HKBN Ltd.
香港寬頻有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1310

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 29 FEBRUARY 2016

(All references to "$" are to the Hong Kong dollars)

The Board of Directors (the "Board") of HKBN Ltd. (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 29 February 2016. These results were based on the unaudited consolidated interim financial statements for the six months ended 29 February 2016, which were prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

- Net additions of residential broadband subscriptions accelerated to 38,000 (1H2015: 30,000), with our market share by broadband subscriptions increasing to 37.7% as of 31 January 2016*, up from 36.6% as of 31 August 2015.
- Revenue and EBITDA increased year-on-year by 9% and 6% respectively to $1,226 million and $511 million, while Adjusted Free Cash Flow maintained at $185 million.
- Net profit for the period was $135 million (1H2015: net loss of $47 million) while Adjusted Net Profit increased year-on-year by 31% to $210 million.
- The Board of Directors has recommended the payment of an interim dividend of 20 HK cents per share.

* Based on our broadband subscriptions and the latest available OFCA statistics as of 31 January 2016.

SHAREHOLDER LETTER

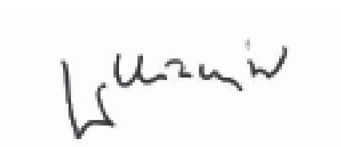
Dear Fellow Shareholders,

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

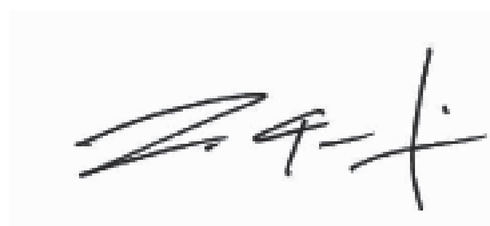
On the enterprise side, post IPO, we completed our acquisition (the "Acquisition") of New World Telecom on 31 March 2016, which has more than doubled our enterprise revenue to over $1 billion for an estimated market share of 5% in the enterprise space. Looking ahead, this combined scale will enable us to deliver continued growth of our enterprise business. Please refer to Appendix 1 (Page 3) for a memo from our management committee to welcome the new joiners.

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

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



William Yeung
Chief Executive Officer and Co-Owner



NiQ Lai
Chief Talent & Financial Officer and Co-Owner

Appendix 1

香港寬頻
HONG KONG
BROADBAND NETWORK

22 February 2016

Dear Future HKBNers

(cc Existing HKBNers)

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

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

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

我們是一間不斷壯大及成長的公司。

我們的策略是以攻為守。

我們專注於增加生意額，多於控制成本。

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

With warmest regards from Management Committee,

William Billy Gary Selina Eric NiQ

香港寬頻網絡有限公司
Hong Kong Broadband Network Limited

KEY FINANCIAL AND OPERATIONAL SUMMARY

Table 1: Financial highlights

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

KEY FINANCIAL AND OPERATIONAL SUMMARY (CONTINUED)

Table 2: Operational highlights

	For the six months ended			Increase/
	29 February 2016	31 August 2015	28 February 2015	**(Decrease) YoY**
Residential business				
Residential homes passed ('000)	**2,162**	2,143	2,119	**+2%**
Subscriptions ('000)				
– Broadband	**792**	754	722	**+10%**
– Voice	**485**	534	563	**-14%**
Market share [6]				
– Broadband	**37.7%**	36.6%	35.4%	**+2.3 pp**
– Voice	**20.5%**	22.0%	22.8%	**-2.3 pp**
Residential customers ('000)	**852**	822	799	**+7%**
Broadband churn rate [7]	**0.8%**	0.7%	0.6%	**+0.2 pp**
Residential ARPU [8]	**$178**	$183	$184	**-3%**
Enterprise business				
Commercial building coverage ('000)	**2.1**	2.0	2.0	**+5%**
Subscriptions ('000)				
– Broadband	**40**	35	31	**+29%**
– Voice	**102**	98	89	**+15%**
Market share [6]				
– Broadband	**15.4%**	14.3%	13.1%	**+2.3 pp**
– Voice	**5.5%**	5.3%	4.8%	**+0.7 pp**
Enterprise customers ('000)	**43**	39	35	**+23%**
Broadband churn rate [9]	**0.9%**	0.9%	0.8%	**+0.1 pp**
Enterprise ARPU [10]	**$1,017**	$1,004	$1,025	**-1%**

Notes:

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

(2) Adjusted Net Profit means profit/(loss) for the period plus amortisation of intangible assets (net of deferred tax credit), non-recurring finance costs and other non-recurring items. Non-recurring finance costs, in the period under review, include loss on extinguishment of senior notes and originating fee for banking facility expired. Other non-recurring items, in the period under review, include listing expenses and transaction costs in connection with business combination.

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

(4) EBITDA margin means EBITDA divided by revenue.

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

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

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

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

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

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

BUSINESS REVIEW

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

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

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

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

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

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

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

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

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

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

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

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

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

OUTLOOK

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

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

LIQUIDITY AND CAPITAL RESOURCES

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

- The Group's gearing ratio, which was expressed as a percentage of the gross debt over total equity, was 214% as at 29 February 2016 (31 August 2015: 205%).

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

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

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

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

HEDGING

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

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

CHARGE ON GROUP ASSETS

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

CONTINGENT LIABILITIES

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

EXCHANGE RATES

All of the Group's monetary assets and liabilities are primarily denominated in either Hong Kong dollars ("HKD") or United States dollars ("USD"). Given the exchange rate of the HKD to the USD has remained close to the current pegged rate of HKD7.80 = USD1.00 since 1983, management does not expect significant foreign exchange gains or losses between the two currencies.

The Group is also exposed to a certain amount of foreign exchange risk based on fluctuations between the HKD and the Renminbi arising from its operations. In order to limit this foreign currency risk exposure, the Group ensures that the net exposure is kept to an acceptable level of buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

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

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

TALENT REMUNERATION

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

To attract, retain and motivate skilled and experienced Talents, the Company adopted a Co-Ownership Plan II (the "Plan") on 21 February 2015. Co-Ownership is a powerful expression of the commitment and belief our Talents have in the Group. Unlike the more traditional approach of giving stock options to a very limited group of senior executives, the Company's Co-Ownership is open to all supervisors and above level Talents, spanning the Group's operations across Hong Kong and Guangzhou. Under "Co-Ownership Plan II", we now have over 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" below for a summary of the Plan.

SHARE INCENTIVE SCHEME

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 12 March 2015 (the "Listing Date"), the date on which the Company was listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or (ii) 10% or less of the shares in issue as at the date following the date of approval of the renewed limit (as the case may be). The Plan shall be valid and effective for the period commencing on the Listing Date and expiring on the tenth anniversary thereof or such earlier date as it is terminated in accordance with the terms of the Plan, after which period no further RSUs shall be offered or granted.

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

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

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

* *Director of the Company*

INTERIM DIVIDEND

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

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 6 May 2016 to Monday, 9 May 2016, both days inclusive, during which period no transfer of shares will be effected. All transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Thursday, 5 May 2016 in order to establish the identity of the Shareholders who are entitled to qualify for the interim dividend.

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

During the six months ended 29 February 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

REVIEW OF INTERIM FINANCIAL INFORMATION

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

The unaudited interim financial report of the Group for the six months ended 29 February 2016 has been reviewed by the Company's external auditor in accordance with Hong Kong Standard on Review Engagements 2410 "*Review of interim financial information performed by the independent auditor of the entity*" issued by the HKICPA and reviewed by the Audit Committee of the Company.

CORPORATE GOVERNANCE

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct for dealings in securities of the Company by Directors. Having made specific enquiries with all Directors, they confirmed that they complied with the Model Code throughout the six months ended 29 February 2016.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hkbnltd.net). The interim report of the Company for the six months ended 29 February 2016 will be despatched to the shareholders of the Company and made available on the same websites in due course.

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

Hong Kong, 20 April 2016

As at the date of this announcement, the Board comprises:

Executive Directors
Mr. William Chu Kwong YEUNG
Mr. Ni Quiaque LAI

Independent Non-executive Directors
Mr. Bradley Jay HORWITZ *(Chairman)*
Mr. Stanley CHOW
Mr. Quinn Yee Kwan LAW, SBS, JP

Non-executive Director
Ms. Deborah Keiko ORIDA

"Where the English and the Chinese texts conflicts, the English text prevails"

UNAUDITED CONSOLIDATED INTERIM FINANCIAL INFORMATION
CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 29 FEBRUARY 2016

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 29 FEBRUARY 2016

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 29 FEBRUARY 2016

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 29 FEBRUARY 2016

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

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL INFORMATION:

1 BASIS OF PREPARATION

The unaudited consolidated interim financial information set out in this announcement does not constitute the Group's unaudited interim financial report for the six months ended 29 February 2016 but is extracted from that unaudited interim report which has been prepared in accordance with the Listing Rules, including compliance with HKAS 34, *Interim financial reporting,* issued by the HKICPA.

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

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

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

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

The companies that took part in the Share Transfer were controlled by the same ultimate equity shareholders before and after the Share Transfer and there were no changes in the business and operations of MLCL and its subsidiaries. The Share Transfer only involved incorporating the Company with no prior substantive operations as the holding company of MLCL and the Group. Accordingly, the Share Transfer has been accounted for using a principle similar to that for a reverse acquisition with MLCL treated as the acquirer for accounting purposes.

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

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

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

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

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

2 CHANGES IN ACCOUNTING POLICIES

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

3 SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in the interim financial report, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

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

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

4 REVENUE

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

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

The amount of each category of revenue recognised during the period is as follows:

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

5 PROFIT/(LOSS) BEFORE TAXATION

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

	Six months ended 29 February 2016 HK$'000 (Unaudited)	Six months ended 28 February 2015 HK$'000 (Unaudited)
(a) Other net income		
Interest income	**(647)**	(1,909)
Net foreign exchange (gain)/loss	**(1,802)**	724
Amortisation of obligations under granting of rights	**(4,512)**	(4,512)
Change in fair value of contingent consideration	**–**	(2,165)
Other income	**(1,233)**	(1,979)
	(8,194)	(9,841)
(b) Other operating expenses		
Advertising and marketing expenses	**222,367**	191,409
Depreciation	**178,654**	183,693
Loss/(gain) on disposal of property, plant and equipment, net	**242**	(33)
Impairment losses on accounts receivable	**8,933**	12,028
Talent costs *(note 5(c))*	**223,069**	198,989
Amortisation of intangible assets	**56,557**	55,083
Listing expenses	**–**	52,419
Transaction costs in connection with business combination *(note 11)*	**26,914**	–
Others	**130,309**	120,559
	847,045	814,147
(c) Talent costs		
Salaries, wages and other benefits	**342,343**	310,628
Contributions to defined contribution retirement plan	**24,304**	24,233
Equity-settled share-based payment expenses	**4,354**	–
Cash-settled share-based payment expenses	**289**	–
	371,290	334,861
Less: Talent costs capitalised as property, plant and equipment	**(13,279)**	(12,467)
Talent costs included in advertising and marketing expenses	**(134,942)**	(123,405)
	223,069	198,989

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

5 PROFIT/(LOSS) BEFORE TAXATION (CONTINUED)

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

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

6 INCOME TAX

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

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

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

7 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

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

(b) Diluted earnings/(loss) per share

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

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

8 ACCOUNTS RECEIVABLE

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

	At 29 February 2016 HK$'000 (Unaudited)	At 31 August 2015 HK$'000 (Audited)
Within 30 days	**70,119**	60,383
31 to 60 days	**17,817**	14,542
61 to 90 days	**5,964**	4,619
Over 90 days	**629**	2,141
Accounts receivable, net of allowance for doubtful debts	**94,529**	81,685

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.

9 ACCOUNTS PAYABLE

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

	At 29 February 2016 HK$'000 (Unaudited)	At 31 August 2015 HK$'000 (Audited)
Within 30 days	**12,054**	2,537
31 to 60 days	**5,088**	12
61 to 90 days	**534**	11
Over 90 days	**3,963**	4,001
Accounts payable	**21,639**	6,561

10 DIVIDENDS

(a) Dividend payable to equity shareholders attributable to the interim period:

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

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

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

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

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

11 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

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

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

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

The Acquisition is to be accounted for as a business combination in accordance with HKFRS 3, *Business Combinations*. Up to the approval date of this interim financial report, the directors are still in the process of determining the fair values of the net identifiable assets of the Acquisition. No adjustments have been made to the interim financial report as a result of the above event.