,675
– long-term leases	2,765	2,830
	23,979	24,505

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

13 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2015 $'000	2014 $'000
Unlisted shares, at cost	1,160,799	–

The following is a list of subsidiaries of the Group:

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	US$1	100	Investment holding in Hong Kong
Guangzhou City Telecom Customer Services Co. Ltd. (translated from the registered name in Chinese)	PRC#	HK$8,000,000	100	Provision of administrative support services in the PRC

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

13 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following is a list of subsidiaries of the Group: (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
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 (formerly known as City Telecom International Limited) ("HKBNGL")	British Virgin Islands	US$5,294	100	Investment holding in Hong Kong
Metropolitan Light Company Limited	Cayman Islands	US$1,000	*100	Investment holding in Hong Kong
Metropolitan Light (HK) Company Limited	Hong Kong	400,000 shares	100	Investment holding in Hong Kong
Metropolitan Light International Limited ("MLIL")^	Cayman Islands	US$1	100	Debt securities issuance in Singapore
Y5Zone Limited	Hong Kong	2 shares	100	Provision of Wi-Fi connectivity in Hong Kong

* *Shares held directly by the Company subsequent to the Share Transfer.*

^ *MLIL was dissolved on 8 October 2015.*

\# *Wholly owned foreign enterprise registered under PRC law.*

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

14 INTERESTS IN JOINT VENTURES

	The Group	
	2015 **$'000**	2014 $'000
Share of net assets	**9,893**	–

(a) Details of the Group's interests 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.

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

	2015 **$'000**	2014 $'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**9,893**	–
Aggregate amounts of the Group's share of joint ventures'		
– Loss for the period	**(107)**	–
– Other comprehensive income	**–**	–
– Total comprehensive income	**(107)**	–

15 OTHER NON-CURRENT ASSETS

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

16 INVENTORIES

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

17 ACCOUNTS RECEIVABLE, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Accounts receivable	**88,124**	82,528	**–**	–
Less: Allowance for doubtful debts (note 17(b))	**(6,439)**	(2,533)	**–**	–
	81,685	79,995	**–**	–
Other receivables, deposits and prepayments	**201,910**	181,084	**1,596**	–
	283,595	261,079	**1,596**	–

The amount of the Group's and the Company's other receivables, deposits and prepayments expected to be recovered or recognised as expense after more than one year is $8,963,000 (2014: $10,940,000) and $Nil (2014: $Nil) respectively. All of the remaining other receivables, deposits and prepayments are expected to be recovered or recognised as expense within one year.

(a) Ageing analysis

As of the balance sheet date, the ageing analysis of accounts receivable (which are included in accounts receivable, other receivables, deposits and prepayments), based on the invoice date and net of allowance for doubtful debts, is as follows:

	The Group	
	2015	2014
	$'000	$'000
Within 30 days	**60,383**	55,506
31 to 60 days	**14,542**	13,229
61 to 90 days	**4,619**	4,032
Over 90 days	**2,141**	7,228
	81,685	79,995

The majority of the Group's accounts receivable is due within 30 days from the date of billing. Subscribers with receivable that are more than 3 months overdue are requested to settle all outstanding balances before further credit is granted. Further details on the Group's credit policy are set out in note 29(a).

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

17 ACCOUNTS RECEIVABLE, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

(b) Impairment of accounts receivable

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

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

	The Group	
	2015 **$'000**	2014 $'000
At the beginning of the year	**2,533**	5,538
Impairment losses recognised (note 3(b))	**18,838**	15,417
Uncollectible amounts written off	**(14,932)**	(18,422)
At the end of the year	**6,439**	2,533

(c) Accounts receivable that are not impaired

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

	The Group	
	2015 **$'000**	2014 $'000
Neither past due nor impaired	**60,383**	55,506
Less than 30 days past due	**14,542**	13,229
31 to 60 days past due	**4,619**	4,032
Over 60 days past due	**2,141**	7,228
	21,302	24,489
	81,685	79,995

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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

18 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	The Group		The Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Cash at bank and in hand	**328,950**	435,630	**637**	–

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

	Note	**2015** **$'000**	2014 $'000
Profit before taxation		**189,850**	105,038
Adjustments for:			
Amortisation of intangible assets	3(b)	**110,167**	225,292
Depreciation	3(b)	**365,513**	327,095
Amortisation of deferred expenditure	3(e)	**–**	5,915
Amortisation of obligations under granting of rights	3(a)	**(9,024)**	(9,024)
Interest income	3(a)	**(2,794)**	(3,714)
Finance costs	3(d)	**260,023**	191,570
(Gain)/loss on disposal of fixed assets, net	3(b)	**(323)**	1,377
Loss on disposal of interests in subsidiaries	3(e)	**–**	3,638
Transaction cost on repurchase of senior notes		**–**	946
Change in fair value of contingent consideration	3(a)	**(2,923)**	–
Foreign exchange gain		**(5,475)**	(4,477)
Share of losses of joint ventures	14(b)	**107**	–
Equity-settled share-based payment expenses	3(c)	**1,531**	–
Changes in working capital:			
Increase in other non-current assets		**(40)**	(3,160)
Decrease/(increase) in inventories		**7,307**	(8,110)
Increase in accounts receivable		**(1,690)**	(6,094)
Decrease in other receivables, deposits and prepayments		**32,174**	14,730
Increase in amount due from a joint venture		**(329)**	–
Decrease in accounts payable		**(5,050)**	(2,836)
(Decrease)/increase in other payables and accrued charges		**(125,899)**	49,361
Increase in deposits received		**1,364**	1,627
(Decrease)/increase in deferred services revenue		**(23,319)**	28,328
Cash generated from operations		**791,170**	917,502

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

19 ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUED CHARGES

	The Group		The Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Accounts payable	**6,561**	11,611	**–**	–
Other payables and accrued charges	**217,394**	306,625	**964**	–
	223,955	318,236	**964**	–

All accounts payable, other payables and accrued charges are expected to be settled within one year.

As of the balance sheet date, the ageing analysis of accounts payable, based on the invoice date, is as follows:

	The Group	
	2015	2014
	$'000	$'000
Within 30 days	**2,537**	4,503
31 to 60 days	**12**	3,237
61 to 90 days	**11**	12
Over 90 days	**4,001**	3,859
	6,561	11,611

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

20 BANK LOAN

On 11 December 2014, the Group entered into terms and revolving credit facilities agreement of $4,460,000,000 with various international banks and the facilities consist of the following:

- a $3,100,000,000 term facility ("Term Facility A");

- a $1,160,000,000 term facility ("Term Facility B", together with Term Facility A, the "2014 Term Facilities"); and

- a $200,000,000 revolving credit facility (the "2014 Revolving Facility" and together with the 2014 Term Facilities, the "New Credit Facilities").

At 31 August 2015, the Group has a bank loan with principal amount of $3,100,000,000 drawn by HKBNGL under the Term Facility A on 19 January 2015 and the proceeds were used to redeem the senior notes (note 21), as well as settling fees payable in connection with the New Credit Facilities. The bank loan is interest-bearing at Hong Kong Inter-bank Offered Rate ("HIBOR") plus a margin of 2.06% per annum payable quarterly.

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

The effective interest rate of the bank loan as of 31 August 2015 is 3.2% per annum.

The bank loan is covered by a cross guarantee arrangement issued by MLCL, HKBNGL and HKBN, and repayable in full upon final maturity on 20 January 2020. The Company became an additional guarantor of the bank loan on 10 March 2015.

The Term Facility B subsequently expired on 12 March 2015, while the 2014 Revolving Facility will expire on 20 January 2020.

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21 SENIOR NOTES

On 17 January 2013 (the "Issue Date"), the Group issued five-year US$450,000,000 (equivalent to $3,492,000,000) notes that were to mature on 17 January 2018 (the "Notes"). The Notes were denominated and settled in United States dollars ("USD"), and bore coupon at 5.25% per annum payable semi-annually on 17 July and 17 January in each year, commencing on 17 July 2013. The Notes were irrevocably and unconditionally guaranteed by MLCL and HKBN.

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

During the year ended 31 August 2014, the Group repurchased a portion of the Notes with aggregate principal value of US$32,205,000 (equivalent to $249,911,000) in the open market. The total consideration paid was approximately US$32,922,000 (equivalent to $255,267,000). The loss on partial extinguishment of the Notes, which included the write-off of unamortised senior notes originating fee and redemption cost, was US$1,114,000 (equivalent to $8,633,000) recorded within the finance costs in the consolidated income statement (note 3(d)) for the year ended 31 August 2014.

At 31 August 2014, the remaining principal amount of the Notes in issue after the repurchase was US$392,420,000 (equivalent to $3,041,255,000) and the amortised cost of the Notes was US$386,330,000 (equivalent to $2,994,058,000).

On 19 December 2014, the Group served a notice to the holders of Notes to redeem the Notes on 22 January 2015. The Group drew down the bank loan of $3,100,000,000 under the Term Facility A on 19 January 2015 (see note 20) and redeemed the Notes on 22 January 2015. Upon the redemption, the loss on extinguishment of US$12,406,000 (equivalent to $96,234,000), including a premium paid of US$6,867,000 (equivalent to $53,268,000) and the write off of unamortised senior notes originating fee of US$5,539,000 (equivalent to $42,966,000), was recorded within the finance costs in the consolidated income statement (note 3(d)) for the year ended 31 August 2015.

The effective interest rate of the Notes for the period prior to the redemption is 5.9% (year ended 31 August 2014: 5.9%) per annum.

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

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

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23 DERIVATIVE FINANCIAL INSTRUMENT

	The Group	
	2015 **$'000**	2014 $'000
Interest-rate swap	**13,413**	–

At 31 August 2015, the Group had 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 risk arisen from the bank loan of $3,100,000,000 drawn on 19 January 2015 (see note 20). Under this arrangement, the Group pays a fixed rate interest on the notional amount on a quarterly basis and receives a floating rate interest at 3-month HIBOR.

This contract is recognised initially at fair value and remeasured at each balance sheet date. 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.

24 SHARE-BASED TRANSACTIONS

(a) Equity-settled share-based transactions

On 21 February 2015, the Company adopted the Plan relating to the grant of RSUs to directors and talents of the Group in Hong Kong. The purpose of the Plan is to attract, retain and motivate skilled and experienced talents of the Group in Hong Kong. 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 RSUs granted under the Plan are subject to a non-vesting condition and vesting period.

On 29 June 2015 and 18 August 2015, 2,723,000 RSUs and 133,000 RSUs were granted to talents of the Group in Hong Kong by the Company under the Plan respectively and they represented 0.27% and 0.01% of the total issued share capital of the Company accordingly. The shares are held on trust by the appointed trustee until their release to the beneficiaries upon the vesting of the RSUs.

The directors estimated the weighted average fair value of each RSU at the grant date to be $8.50. Equity-settled share-based payment expenses of $1,531,000 were recognised as talent costs in the consolidated income statement (note 3(c)) for the year ended 31 August 2015 and the remaining expenses related to the RSUs are to be recognised in the years ending 31 August 2016, 2017 and 2018 based on the respective vesting periods.

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24 SHARE-BASED TRANSACTIONS (CONTINUED)

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

(i) The 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 (iii)
RSUs granted to talents:		
– on 29 June 2015	2,326	notes (i) and (iii)
– on 18 August 2015	133	notes (ii) and (iii)
Total RSUs granted	2,856	

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) 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	
	2015 '000	2014 '000
Outstanding at the beginning of the year	**–**	–
Granted during the year	**2,856**	–
Forfeited during the year	**(8)**	–
Outstanding at the end of the year	**2,848**	–

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24 SHARE-BASED TRANSACTIONS (CONTINUED)

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

(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. Key assumptions are set out as below:

	Granted on 18 August 2015			Granted on 29 June 2015		
Fair value of RSUs and assumptions						
Share price	$8.50	$8.50	$8.50	$8.50	$8.50	$8.50
Vesting period, year(s)	1	2	3	1	2	3
Risk-free interest rate	0.08%	0.42%	0.62%	0.07%	0.33%	0.62%

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

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

(b) Cash-settled share-based transaction

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

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25 INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheet represents:

	The Group 2015 $'000	2014 $'000
Provision for Hong Kong Profits Tax for the year	**100,858**	83,548
Balance of Profits Tax provision relating to prior years	**18,814**	17,177
	119,672	100,725
Provision for tax outside Hong Kong	**1,550**	1,798
	121,222	102,523

(b) Deferred tax liabilities and assets recognised:

(i) The Group

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

	Depreciation allowances in excess of the related depreciation $'000	Tax losses carried forward $'000	Amortisation of intangible assets $'000	Amortisation of obligations under granting of rights $'000	Total $'000
Deferred tax arising from:					
At 1 September 2013	(233,465)	532	(274,883)	13,029	(494,787)
Disposal of subsidiaries (note 28)	254	(254)	–	–	–
Credited/(charged) to profit or loss	1,097	109	37,173	(1,489)	36,890
At 31 August 2014	(232,114)	387	(237,710)	11,540	(457,897)
At 1 September 2014	(232,114)	387	(237,710)	11,540	(457,897)
Credited/(charged) to profit or loss	2,680	(387)	18,177	(1,489)	18,981
At 31 August 2015	(229,434)	–	(219,533)	10,051	(438,916)

(ii) The Company

No deferred tax has been recognised as the Company does not have any significant temporary differences at 31 August 2015.

(Expressed in Hong Kong dollars unless otherwise indicated)

25 INCOME TAX IN THE BALANCE SHEET (CONTINUED)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(s), the Group had not recognised deferred tax assets in respect of cumulative tax losses of $51,000 at 31 August 2014 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.

(d) Deferred tax liabilities not recognised

At 31 August 2015, temporary differences relating to the undistributed profits of the Group's PRC subsidiary amounted to RMB73,270,000 (equivalent to $88,861,000) (2014: RMB63,136,000 (equivalent to $76,420,000)). 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 subsidiary and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

26 OBLIGATIONS UNDER GRANTING OF RIGHTS

	2015 **$'000**	2014 $'000
At the beginning of the year	**69,939**	78,963
Amortisation for the year	**(9,024)**	(9,024)
At the end of the year	**60,915**	69,939
Less: Current portion	**(9,024)**	(9,024)
Non-current portion	**51,891**	60,915

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

Notes to the Financial Statements

(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 date of incorporation and the end of the year are set out below:

The Company

	Note	Share capital $'000	Share premium $'000	Capital reserve $'000	Retained profits $'000	Total $'000
Balance at 26 November 2014 (date of incorporation)						
Issue of shares	27(c)(ii)	100	1,160,685	–	–	1,160,785
Capitalisation issue	27(c)(iii)	1	(1)	–	–	–
Profit and total comprehensive income for the period	7	–	–	–	172,186	172,186
Dividend declared prior to the Reorganisation	27(b)(ii)	–	(230,158)	–	–	(230,158)
Equity-settled share-based transactions	24(a)	–	–	1,531	–	1,531
Balance at 31 August 2015		101	930,526	1,531	172,186	1,104,344

(b) Dividends

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

	2015 $'000	2014 $'000
Final dividend proposed after the balance sheet date of 20 cents per ordinary share (2014: Nil cents per ordinary share)	**201,133**	–

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(ii) Dividend of US$29,660,000 (equivalent to $230,158,000) declared to the former immediate holding company prior to the completion of the Reorganisation was approved on 18 February 2015 and paid on 9 March 2015.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital

Upon completion of the Share Transfer, the Company became the holding company of the Group. The share capital in the consolidated balance sheet at 31 August 2015 represented the issued capital of the Company.

The share capital in the consolidated balance sheet at 31 August 2014 represented the paid-in capital of MLCL.

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

Notes:

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

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

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

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

Notes to the Financial Statements

(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(r)(iv)(a).

(iii) Other reserve

Upon completion of the Share Transfer, the Company become 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 foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 1(w).

(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.

Notes to the Financial Statements

(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 2015 and 2014 was as follows:

		The Group	
	Note	**2015 $'000**	2014 $'000
Bank loan (principal amount)	20	**3,100,000**	–
Senior notes (principal amount)	21	**–**	3,041,255
Total debt		**3,100,000**	3,041,255
Less: Cash and cash equivalents	18(a)	**(328,950)**	(435,630)
Add: Proposed dividends	27(b)(i)	**201,133**	–
Adjusted net debt		**2,972,183**	2,605,625
Total equity		**1,514,187**	1,642,845
Less: Proposed dividends	27(b)(i)	**(201,133)**	–
		1,313,054	1,642,845
Net debt-to-capital ratio		**226%**	159%

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

28 DISPOSAL OF INTERESTS IN SUBSIDIARIES

On 3 April 2014, the Group disposed of 100% equity interest in Automedia Holdings Limited together with its subsidiaries (collectively "Automedia Group") to a related party, which is a key management personnel of the Group, at a cash consideration of CAD370,000 (equivalent to $2,597,000) realising a net loss on disposal of $3,638,000. The principal activities of Automedia Group were the provision of international telecommunications and dial-up internet access services, leasing and maintenance of switching equipment and provision of operational services in Canada.

The disposal of Automedia Group had the following effect on the Group's assets and liabilities:

	$'000
Fixed assets	2,752
Inventories	16
Accounts receivable	986
Other receivables, deposits and prepayments	249
Cash and cash equivalents	12,635
Tax payable	36
Accounts payable	(45)
Other payables and accrued charges	(292)
Deposits received	(3,640)
Deferred services revenue	(6,462)
Net assets	6,235
Consideration received, satisfied in cash	2,597
Cash and cash equivalents disposed of	(12,635)
Net cash outflow in respect of the disposal of interests in subsidiaries	(10,038)

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

(a) Credit risk

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

In respect of accounts receivable and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay. These receivables are due within 30 days from the date of billing. Subscribers with receivables that are more than 3 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Concentrations of credit risk with respect to accounts receivable are limited due to the Group's customer base being large and unrelated. As such, management does not expect any significant losses of accounts receivable that have not been provided for by way of allowances as disclosed in note 17.

Except for the financial guarantee given by the Group as disclosed in note 31, 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 balance sheet date is disclosed in note 31.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from accounts receivable and other receivables are set out in note 17.

(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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (continued)

The following table shows the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group is required to pay.

The Group

	2015 Contractual undiscounted cash outflow			
	Within 1 year or on demand $'000	More than 1 year but less than 5 years $'000	Total $'000	Carrying amount at 31 August $'000
Accounts payable	6,561	–	6,561	6,561
Other payables and accrued charges	217,394	–	217,394	217,394
Amount due to the former substantial shareholder	33,372	–	33,372	33,372
Amounts due to joint ventures	10,000	–	10,000	10,000
Contingent consideration	2,457	–	2,457	2,457
Bank loan	76,722	3,360,352	3,437,074	3,018,889
Derivative financial instrument	20,551	(6,913)	13,638	13,413
	367,057	3,353,439	3,720,496	3,302,086

(Expressed in Hong Kong dollars unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (continued)

The Group (continued)

	2014 Contractual undiscounted cash outflow			
	Within 1 year or on demand $'000	More than 1 year but less than 5 years $'000	Total $'000	Carrying amount at 31 August $'000
Accounts payable	11,611	–	11,611	11,611
Other payables and accrued charges	306,625	–	306,625	306,625
Contingent consideration	6,145	3,789	9,934	9,575
Senior notes	159,666	3,421,391	3,581,057	2,994,058
	484,047	3,425,180	3,909,227	3,321,869

The Company

	2015 Contractual undiscounted cash outflow			2014 Contractual undiscounted cash outflow		
	Within 1 year or on demand $'000	**Total $'000**	**Carrying amount at 31 August $'000**	Within 1 year or on demand $'000	Total $'000	Carrying amount at 31 August $'000
Other payables and accrued charges	**964**	**964**	**964**	–	–	–
Amount due to the former substantial shareholder	**33,372**	**33,372**	**33,372**	–	–	–
Amounts due to subsidiaries	**25,883**	**25,883**	**25,883**	–	–	–
	60,219	**60,219**	**60,219**	–	–	–

(Expressed in Hong Kong dollars unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank loan 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 2015, the Group had an interest-rate swap with a notional contract amount of $2,635,000,000 which was not designated as cash flow hedging instrument. The net fair value of swap entered into by the Group at 31 August 2015 was $13,413,000. The amount is recognised as derivative financial instrument (note 23).

(ii) Interest-bearing financial instruments

The following table details the interest-bearing financial instruments of the Group at the balance sheet date.

	The Group	
	2015	2014
	$'000	$'000
Variable rate instruments		
Bank loan	**(3,018,889)**	–
Derivative financial instrument		
– interest-rate swap	**(13,413)**	–
	(3,032,302)	–

(iii) Sensitivity analysis

At 31 August 2015, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit after tax and decreased/increased accumulated losses by approximately $15,312,000 (2014: $Nil). 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 accumulated losses that would arise assuming that the change in interest rates had occurred at the balance sheet date 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 balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the Group's profit after tax and accumulated losses is estimated as an annualised impact on interest expenses of such a change in interest rate.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

29 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 balance sheet date 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.

The Group

	2015		2014	
	USD	**RMB**	USD	RMB
	$'000	**$'000**	$'000	$'000
Cash and cash equivalents	**13,582**	**44,086**	60,716	50,651
Accounts payable	**(2,054)**	**–**	(4,607)	–
Other payables and accrued charges	**(5,294)**	**(97,770)**	(17,556)	(59,356)
Net exposure arising from recognised assets and liabilities	**6,234**	**(53,684)**	38,553	(8,705)

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

29 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.

The Group

	2015			2014		
	Increase/ (decrease) in foreign exchange rates $'000	**Impact on profit after tax $'000**	**Impact on accumulated losses $'000**	Increase/ (decrease) in foreign exchange rates $'000	Impact on profit after tax $'000	Impact on accumulated losses $'000
RMB	**5%**	**(1,878)**	**1,878**	5%	54	(54)
	(5)%	**1,878**	**(1,878)**	(5)%	(54)	54

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 balance sheet date 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 balance sheet date, 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 2014.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

29 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 balance sheet date 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

The Group

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

	Fair value at 31 August 2014 $'000	Fair value measurements as at 31 August 2014 categorised into		
		Level 1 $'000	Level 2 $'000	Level 3 $'000
Recurring fair value measurement				
Financial liabilities:				
Contingent consideration	9,575	–	–	9,575

During the year ended 31 August 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (year ended 31 August 2014: $Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the balance sheet date in which they occur.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (continued)

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

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 balance sheet date, 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 is determined considering the expected payment, discounted to present value using a risk-adjusted discount rate of 18% (31 August 2014: 18%).

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

	2015 $'000	2014 $'000
Contingent consideration		
At the beginning of the year	9,575	12,665
Payment for settlement of contingent consideration for the years ended 31 August 2014 and 2013	(4,195)	(3,090)
Change in fair value during the year	(2,923)	–
At the end of the year	2,457	9,575
Contingent consideration – current portion	2,457	6,145
Contingent consideration – long-term portion	–	3,430
Total contingent consideration	2,457	9,575

(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 2015 and 2014.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

30 COMMITMENTS

(a) Capital commitments

At 31 August 2015, the Group had the following capital commitments:

	2015 $'000	2014 $'000
Purchase of telecommunications, computer and office equipment		
Contracted but not provided for	**94,112**	67,992

(b) Commitment under operating leases

(i) At 31 August 2015, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2015 $'000	2014 $'000
Leases in respect of telecommunications facilities which are receivable:		
Within 1 year	**25,323**	17,321
After 1 year but within 5 years	**37,647**	30,321
After 5 years	**11,919**	14,795
	74,889	62,437

(ii) At 31 August 2015, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2015 $'000	2014 $'000
Leases in respect of land and buildings which are payable:		
Within 1 year	**29,380**	33,911
After 1 year but within 5 years	**14,250**	31,438
	43,630	65,349

(Expressed in Hong Kong dollars unless otherwise indicated)

30 COMMITMENTS (CONTINUED)

(b) Commitment under operating leases (continued)

(ii) At 31 August 2015, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows: (continued)

	2015 $'000	2014 $'000
Leases in respect of telecommunications facilities and computer equipment which are payable:		
Within 1 year	**76,327**	67,498
After 1 year but within 5 years	**38,706**	13,559
After 5 years	**20**	50
	115,053	81,107

The Group leases a number of land and buildings and telecommunications facilities and computer equipment under operating lease. The leases typically run for an initial period of six months to fifteen years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually increased annually to reflect market rentals. None of these leases include contingent rentals.

In connection with the business combination completed on 30 May 2012, the Group leases certain workshop and offices from HKTV at prevailing market rent of $903,000 per month for five years until 31 March 2017.

(c) Program fee commitments

The Group entered into several long-term agreements with program content providers for the rights to use certain program contents in the Group's pay-TV services. Minimum amounts of program fees to be paid by the Group are analysed as follows:

	2015 $'000	2014 $'000
Program fee in respect of program rights which are payable:		
Within 1 year	**3,859**	2,853
After 1 year but within 5 years	**499**	–
	4,358	2,853

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

31 CONTINGENT LIABILITIES

	2015 $'000	2014 $'000
Bank guarantee provided to suppliers	–	1,820
Bank guarantee in lieu of payment of utility deposits	3,622	3,622
	3,622	5,442

At 31 August 2015, the directors do not consider it is probable that a claim will be made against the Group under any guarantees. The Group has not recognised any deferred income in respect of the guarantees issued as their fair value cannot be reliably measured and their transaction price was $Nil during the year (2014: $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.

32 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:

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:

	2015 $'000	2014 $'000
Short-term employee benefits	31,095	29,888
Post-employment benefits	2,330	2,298
Equity compensation benefits	491	–
	33,916	32,186

Total remuneration is included in "talent costs" (see note 3(c)).

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

33 ACCOUNTING JUDGEMENT AND ESTIMATES

Sources of estimation uncertainty

Note 29 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 accounts receivable and other receivables which takes into account the historical write-off experience and recovery rates. If the financial condition of the customers were to deteriorate, additional impairment may be required.

(b) Depreciation

Depreciation is calculated to write off the cost of items of fixed assets, less their estimated residual value, if any, using the straight-line method over their estimated useful lives. The Group reviews the estimated useful lives 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 fixed assets and intangible assets (other than goodwill)

The Group has significant fixed assets and intangible assets (other than goodwill). The Group is required to estimate the useful lives of fixed assets and intangible assets (other than goodwill) in order to ascertain the amount of depreciation and amortisation charges for each reporting period.

The useful lives are estimated at the time of purchase of these assets after considering future technology changes, business developments and the Group's strategies. The Group performs annual reviews to assess the appropriateness of the estimated useful lives. Such review takes into account any unexpected adverse changes in circumstances or events, including declines in projected operating results, negative industry or economic trends and rapid advancement in technology. The Group extends or shortens the useful lives and/or makes impairment provisions according to the results of the review.

33 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(k)(ii).

The recoverable amount of an asset or a cash-generating unit has been determined based on its value-in-use. These calculations require the use of estimates. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the expected operating margin, growth rates and selection of discount rates, to reflect the risks-involved and the earnings multiple that can be realised for the estimated terminal value.

Management prepared the financial budgets reflecting actual performance and market development expectations. Judgement is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the result of the impairment reviews.

(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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 AUGUST 2015

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 2015 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 15, *Revenue from contracts with customers*	1 January 2018
HKFRS 9, *Financial instruments*	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far the Group is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

In addition, the disclosure requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) will be applicable for the first time to the Company's financial year ending 31 August 2016 in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

Financial Summary for the year ended 31 August 2015

(Expressed in Hong Kong dollars)

A summary of the results of the Group for the period from 15 March 2012 (date of inception) to 31 August 2012 and years ended 31 August 2013 and 2014 and of the assets, equity and liabilities of the Group as at 31 August 2012, 2013 and 2014 has been extracted from the prospectus of the Company dated 27 February 2015 with the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited on 12 March 2015, shown as follows:

No financial statements of the Group for the year ended 31 August 2011 have been published.

	Years ended 31 August			Period from 15 March 2012 (date of inception) to 31 August
	2015 $'000	2014 $'000	2013 $'000	2012 $'000
Results				
Turnover	**2,341,113**	2,131,581	1,949,434	553,874
Profit from operations	**449,980**	296,608	191,441	22,232
Finance costs	**(260,023)**	(191,570)	(301,401)	(47,207)
Share of losses of joint ventures	**(107)**	–	–	–
Profit/(loss) before taxation	**189,850**	105,038	(109,960)	(24,975)
Income tax	**(85,582)**	(51,488)	(29,038)	(6,252)
Profit/(loss) for the year/period	**104,268**	53,550	(138,998)	(31,227)

	As at 31 August			
	2015 $'000	2014 $'000	2013 $'000	2012 $'000
Assets and liabilities				
Goodwill	**1,594,110**	1,594,110	1,594,110	1,553,696
Intangible assets	**1,330,501**	1,440,668	1,665,960	1,912,309
Fixed assets	**1,969,803**	1,957,006	1,943,420	1,906,063
Interests in joint ventures	**9,893**	–	–	–
Other non-current assets	**19,503**	9,252	9,191	28,226
Deferred tax assets	**–**	–	279	–
Net current assets/(liabilities)	**138,664**	166,041	184,937	(33,910)
Total assets less current liabilities	**5,062,474**	5,167,077	5,397,897	5,366,384
Derivative financial instrument	**(13,413)**	–	–	(6,866)
Deferred services revenue – long-term portion	**(13,844)**	(7,932)	(2,344)	(105)
Obligations under granting of rights – long-term portion	**(51,891)**	(60,915)	(69,939)	(78,963)
Obligation under finance leases – long-term portion	**–**	–	–	(24)
Deferred tax liabilities	**(438,916)**	(457,897)	(495,066)	(523,275)
Contingent consideration – long-term portion	**–**	(3,430)	(10,239)	–
Provision for reinstatement costs	**(11,334)**	–	–	–
Senior notes	**–**	(2,994,058)	(3,230,631)	–
Bank loan	**(3,018,889)**	–	–	(2,254,867)
NET ASSETS	**1,514,187**	1,642,845	1,589,678	2,502,284
Capital and reserves				
Share capital	**101**	8	8	8
Reserves	**1,514,086**	1,642,837	1,589,670	2,502,276
TOTAL EQUITY	**1,514,187**	1,642,845	1,589,678	2,502,284

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