HKBN Ltd.
香港寬頻有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1310)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 AUGUST 2019

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

(Capitalised terms used herein shall have the same meanings as those defined in this announcement.)

The Board of Directors (the "**Board**") of HKBN Ltd. (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 August 2019.

- Revenue, EBITDA and Adjusted Free Cash Flow ("**AFF**") continued to grow year-on-year at 29%, 45% and 30%, respectively, to $5,108 million, $1,709 million and $750 million. EBITDA rose by 45% year-on-year mainly due to the consolidation of four months of EBITDA of WTT Holding Corp and its subsidiaries (collectively "**WTT Group**") amounting to $230 million and the exclusion of the amortisation of customer acquisition and retention costs of $232 million from calculation of EBITDA, after adopting HKFRS 15. EBITDA before the adoption of HKFRS 15 and excluding WTT Group's four months contribution was $1,247 million, representing a 6% year-on-year growth.

- Group revenue increased by 29% year-on-year, mainly contributed by the increase in enterprise revenue, residential revenue and product revenue by 69%, 9% and 7%, respectively.

- Enterprise revenue increased by 69% year-on-year to $2,324 million, mainly due to the consolidation of four months of operating results of WTT Group after the successful completion of the acquisition on 30 April 2019. Enterprise revenue, excluding the contribution from WTT Group, increased by 17% year-on-year to $1,619 million.

- Residential revenue increased by 9% year-on-year to $2,473 million, mainly due to the successful execution of our multi-play strategy. This allowed us to increase our historical full base residential ARPU by 5% year-on-year, from $176/month in FY18 to $185/month in FY19, while keeping our monthly churn rate low.

- The Board has recommended the payment of a final dividend of 36 cents per share (FY18: 30 cents per share), resulting in a 25% year-on-year increase in full year payment to 70 cents per share (FY18: 56 cents per share).

SHAREHOLDER LETTER

Dear Fellow Shareholders,

Through fully integrating a sequence of transactions – Y5Zone(Note 1) in 2013, NWT(Note 2) in 2016, ICG(Note 3) in 2018, WTT(Note 4) in 2019 and JOS(Note 5) pending shareholders' approval in 2019, we will completely transform HKBN. At our IPO in 2015, we were residential broadband centric with just over $2 billion revenue, whereas today, we have become enterprise centric after a series of business combination with revenue of over $5 billion. With our new suite of capabilities, our objective is to transform from a commodity provider of telecom services into the leading Integrated ICT (Information and Communications Technology) partner across residential and enterprise segments, i.e. we are now far more than merely a fixed-line telecom carrier.

Our "Best of Breed" Management Diversity

Core to our integration is our "Best of Breed" approach, i.e. we retain and promote Talents based on mindset and capability rather than whether they are from the acquiring or acquired company. Today, our management team is by far the most diverse amongst our peers, with an awesome mix of veteran and fresh perspectives originating from within HKBN as well as through Talents who joined from acquisitions, merger or regular recruitment in the past few years, which makes us far more ready to take advantage of rapid technology changes. Furthermore, the majority of our newly acquired senior executives intend to join us as Co-Owners as part of our upcoming Co-Ownership Plan III Plus, putting skin in the game towards one common goal.

Table: Profile of HKBN's top 64 executives (top 1.4% of the Group), i.e. Associate Directors and above, as at September 2019.

Company of Origin	Total	% of Team
HKBN		
More than 5 years with HKBN	29	45%
5 years or less with HKBN	7	11%
WTT	16	25%
NWT	5	8%
Y5Zone	3	5%
ICG	4	6%
Total	64	100%

Our Co-Ownership Legal Unfair Competitive Advantage ("LUCA")

At HKBN, our major LUCA is our Co-Ownership culture. With money and time, all other elements of our Company can be replicated by our competitors, but our culture is almost impossible to recreate. Our current Co-Ownership Plan III Plus is essentially a 3% of HKBN market capitalisation incentive which requires both incredible shareholder generosity to accept possible dilution AND incredible management audacity to personally buy the base shares upfront so as to qualify to earn matching free bonus shares by achieving aspirational goals for cumulative AFF/share of between $2.53-3.03 between FY19-21, versus $0.57 attained in FY18. In short, for Co-Owners to achieve our Co-Ownership Plan III Plus incentive range, we must deliver significant growth in AFF/share in the 3-year period from FY19-21; given our matured market, this means we need to achieve assertive market share gains and operating efficiency gains.

At the current total market capitalisation of $22 billion(Note 6), 3% is worth approximately $700 million. Assuming a doubling of the Co-Ownership Plan II take-up rate to, say, 700 Co-Owners, this incentive represents an average of approximately $1 million per Co-Ownership Plan III Plus Co-Owner if we can max-out on the incentive parameters. In short, this is how we create distributed wealth for our shareholders, including our Co-Owners.

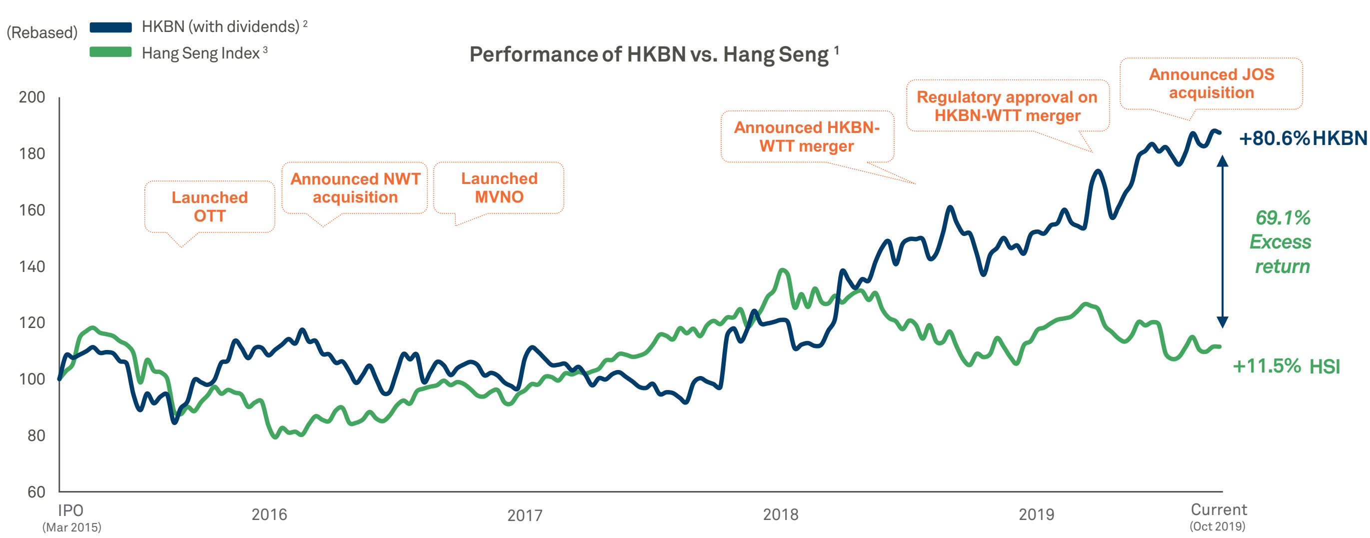
Our pain/GAIN Alignment

In addition to our Group alignment via Co-Ownership, we offer additional project related alignment via our unique pain/GAIN incentive. HKBN, like any company, has limited resources, so we must have a way for resource prioritisation. For a specific project, if the project team feels strongly about the return, our pain/GAIN scheme allows the team leaders to "underwrite" the project KPIs with a part of their salary (the pain), such that if the KPIs are achieved or exceeded, they will get a multiple of their pain back as GAIN. Conversely if they fail to meet the target, their committed salary will be taken away as pain and donated to a charity of their choice. In short, when we set pain/GAIN KPIs, we have real skin in the game.

Stock Price Chart = Co-Owner Families' Net Worth

For salaried employees, the following HKBN stock price chart is just a detached graphic, whereas for our 330 plus Co-Owners, the chart represents a big part of our families' net worth. At HKBN, we think and execute in the 3-4 year Co-Ownership trenches rather than the half-yearly reporting focus of our competitor peers.

Chart: Total Returns Since HKBN IPO Vs Hang Seng Index



Source: HKBN's disclosure, FactSet

Note: Based on market data as of Oct 23, 2019; [1] Both of HKBN share price and Hang Seng Index were rebased to 100 on Mar 12, 2015; [2] Includes accumulated DPS based on actual timing of dividends payment; [3] Hang Seng Index reflects cash dividend or distribution in the total return index counterpart as reinvestment on the ex-date

We hope that the above gives you a sense of what makes our HKBN culture unique. Post JOS completion (subject to shareholders' approval), we look forward to welcoming Mark Lunt – Group Managing Director, Eric Or – Managing Director, JOS Greater China, and Stanley Chiu – JOS Group Financial Controller as Co-Owners and pain/GAIN participants.

Sincerely yours,

William Yeung
Co-Owner and Executive Vice-chairman

NiQ Lai
Co-Owner and Chief Executive Officer

Notes:

1. HKBN Group Limited ("**HKBNGL**"), an indirect wholly-owned subsidiary of the Company, acquired the entire issued share capital of Y5Zone Limited in 2013 (the "**Y5Zone**").

2. HKBNGL acquired the entire issued share capital of Concord Ideas Ltd. and Simple Click Investments Limited on 31 March 2016 (the "**NWT**").

3. HKBNGL acquired the entire issued share capital of HKBN Enterprise Solutions Cloud Services Limited (formerly known as "I Consulting Group Limited") on 8 May 2018 (the "**ICG**").

4. Metropolitan Light Company Limited ("**MLCL**"), a direct wholly-owned subsidiary of the Company, acquired the entire issued share capital of WTT Holding Corp on 30 April 2019 (the "**WTT Merger**" or "**WTT**").

5. HKBNGL proposed to acquire the entire issued share capital of Jardine OneSolution Holdings (C.I.) Limited, Adura Hong Kong Limited and Adura Cyber Security Services Pte Ltd on 23 August 2019 (the "**JOS**"). For details, please refer to the section under "Significant Investments, Acquisitions and Disposal" on page 12 of this announcement.

6. Assuming full Vendor Loan Notes conversion, i.e. 1.479 billion shares x $14.94 stock price as at the close of trading on 23 October 2019.

KEY FINANCIAL AND OPERATIONAL SUMMARY

Table 1: Financial highlights

	For the year ended 31 August 2019	31 August 2018	Change YoY
Key financials *($'000)*			
Revenue	**5,107,637**	3,948,952	+29%
– Residential	**2,472,707**	2,278,241	+9%
– Enterprise	**2,324,329**	1,379,183	+69%
– Product	**310,601**	291,528	+7%
Profit for the year	**214,527**	396,897	-46%
Adjusted Net Profit [1,2]	**538,175**	575,423	-6%
EBITDA [1,3]	**1,709,348**	1,179,588	+45%
EBITDA margin [1,4]	**33.5%**	29.9%	+3.6pp
Adjusted Free Cash Flow [1,5]	**750,170**	578,499	+30%
Reconciliation of Adjusted Net Profit [1,2]			
Profit for the year	**214,527**	396,897	-46%
Amortisation of intangible assets	**283,776**	129,627	>100%
Deferred tax arising from amortisation of intangible assets	**(45,599)**	(20,164)	>100%
Originating fee for banking facility expired	**–**	49,275	-100%
Transaction costs in connection with business combination	**75,608**	1,757	>100%
Transaction costs in connection with proposed business combination	**9,863**	18,031	-45%
Adjusted Net Profit	**538,175**	575,423	-6%
Reconciliation of EBITDA & Adjusted Free Cash Flow [1,3,5]			
Profit for the year	**214,527**	396,897	-46%
Finance costs	**259,271**	117,288	>100%
Interest income	**(4,083)**	(1,641)	>100%
Income tax	**94,835**	92,371	+3%
Depreciation	**534,758**	425,258	+26%
Amortisation of intangible assets	**283,776**	129,627	>100%
Amortisation of customer acquisition and retention costs	**240,793**	–	n/a
Transaction costs in connection with business combination	**75,608**	1,757	>100%
Transaction costs in connection with proposed business combination	**9,863**	18,031	-45%
EBITDA	**1,709,348**	1,179,588	+45%
Capital expenditure*	**(413,860)**	(394,480)	+5%
Net interest paid	**(276,802)**	(101,935)	>100%
Other non-cash items	**3,525**	1,324	>100%
Income tax paid	**(117,396)**	(116,234)	+1%
Customer acquisition and retention costs	**(231,901)**	–	n/a
Changes in working capital	**77,256**	10,236	>100%
Adjusted Free Cash Flow	**750,170**	578,499	+30%

Notes: The Group had changed its accounting policies with effect from 1 September 2018 as a result of adopting HKFRS 15, Revenue from Contracts with Customers ("HKFRS 15"). In previous reporting periods, the incremental costs of obtaining telecommunications service contracts were recognised in the consolidated income statement when incurred. Under HKFSR 15, certain incremental costs were required to be capitalised as an asset when incurred, and amortised over expected customer relationship period. Please refer to note 2.1(a) of this announcement for further details.

* Excluded $191 million payment for the purchase of properties in Shatin and excluded $296 million paid on acquisition of Cosmo True Limited, a property holding company holding the two network centres currently occupied by the Group, which were completed in September 2018.

KEY FINANCIAL AND OPERATIONAL SUMMARY (CONTINUED)

Table 2: Operational highlights

	For the year ended 31 August 2019	31 August 2018	Change YoY
Residential business			
Fixed telecommunications network services business			
Residential homes passed *('000)*	**2,360**	2,297	+3%
Subscriptions *('000)*			
– Broadband	**878**	860	+2%
– Voice	**500**	500	-0%
Market share [6]			
– Broadband	**35.8%**	36.1%	-0.3pp
– Voice	**21.9%**	21.8%	+0.1pp
Broadband churn rate [7]	**0.9%**	1.1%	-0.2pp
Residential ARPU [8]	**$185**	$176	+5%
Mobile business			
Subscriptions *('000)*	**277**	265	+5%
– Mobile (without broadband services)	**133**	137	-3%
– Mobile (with broadband services)	**144**	128	+13%
Mobile ARPU			
– Mobile (without broadband services)[11]	**$148**	$147	+1%
– Mobile (with broadband services)[12]	**$312**	$321	-3%
Residential customers *('000)*	**1,019**	1,017	+0%
Enterprise business			
Commercial building coverage *('000)*	**7.2**	2.4	>100%
Subscriptions *('000)*			
– Broadband	**116**	57	>100%
– Voice	**454**	140	>100%
Market share [6]			
– Broadband	**36.5%**	19.2%	+17.3pp
– Voice	**25.3%**	7.7%	+17.6pp
Enterprise customers *('000)* [13]	**103**	57	+81%
Broadband churn rate [9]	**1.3%**	1.2%	+0.1pp
Enterprise ARPU [10]	**$1,742**	$1,510	+15%
Total full-time permanent Talents	**4,131**	2,981	+39%

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 period plus amortisation of intangible assets (net of deferred tax credit and direct cost incurred in corresponding period) and other non-recurring item. Other non-recurring item, in the period under review, include transaction costs in connection with business combination and transaction costs in connection with proposed business combination.

(3) EBITDA means profit for the period plus finance costs, income tax expense, depreciation and amortisation of intangible assets (net of direct cost incurred in corresponding period), amortisation of customer acquisition and retention cost, transaction costs in connection with business combination, transaction costs in connection with proposed business combination and less interest income.

(4) EBITDA margin means EBITDA divided by revenue.

(5) Adjusted Free Cash Flow means EBITDA less capital expenditure, customer acquisition and retention costs, net interest paid and tax paid, and adjusted by changes in working capital and other non-cash items. Working capital includes other non-current assets, inventories, trade receivables, other receivables, deposits and prepayments, contract assets, amounts due from joint ventures, amounts due to joint ventures, trade payables, contract liabilities, 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. Based on the latest disclosure from OFCA for June 2019 market data, total market figures from January 2016 to November 2016 were revised to reflect the adjustments filed by the Internet Service Provider(s).

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

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

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

(10) ARPU means average revenue per user per month. Calculated by dividing the revenue generated in the relevant period from the enterprise telecom business (excluding revenue from IDD and mobile services) by the average number of enterprise customers and further dividing by the number of months in the relevant period. Average number of enterprise customers is calculated by dividing the sum of enterprise customers at the beginning of the period and the end of the period by two. This metric may be distorted by the impact of certain particularly large contracts we have with enterprise customers. Enterprise ARPU calculation for the year ended 31 August 2019 includes the relevant revenue and average number of enterprise customers of WTT Group for the four months ended 31 August 2019 and those for HKBN for the twelve months ended 31 August 2019. As such, the enterprise ARPU may be different if WTT Group's full year information was used. For information, the Enterprise ARPU for the Group for the month August 2019 was $2,356.

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

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

(13) Enterprise customers means total number of enterprise customers excluding IDD and mobile customers.

BUSINESS REVIEW

The Group continued to deliver a solid set of operational and financial results for the year ended 31 August 2019. HKBN completed the WTT Merger on 30 April 2019 and transformed to the second largest Information and Communications Technology ("**ICT**") company in Hong Kong. Residential business continued to thrive as we relentlessly delivered customer-focused, integrated and high value-for-money services to our customers, which rewarded the Group with higher ARPU at a low monthly churn rate in return. As a result of consolidating four months of results of WTT Group, our Group revenue, EBITDA and AFF increased year-on-year by 29%, 45% and 30%, respectively, to $5,108 million, $1,709 million and $750 million.

- Enterprise revenue increased by 69% year-on-year to $2,324 million after consolidating four months of operating results of WTT Group in FY19. Enterprise revenue, before accounting for WTT Group, increased by 17% year-on-year to $1,619 million. During the year, total number of enterprise customers doubled to 103,000 while our enterprise ARPU improved from $1,510 to $1,742. The WTT Merger increased both our presence and capabilities in the enterprise segment, which has enabled us to provide integrated ICT solutions at competitive value to a much larger customer base. We see many more growth opportunities as we streamline our combined operations and fully exploit the upsell potential through integration.

- Residential revenue grew by 9% year-on-year to $2,473 million as a result of the successful execution of our multi-play strategy that increased ARPU while improved customer stickiness. Our customer base has shown good receptiveness of our quad-play offerings whereby our triple/quad-play upsell has reached 50% of our total broadband customers as of 31 August 2019. Historical full base residential ARPU has increased by 5% year-on-year, from $176/month in FY18 to $185/month in FY19, while our monthly churn rate remained low. Our market share by broadband subscriptions decreased slightly to 36% as at 30 June 2019 (based on the latest available OFCA statistics).

  Over-the-top ("**OTT**") services continued to be the key contributor to our quad-play strategy, whereby the majority of our residential broadband customers have already ordered at least one OTT set-top box to meet their entertainment needs. Our successful penetration into the OTT market has fostered the growth in subscription revenue as it provide the opportunity for us to offer new and exciting content for customers at competitive prices.

  As always, the Group will continue to extend our integrated multi-play price strategy to deliver unprecedented household savings and service convenience to disrupt the legacy broadband, fixed-voice, content and mobile standalone segments.

- Product revenue increased by 7% year-on-year to $311 million, mainly represented by the sale of smartphone products that complements our mobile business.

Network costs and costs of sales increased by 47% year-on-year to $1,834 million mainly due to the consolidation of four months of WTT Group's operating results. The increase primarily includes the increase in network cost and other cost of services by 59% year-on-year to $1,545 million which was mainly driven by the continued expansion in the enterprise businesses, mobile service subscription and OTT related content costs. Network costs and costs of sales increased by 31% year-on-year to $1,630 million , excluding the contribution from WTT Group.

Other operating expenses increased by 29% year-on-year from $2,117 million to $2,735 million mainly due to the consolidation of four months of WTT Group's operating results. The increase primarily includes the increase in amortisation of intangible assets by 126% year-on-year to $276 million, the increase in transaction costs in connection with completed and proposed business combination by 332% year-on-year to $85 million and the increase in Talent costs by 42% year-on-year to $693 million.

Other operating expenses, excluding the contribution from WTT Group and transaction costs in connection with business combinations, increased by 1.6% year-on-year to $2,130 million. The slight increase was due to ongoing operational efficiency initiatives.

Finance costs increased by 121% year-on-year from $117 million to $259 million mainly due to the interest on senior notes of $103 million from the WTT Merger.

Income tax increased by 3% year-on-year from $92 million to $95 million. The expected credit losses on trade receivables recognised as the result of adopting HKFRS 9 and finance costs were not tax deductible. Income tax as a percentage of profit before taxation, after adjusting for these finance costs and non-deductible expenses (the "**effective tax rate**") was approximately 15% and 15%, respectively, for the FY19 and FY18. The effective tax rate was lower than the statutory income tax rate due to the utilisation of tax losses that were not previously recognised as deferred tax assets.

As the result of the aforementioned factors, profit attributable to equity shareholders decreased by 46% year-on-year from $397 million to $215 million.

Adjusted Net Profit, excluding the impact of amortisation of intangible assets, non-recurring finance costs and non-recurring items, decreased by 6% year-on-year to $538 million. This was mainly due to the fair value gain on interest rate swap of $59 million in FY18 turned to a loss of $12 million in FY19.

AFF rose by 30% year-on-year to $750 million mainly due to the consolidation of four months of WTT Group's operating results, leading to the increase in EBITDA and inflow from working capital. The adoption of HKFRS 15 did not have any impact on AFF. The positive impact on EBITDA of $241 million was due to the exclusion of the amortisation of customer acquisition and retention costs from EBITDA, which is substantially deducted back for the calculation of AFF.

OUTLOOK

The successful WTT Merger and the proposed JOS acquisition shall bring the combined Group's business to new heights, in terms of extended customer reach, wider service offerings and enhanced market competition in the enterprise space. HKBN had proven success in integrating several add-on acquisitions since listing in 2015. As both businesses are highly complementary, we are confident that the combined organisation shall deliver both operational and financial synergies to shareholders.

Market competition continues to be intense for our existing business. We shall focus on harvesting our substantially invested network and our monthly billing relationship by upselling more services through OTT and mobile partnerships, as well as driving sustainable growth in revenue, EBITDA and AFF through the following initiatives:

- Further penetrate the enterprise market through our broad range of business-imperative services and more network capacity;
- Seamlessly execute the integration of WTT Group, in order to maximise the potential synergy benefits and to better serve the business community. Management targets to achieve $300 million synergy per annum by the year ending 31 August 2021;

- Continue to cultivate our Talent-oriented Co-Ownership culture that aligns risks and rewards with shareholders by extending the invitation to a broader Talent base at HKBN/WTT Group in the revamped Co-Ownership Plan III Plus;

- To expand our quad-play bundle plans to multi-play to drive ARPU and subscription growth and disrupt the legacy broadband, fixed-voice, multimedia content and mobile standalone services; and

- To further lower finance costs by refinancing relatively expensive senior notes and deleverage to below 4x net debt to EBITDA ratio to enjoy a better interest rate grid of existing bank facility. Management intends to partially redeem up to 20% of the senior notes via cheaper financing.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 August 2019, the Group had total cash and cash equivalents of $663 million (31 August 2018: $373 million) and gross debt (principal amount of outstanding borrowing) of $9,712 million (31 August 2018: $3,900 million), which led to a net debt position of $9,049 million (31 August 2018: $3,527 million). The significant increase in gross debt is mainly due to the consolidation of WTT Group's US$670 million (equivalent to $5,232 million) senior notes in FY19.

- The Group's gearing ratio, which was expressed as a ratio of the gross debt over total equity, was 1.3x as at 31 August 2019 (31 August 2018: 3.8x).

- The Group's net debt to EBITDA ratio as computed in accordance with the terms of the Group's various loan facilities is approximately 4.2x (31 August 2018: 3.0x). The significant increase in net debt to EBITDA ratio is mainly due to the US$670 million (equivalent to $5,232 million) senior notes.

Cash and cash equivalents consisted of cash at bank and in hand. There was no pledged bank deposit as at 31 August 2019 and 31 August 2018. As at 31 August 2019, the Group had an undrawn revolving credit facility of $200 million (31 August 2018: $200 million).

Under the liquidity and capital resources condition as at 31 August 2019, the Group can fund its capital expenditures and working capital requirements for the period with internal resources and the available banking facilities.

HEDGING

The Group's policy is to partially hedge the interest rate risk arising from the variable interest rates of the debt instruments and facilities by entering into interest-rate swaps. The Chief Executive Officer and Chief 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.

The Group entered into an interest-rate swap arrangement in the principal amount of $2,635 million with an international financial institution for a term of 1.8 years from 31 August 2018 to 29 May 2020. Benefiting from the hedging arrangement, the Group substantially fixed the HIBOR interest rate exposure at 2.26% per annum.

This interest-rate swap arrangement is recognised initially at fair value and remeasured at the end of each reporting period. The interest-rate swap does not qualify for hedge accounting under HKFRS 9, Financial instruments, and therefore, it is accounted for as held for trading and measured at fair value through profit or loss.

CHARGE ON GROUP ASSETS

As at 31 August 2019 and 31 August 2018, no assets of the Group were pledged to secure its loans and banking facilities.

CONTINGENT LIABILITIES

As at 31 August 2019, the Group had total contingent liabilities of $8 million (31 August 2018: $7 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 7 August 2018, the Company, its direct wholly-owned subsidiary MLCL, TPG Wireman, L.P. ("**TPG Wireman**") and Twin Holding Ltd ("**Twin Holding**") entered into a merger agreement (the "**Merger Agreement**"), pursuant to which, among other things, MLCL conditionally agreed to purchase, and TPG Wireman and Twin Holding conditionally agreed to sell, the entire issued share capital in WTT Holding Corp for an aggregate consideration of $5,489,756,860, of which: (i) $3,548,819,204 would be satisfied by the allotment and issuance of consideration shares; and (ii) $1,940,937,656 would be satisfied by issuance of vendor loan notes (the "**Vendor Loan Notes**"). The condition precedents as set out in the Merger Agreement were satisfied and completion of the WTT Merger took place on 30 April 2019. Following the completion of the WTT Merger, (i) 152,966,345 consideration shares have been duly allotted and issued by the Company to each of TPG Wireman and Twin Holding; (ii) the Vendor Loan Notes with an aggregate principal amount of $1,940,937,656 have been issued, with a principal amount of $970,468,828 being issued to each of TPG Wireman and Twin Holding; and (iii) WTT Holding Corp has become direct wholly-owned subsidiary of MLCL and indirect wholly-owned subsidiary of the Company. The WTT Merger was completed on 30 April 2019. As the accounting for the aggregate consideration was determined with reference to the market price of the ordinary shares of the Company on the completion date at $14.04 (as compared to $11.60, which is the reference share price in determining the consideration and also the conversion price of the Vendor Loan Notes), the goodwill recognised for WTT Merger at the completion date is larger than what it would be. Please refer to the announcements of the Company dated 7 August 2018, 18 January 2019, 17 April 2019, 30 April 2019, and the circular of the Company dated 26 October 2018 for further details.

On 23 August 2019, HKBNGL, an indirect wholly-owned subsidiary of the Company, (as purchaser) and JTH (as seller), amongst others, entered into the share purchase agreement (the "**Share Purchase Agreement**"), pursuant to which, among other things, HKBNGL has conditionally agreed to purchase, and JTH has conditionally agreed to sell, the entire issued share capital of Jardine OneSolution Holdings (C.I.) Limited, Adura Hong Kong Limited and Adura Cyber Security Services Pte Ltd (collectively, the "**Target Companies**") for a consideration of US$50 million (representing approximately $392.2 million) in cash (subject to certain Closing and post-Closing adjustments). Jardine Technology Holdings Limited has agreed to guarantee to HKBNGL the proper and punctual performance by JTH of its obligations under the Share Purchase Agreement. MLCL has agreed to guarantee to JTH the proper and punctual performance by HKBNGL of its obligations under the Share Purchase Agreement. Upon satisfaction of the condition precedent(s) as set out in the Share Purchase Agreement, the Target Companies will become direct wholly-owned subsidiaries of HKBNGL and indirect wholly-owned subsidiaries of the Company. Please refer to the announcement of the Company dated 23 August 2019 for further details.

Save as disclosed, the Group did not make any significant investments, acquisitions or disposals in relation to its subsidiaries and associated companies during the year ended 31 August 2019.

TALENT REMUNERATION

As at 31 August 2019, the Group had 4,131 permanent full-time Talents (31 August 2018: 2,981 Talents). The Group provides remuneration package consisting of basic salary, bonus and other benefits. Bonus payments are discretionary and dependent on both the Group's and individual performances. The Group also provides comprehensive medical insurance coverage, competitive retirement benefits schemes, and Talent training programmes.

RESTRICTED SHARE UNIT SCHEMES

To attract, retain and motivate skilled and experienced Talents, the Company adopted three Co-Ownership plans after the Listing Date as defined on page 14 of this announcement, namely Co-Ownership Plan II, Co-Ownership Plan III and Co-Ownership Plan III Plus on 21 February 2015, 15 December 2017 and 19 August 2019 respectively. 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 including but not limited to Hong Kong, Guangzhou and Shenzhen.

Co-Ownership Plan II

Co-Ownership Plan II is a restricted share unit scheme adopted by the Company on 21 February 2015. The plan has a matching ratio of 7:3 (i.e. 3 restricted share units ("**RSUs**") would be granted by the Company for every 7 purchased shares), and the vesting schedule would also be 25%-25%-50% upon each anniversary over 3 years after the date of grant. The maximum investment amount of each participant is limited to one year of the annual compensation package.

The total number of shares that may underlie the RSUs granted pursuant to the Co-Ownership Plan II shall be (i) 10% of the shares in issue on 12 March 2015 (the "**Listing Date**"), 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 Co-Ownership Plan II shall be valid and effective for the period commencing on the Listing Date and expiring on the tenth anniversary thereof or such earlier date as it is terminated in accordance with the terms of the Co- Ownership Plan II, after which period no further RSUs shall be offered or granted.

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

As at 31 August 2019, we now have over 330 Co-Owners, representing a majority of our supervisors and above level Talents which constitutes over 7% of our entire workforce. On their own volition, they invested their personal savings in the amount of between two to twelve months of salary to acquire the Company's shares at full market price. The shares are then matched with free shares at a certain ratio vested over three years.

Details of movements of the Co-Ownership Plan II during the year ended 31 August 2019 are as follows:

		Number of RSUs								
								To be vested on 24 January/ 30 January/26 February/20 July (As at 31 August 2019)		
Participants	Date of grant	Granded	As at 1 September 2018	Granted during the year	Forfeited during the year	Vested during the year	As at 31 August 2019	2020	2021	2022
Other Participants	20 November 2015	158,567	3,239	–	–	3,239	–	–	–	–
Chu Kwong YEUNG	20 June 2016	194,556	97,278	–	–	97,278	–	–	–	–
Ni Quiaque LAI	20 June 2016	134,241	67,121	–	–	67,121	–	–	–	–
Other Participants	20 June 2016	1,752,685	705,543	–	48,472	657,071	–	–	–	–
Other Participants	24 January 2017	400,472	263,190	–	38,658	75,693	148,839	148,839	–	–
Other Participants	20 July 2017	252,635	166,814	–	–	55,599	111,215	111,215	–	–
Other Participants	30 January 2019	329,330	–	329,330	37,238	–	292,092	73,006	73,006	146,080
Other Participants	26 February 2019	126,410	–	126,410	–	–	126,410	31,591	31,591	63,228
Total		3,348,896	1,303,185	455,740	124,368	956,001	678,556	364,651	104,597	209,308

Co-Ownership Plan III

To provide additional means for the Company to incentivise Talents and to recognise the continual support of relevant Talents to the Group and their effort in promoting the Group's long-term growth and development, the Company adopted the Co-Ownership Plan III on 15 December 2017. For details of the Co-Ownership Plan III, please refer to the announcement of the Company dated 2 November 2017 and the circular of the Company dated 16 November 2017.

However, by reason of (i) the occurrence of an M&A event (i.e. WTT Merger) and that the aspirational target of the adjusted available cash per share for distribution is different for the enlarged group after the WTT Merger and (ii) no grant of restricted share unit has been made under the plan since its adoption, on 21 June 2019, the Board resolved to terminate the Co-Ownership Plan III (pursuant to the terms of the Co-Ownership Plan III), and to adopt the Co-Ownership Plan III Plus as a replacement.

Co-Ownership Plan III Plus

Co-Ownership Plan III Plus is a replacement of Co-Ownership Plan III which was adopted by the Company on 19 August 2019.

Under the Co-Ownership Plan III Plus, the granting of the RSUs to the eligible participants depends on the level of the adjusted available cash per share for distribution achieved, on a cumulative basis, during the 2019, 2020 and 2021 financial years. The minimum level of the adjusted available cash per share for distribution required to be achieved by the Company before any RSU will be granted is an amount in excess of $2.53 on a cumulative basis over the 2019, 2020 and 2021 financial years of the Company. If the adjusted available cash per share for distribution, on a cumulative basis, over the 2019, 2020 and 2021 financial years of the Company reaches $3.03, RSUs will be granted to the grantees on the basis that the grantees would, subject to the satisfaction of the vesting conditions and on the vesting date, receive 1.33 award share for every purchased share. The granting of the RSUs will occur earlier than the publication of the annual results of the Company for the 2021 financial year if the maximum targeted accumulated adjusted available cash per share for distribution is achieved prior to the end of the 2021 financial year. Accumulated adjusted available cash per share for distribution in excess of $3.03 will not give rise to any further entitlement.

Additionally, Co-Ownership Plan III Plus also contains a Corporate Social Investment element whereby the HKBN Talent CSI Fund Limited (the "**Charitable Fund**") is included as a participant in the scheme. Pursuant to the scheme rules of Co-Ownership Plan III Plus, the Executive Directors of the Company agree to donate a total of 4,000,000 shares to the Charitable Fund. With their contributions to the Charitable Fund, the Co-Ownership Plan III Plus would reserve RSUs to be contributed to the Charitable Fund with respect to the 4,000,000 shares donated by the Executive Directors, and such RSUs will entitle the Charitable Fund to receive not more than 5,320,000 awarded shares under the terms of the scheme. Talents may, at their own discretion, make contributions to the Charitable Fund by directing the plan trustee to transfer any part of their award shares receivable upon the vesting of the RSUs to the Charitable Fund. The Company considers that this charitable element of the scheme would support the Company's core purpose of *making our Hong Kong a better place to live*.

For details of Co-Ownership Plan III Plus, please refer to the announcement of the Company dated 21 June 2019 and the circular of the Company dated 29 July 2019.

As at 31 August 2019, there are approximately 1,000 Talents that are eligible to participate in Co-Ownership Plan III Plus, representing approximately 24% of the total number of existing employees of the Group and no invitations or grants under the Co-Ownership Plan III Plus have been made.

ANNUAL GENERAL MEETING

2019 annual general meeting of the Company (the "**2019 AGM**") will be held on Thursday, 12 December 2019 and the notice will be published and issued to shareholders of the Company in due course.

FINAL DIVIDEND

The Directors recommended the payment of a final dividend of 36 cents per share for the year ended 31 August 2019 to the shareholders whose names appear on the register of members of the Company on Monday, 23 December 2019. Subject to the approval by the shareholders at the 2019 AGM, the proposed final dividend is expected to be paid in cash on or about Monday, 6 January 2020.

The dividend policy of the Company is to pay dividends in an amount of not less than 90% of the AFF with an intention to pay 100% of the AFF in respect of the relevant year/period, after adjusting for potential debt repayment, if required.

The dividend will be funded by the contribution of the Group (including the four months AFF contribution from WTT Group) and the surplus cash accumulated at WTT Group up to the completion of WTT Merger. Based on the terms and conditions of the Vendor Loan Notes, the holders of Vendor Loan Notes were entitled to receive a cash amount payable by the Company equal to $60,235,996 based on the 36 cents final dividend per ordinary share declared by the Company for the twelve months ended on 31 August 2019, as if the holders of the Vendor Loan Notes were holders of 167,322,212 ordinary shares in the Company as of the record date for such final dividend. Such cash amount will be paid by the Company to the holders of Vendor Loan Notes on 6 January 2020, being the date on which the 2019 final dividend will be paid by the Company.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2019 AGM, the register of members of the Company will be closed from Monday, 9 December 2019 to Thursday, 12 December 2019, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the 2019 AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Friday, 6 December 2019.

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 19 December 2019 to Monday, 23 December 2019, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 18 December 2019.

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

During the year ended 31 August 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

REVIEW OF ANNUAL RESULTS AND ANNUAL FINANCIAL STATEMENTS

The Audit Committee has reviewed with management and the external auditor the annual results of the Group for the year ended 31 August 2019, 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 annual financial statements of the Group for the year ended 31 August 2019 has been reviewed by the Audit Committee and approved by the Board of the Company.

SCOPE OF WORK OF KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the Financial Year as set out in the preliminary announcement of the Group's results for the year ended 31 August 2019 have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 August 2019 and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions as set out in the "Corporate Governance Code and Corporate Governance Report" (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange throughout the year ended 31 August 2019 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 and comprises a majority of Independent Non-executive Directors. However, the Nomination Committee of the Company is chaired by Mr. Chu Kwong YEUNG, an Executive Director of the Company. By considering that each Independent Non-executive Director of the Company has been appointed as the Chairman of the Board, Audit Committee and Remuneration Committee respectively, the Board appointed Mr. Yeung as the Chairman of the Nomination Committee to make sure that each Director, especially the Independent Non-executive Directors could dedicate sufficient time to perform their respective 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.

In respect of the composition, although the Nomination Committee does not comprise a majority of Independent Non-executive Directors of the Company (i.e. current composition of Nomination Committee is three Independent Non-executive Directors, two Non-executive Directors and one Executive Director), it would not materially and negatively affect the role of the Nomination Committee, which is to make recommendations to the Board impartially, rather than itself having the power to make decisions or take actions regarding nomination and/or removal of the Directors of the Company. Furthermore, the two Non-executive Directors and one Executive Director who sit on the Nomination Committee are valuable because of their different industry perspective, hence they could give valuable comments on and make good selections on nominations for the Board or senior management of the Company.

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 confirm that they have complied with the Model Code throughout the year ended 31 August 2019.

PUBLICATION OF FINAL 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 annual report of the Company for the year ended 31 August 2019 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, 24 October 2019

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

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

Non-executive Directors
Ms. Deborah Keiko ORIDA
Mr. Zubin Jamshed IRANI
Mr. Teck Chien KONG

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

Where the English and the Chinese texts conflict, the English text prevails.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2019

	Note	**Year ended 31 August 2019 $'000**	Year ended 31 August 2018 $'000
Revenue	*4*	**5,107,637**	3,948,952
Other net income	*5(a)*	**29,926**	22,315
Network costs and costs of sales		**(1,834,054)**	(1,247,031)
Other operating expenses	*5(b)*	**(2,734,600)**	(2,116,987)
Finance costs	*5(d)*	**(259,271)**	(117,288)
Share of losses of joint ventures		**(276)**	(693)
Profit before taxation	*5*	**309,362**	489,268
Income tax	*6*	**(94,835)**	(92,371)
Profit for the year		**214,527**	396,897
Earnings per share:			
Basic	*7*	**19.4 cents**	39.6 cents
Diluted	*7*	**18.4 cents**	39.6 cents

Note: The Group has initial applied HKFRS 15 and HKFRS 9 at 1 September 2018. Under the transition methods chosen, comparative information is not restated. See note 2.1.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 AUGUST 2019

	Year ended 31 August 2019 $'000	31 August 2018 $'000
Profit for the year	**214,527**	396,897
Other comprehensive income for the year		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong, with nil tax effect	**(6,198)**	(4,718)
Total comprehensive income for the year	**208,329**	392,179

Note: The Group has initial applied HKFRS 15 and HKFRS 9 at 1 September 2018. Under the transition methods chosen, comparative information is not restated. See note 2.1.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2019

	Note	**At 31 August 2019 *$'000***	At 31 August 2018 *$'000* (Restated)
Non-current assets			
Goodwill		**8,788,319**	1,801,393
Intangible assets		**4,638,643**	1,453,588
Property, plant and equipment		**4,341,590**	2,293,950
Investment properties		**222,041**	–
Customer acquisition and retention costs		**598,030**	–
Contract assets		**4,740**	–
Interest in joint ventures		**9,429**	8,095
Other non-current assets		**32,105**	64,950
		18,634,897	5,621,976
Current assets			
Inventories		**29,168**	32,704
Trade receivables	*9*	**557,439**	247,210
Other receivables, deposits and prepayments		**240,894**	292,646
Contract assets		**241,717**	–
Amounts due from joint ventures		**15,093**	8,544
Cash and cash equivalents		**662,816**	373,293
		1,747,127	954,397
Current liabilities			
Trade payables	*10*	**365,976**	138,918
Other payables and accrued charges – current portion		**907,317**	461,373
Contract liabilities – current portion		**219,763**	–
Deposits received		**72,443**	69,343
Deferred services revenue – current portion		**–**	98,653
Obligations under granting of rights – current portion		**9,024**	9,024
Amounts due to joint ventures		**10,750**	10,000
Contingent consideration – current portion		**1,371**	11,471
Tax payable		**158,480**	109,410
		1,745,124	908,192
Net current assets		**2,003**	46,205
Total assets less current liabilities		**18,636,900**	5,668,181

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 AUGUST 2019

	Note	At 31 August 2019 $'000	At 31 August 2018 $'000 (Restated)
Non-current liabilities			
Other payables and accrued charges – long-term portion		**143,600**	201,266
Contract liabilities – long-term portion		**187,690**	–
Deferred services revenue – long-term portion		**–**	79,371
Obligations under granting of rights – long-term portion		**15,795**	24,819
Deferred tax liabilities		**1,131,440**	408,218
Contingent consideration – long-term portion		**28,278**	28,236
Provision for reinstatement costs		**50,146**	15,643
Bank loans		**4,454,253**	3,873,716
Senior notes		**5,169,137**	–
		11,180,339	4,631,269
NET ASSETS		**7,456,561**	1,036,912
CAPITAL AND RESERVES			
Share capital	*11(a)*	**132**	101
Reserves		**7,456,429**	1,036,811
TOTAL EQUITY		**7,456,561**	1,036,912

Note: The Group has initial applied HKFRS 15 and HKFRS 9 at 1 September 2018. Under the transition methods chosen, comparative information is not restated. See note 2.1. Additionally, the comparative information in respect of the year ended 31 August 2018 has been restated as a result of finalised purchase price allocation of prior year acquisition as set out in note 2.2.

NOTES:

1 BASIS OF PREPARATION

The financial information set out in this announcement does not constitute the Group's consolidated financial statement for the year ended 31 August 2019, but is derived from those financial statements.

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

The measurement basis used in the preparation of the financial statements is the historical cost basis except that contingent consideration, share-based payments and derivative financial instruments are stated at their fair values.

2.1 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

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

– HKFRS 9, *Financial instruments*

– HKFRS 15, *Revenue from contracts with customers*

– HK (IFRIC) 22, *Foreign currency transactions and advance consideration*

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

Apart from HKFRS 15 and HKFRS 9, the adoption of other new or amendments to HKFRSs did not have any material impact on the Group's results and financial position.

Further details of the changes in accounting policies are set out in Note 2.1(a) for HKFRS 15 and Note 2.1(b) for HKFRS 9.

(a) HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

2.1 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) HKFRS 15, *Revenue from contracts with customers* (Continued)

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 September 2018. Therefore, comparative information has not been restated and continues to be reported under HKASs 11 and 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 September 2018.

The following table summarises the impact of transition to HKFRS 15 on retained profits and the related tax impact at 1 September 2018:

	$'000
Retained profits	
Capitalisation of contract costs	433,755
Related tax	(65,499)
Net increase in retained profits at 1 September 2018	368,256

Further details of the nature and effect of the changes on previous accounting policies are set out below:

a. *Timing of revenue recognition and selling price allocation for multiple element sale contracts*

The adoption of HKFRS 15 mainly affects the accounting treatment of the Group's sale contracts with customers in which the Group has multiple performance obligations to customers, such as provision of telecommunication services, sale of products and gifts offered in the contracts.

Previously, revenue from sale of products and gifts offered in the contracts was generally recognised at a point in time when the risks and rewards of ownership of the products had passed to the customers. Residual value method was used to determine the fair value of the delivered element by deducting the fair value of the undelivered element from the total contract consideration.

Under HKFRS 15, the total transaction price receivable from customers in multiple element sale contracts is allocated among all identified performance obligations of the Group in proportion to their respective standalone selling price.

Accordingly, although the total revenue being recognised for a multiple element sale contract over the contract period is unchanged, the amount and timing of revenue recognition for individual performance obligations would be different after the adoption of HKFRS 15. The revenue being allocated to products and gifts is recognised upon the delivery to customers, which is generally upfront upon entering into the sale contracts. The revenue allocated to telecommunications and other services is recognised when services are rendered, which is generally over the contract period.

This change in accounting policy had no material impact on opening balances as at 1 September 2018. However, in future periods it may have a material impact, depending on the amount and timing of revenue recognition for individual performance obligations of the Group's multiple element sale contracts.

2.1 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) HKFRS 15, *Revenue from contracts with customers* (Continued)

b. Capitalisation of contract costs

The Group previously recognised (i) customer acquisition costs and (ii) customer retention costs as other operating expenses when they were incurred. Under HKFRS 15, the Group is required to capitalise these customer acquisition and retention costs when they are incremental and are expected to be recovered, unless the expected amortisation period is one year or less from the date of initial recognition of the asset, in which case the customer acquisition and retention costs can be expensed when incurred. Capitalised customer acquisition and retention costs are charged to profit or loss when the revenue from the related revenue is recognised and are included as costs of sales and services at that time. As a result of this change in accounting policy, the Group has made adjustments to opening balances at 1 September 2018 which increased customer acquisition and retention costs by $433,755,000, increased deferred tax liabilities by $65,499,000 and increased retained profits by $368,256,000.

c. Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before receiving the consideration or being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Previously, contract balances were presented in the consolidated statement of financial position under "other receivables, deposits and prepayments" and "deferred services revenue" respectively.

To reflect these changes in presentation, the Group has made the following adjustments at 1 September 2018, as a result of the adoption of HKFRS 15:

(i) Amount of $150,949,000 which was previously included in other receivables, deposits and prepayments is now included under contract assets;

(ii) Amount of $98,653,000 which was previously included in deferred services revenue – current portion is now included under contract liabilities-current portion; and

(iii) Amount of $79,371,000 which was previously included in deferred services revenue – long-term portion is now included under contract liabilities-long-term portion.

2.1 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9, *Financial instruments*

HKFRS 9 replaces HKAS 39, *Financial Instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The Group has applied HKFRS 9 retrospectively to items that existed at 1 September 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 September 2018. Therefore, comparative information continues to the reported under HKAS 39. Details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under HKFRS 9.

Except for (i) other receivables, deposits and prepayments of $150,949,000 were reclassified to contract assets at 1 September 2018 and (ii) deferred services revenue of $178,024,000 were reclassified to contract liabilities at 1 September 2018 as a result of the initial application of HKFRS 15 (see note 2.1(a)), the measurement categories for all financial assets and financial liabilities of the Group remain the same.

The carrying amounts for all financial assets and financial liabilities at 1 September 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 September 2018.

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables, deposits and prepayments) and contract assets as defined in HKFRS 15 (see note 2.1(a)).

Financial assets measured at fair value, including derivative financial assets, are not subject to the ECL assessment.

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated, the information presented for the year ended 31 August 2018 continues to be reported under HKAS 39.
- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

2.2 RESTATEMENT OF PRIOR YEAR'S FINANCIAL STATEMENTS AS A RESULT OF FINALISED PURCHASE PRICE ALLOCATION OF PRIOR YEAR ACQUISITION

During the year ended 31 August 2018, the Group acquired the entire shares of I Consulting Group Limited ("ICG") and its subsidiary ("ICG Acquisition") of which the valuations have not been completed and the respective fair values of the identifiable net assets and goodwill were determined provisionally.

During the year ended 31 August 2019, the Group made certain fair value adjustments, with reference to the finalised independent valuation, to the carrying amounts of the identifiable assets and liabilities of ICG and its subsidiary as a result of completing the initial accounting. The adjustments to the fair values at the acquisition date of the identifiable net assets were made as if initial accounting had been completed on the acquisition date. The amortisation of the respective assets subsequent to the acquisition date was not adjusted as the financial impact is not material. Accordingly no restated consolidated income statement and consolidated statement of comprehensive income for the year ended 31 August 2018 is presented.

The above restatements relate to acquisition which was effected during the year ended 31 August 2018 and hence have no financial impact on the consolidated financial position as at 1 September 2017. Accordingly no restated consolidated statement of financial position as at 1 September 2017 is presented.

Restated consolidated statement of financial position as at 31 August 2018

	As originally stated	**Adjustments**	**As restated**
	$'000	*$'000*	*$'000*
Total non-current assets	5,626,776	(4,800)	5,621,976
Total current assets	954,397	–	954,397
Total current liabilities	(915,318)	7,126	(908,192)
Total non-current liabilities	(4,628,943)	(2,326)	(4,631,269)
Total equity attributable to equity shareholders of the Company	1,036,912	–	1,036,912

Details of the financial line items as restated in the consolidated statement of financial position as at 31 August 2018 include the following:

	As originally stated	**Adjustments**	**As restated**
	$'000	*$'000*	*$'000*
Non-current assets			
Goodwill	1,804,904	(3,511)	1,801,393
Intangible assets	1,454,877	(1,289)	1,453,588
Current liabilities			
Contingent consideration – current portion	(18,597)	7,126	(11,471)
Non-current liabilities			
Deferred tax liabilities	(408,431)	213	(408,218)
Contingent consideration – long-term portion	(25,697)	(2,539)	(28,236)

3 SEGMENT REPORTING

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

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

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

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

4 REVENUE

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

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

(i) Disaggregation of revenue

Disaggregation of revenue from customers from contracts with customers by major products and services line is as follow:

	Year ended	
	31 August 2019	31 August 2018
	$'000	*$'000*
Disaggregated by major products or service line:		
Fixed telecommunications network services	**3,535,948**	2,823,270
International telecommunications services	**633,176**	413,200
Other services	**627,912**	420,954
Fees from provision of telecommunications services	**4,797,036**	3,657,424
Product revenue	**310,601**	291,528
	5,107,637	3,948,952

4 REVENUE (CONTINUED)

(i) Disaggregation of revenue (Continued)

	Year ended	
	31 August 2019	31 August 2018
	$'000	*$'000*
Disaggregated by major category:		
Residential revenue	**2,472,707**	2,278,241
Enterprise revenue	**2,324,329**	1,379,183
Product revenue	**310,601**	291,528
	5,107,637	3,948,952

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

During the years ended 31 August 2019 and 2018, product revenue is recognised at a point-in-time and revenue from the provision of telecommunications services is substantially recognised over time.

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 August 2019, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is $2,999,416,000. This amount represents revenue expected to be recognised in the future from contracts for products or services entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the service is performed or as the work is completed, which is expected to occur over the next 12 to 180 months.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its contracts for products or services such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for products or services that had an original expected duration of one year or less.

5 PROFIT BEFORE TAXATION

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

	Year ended 31 August 2019 $'000	31 August 2018 $'000
(a) Other net income		
Interest income	**(4,083)**	(1,641)
Net foreign exchange (gain)/loss	**(3,484)**	105
Amortisation of obligations under granting of rights	**(9,024)**	(9,024)
Change in fair value of contingent consideration	**1,542**	437
Other income	**(14,877)**	(12,192)
	(29,926)	(22,315)
(b) Other operating expenses		
Advertising and marketing expenses	**373,137**	605,149
Amortisation of customer acquisition and retention costs	**240,793**	–
Depreciation	**534,758**	425,258
Loss/(gain) on disposal of property, plant and equipment, net	**119**	(203)
Impairment losses on trade receivables	**52,759**	39,693
Talents costs *(note 5(c))*	**693,104**	489,816
Amortisation of intangible assets	**276,355**	122,207
Transactions costs in connection with business combination	**75,608**	1,757
Transactions costs in connection with proposed business combination	**9,863**	18,031
Others	**478,104**	415,279
	2,734,600	2,116,987
(c) Talents costs		
Salaries, wages and other benefits	**1,137,395**	893,939
Contributions to defined contribution retirement plan	**71,685**	58,329
Equity-settled share-based payment expenses	**3,099**	8,621
Cash-settled share-based payment expenses	**797**	1,290
	1,212,976	962,179
Less: Talent costs capitalised as property, plant and equipment	**(45,133)**	(31,924)
Talent costs included in advertising and marketing expenses and amortisation of customer acquisition and retention costs	**(474,739)**	(440,439)
	693,104	489,816

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

5 PROFIT BEFORE TAXATION (CONTINUED)

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

	Year ended 31 August 2019 $'000	31 August 2018 $'000
(d) Finance costs		
Interest on bank loans	**134,909**	119,711
Interest on senior notes	**103,424**	–
Interest on interest-rate swaps, net	**8,850**	6,833
Fair value loss/(gain) on interest-rate swaps	**12,088**	(58,531)
Originating fee for banking facility expired	**–**	49,275
	259,271	117,288
(e) Other items		
Amortisation of intangible assets	**347,962**	172,576
Operating lease charges in respect of land and buildings: minimum lease payments	**92,783**	60,436
Operating lease charges in respect of telecommunications facilities and computer equipment: minimum lease payments	**343,699**	264,681
Auditor's remuneration		
– audit services	**5,665**	2,975
– review services	**635**	325
– tax services	**210**	190
– other services	**3,850**	4,620
Research and development costs	**28,076**	25,045
Cost of inventories	**288,782**	272,946

6 INCOME TAX

	Year ended 31 August 2019 **$'000**	31 August 2018 *$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**146,864**	104,960
Over-provision in respect of prior years	**(51)**	(29)
Current tax – Outside Hong Kong		
Provision for the year	**5,812**	5,060
Deferred tax		
Origination and reversal of temporary differences	**(57,790)**	(17,620)
	94,835	92,371

The provision for Hong Kong Profits Tax for 2019 is calculated at 16.5% (2018:16.5%) 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 subsidiaries located in the PRC is 25% (2018: 25%) for the year.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $214,527,000 (2018: $396,897,000) and the weighted average number of ordinary shares in issue less shares held for the Co-Ownership Plan II, of 1,106,828,000 ordinary shares (2018: 1,002,116,000 ordinary shares) which is calculated as follows:

	Year ended 31 August 2019 **'000**	31 August 2018 *'000*
Issued ordinary shares at 1 September	**1,005,666**	1,005,666
Less: shares held for the Co-Ownership Plan II	**(5,666)**	(5,666)
Add: effect of the Co-Ownership Plan II RSUs vested	**3,733**	2,116
Add: effect of issue of new shares *(note 11(a))*	**103,095**	–
Weighted average number of ordinary shares less shares held for the Co-Ownership Plan II	**1,106,828**	1,002,116

(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 totaling $214,527,000 (2018: $396,897,000) 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 and the Vendor Loan Notes, calculated as follows:

	Year ended 31 August 2019 **'000**	31 August 2018 *'000*
Weighted average number of ordinary shares less shares held for the Co-Ownership Plan II	**1,106,828**	1,002,116
Add: effect of the Co-Ownership Plan II	**269**	1,185
Add: effect of the Vendor Loan Notes	**56,385**	–
Weighted average number of ordinary shares (diluted)	**1,163,482**	1,003,301

8. BUSINESS COMBINATION AND ACQUISITION OF A SUBSIDIARY

a. Business combination during the year ended 31 August 2019

Pursuant to the merger agreement dated 7 August 2018, MLCL, acquired 100% equity interests in WTT Holding Corp a company incorporated in the Cayman Islands, and its subsidiaries from TPG Wireman and Twin Holding (the "WTT Acquisition"). The consideration of the WTT Acquisition was settled by (i) allotment and issuance of 305,932,690 of the Company's shares and (ii) issuance of the Vendor Loan Notes in the principal amount of $1,940,937,656.

WTT Group is principally engaged in the provision of telecommunication services to business communications market primarily in Hong Kong through its wholly-owned subsidiary in Hong Kong, namely HKBN Enterprise Solutions HK Limited (formerly known as WTT HK Limited) ("HKBNESHKL"). HKBNESHKL is an enterprise-focused fixed telecommunication services operator with significant fixed line infrastructure in Hong Kong, and over 20 years' track record of serving local and international businesses. The WTT Acquisition was completed on 30 April 2019.

	$'000
Consideration transferred:	
Allotment and issuance of new ordinary shares of the Company *(note (a))*	4,295,295
Issuance of the Vendor Loan Notes *(note (b))*	2,349,204
Aggregate consideration	6,644,499
Add: fair value of net liabilities acquired	342,427
Goodwill on the WTT Acquisition	6,986,926

Note (a): The fair value of the ordinary shares of the Company issued as consideration is determined by reference to the quoted market price of $14.04 per each of the ordinary shares of the Company at the date of completion of the WTT Acquisition.

Note (b): The Vendor Loan Notes may be converted into new ordinary shares to be issued by the Company at initial conversion price of $11.60 per share pursuant to the terms and conditions of the Vendor Loan Notes. At the date of completion of the WTT Acquisition based on the initial conversion price, the Vendor Loan Notes are convertible to 167,322,212 ordinary shares of the Company. Therefore, the fair value of the Vendor Loan Notes have been determined by reference to the quoted market price of $14.04 per each of the ordinary shares of the Company at the date of completion of the WTT Acquisition.

The goodwill reflects synergies expected from leveraging network of the WTT Group and expected efficiencies from the combined company that will make the combined business a more efficient and effective competitor in Hong Kong. None of the goodwill is expected to be deductible for tax purposes.

8. BUSINESS COMBINATION AND ACQUISITION OF A SUBSIDIARY (CONTINUED)

a. Business combination during the year ended 31 August 2019 (Continued)

The WTT Acquisition had the following effect on the Group's assets and liabilities on 30 April 2019, the completion date of the WTT Acquisition:

	$'000
Intangible assets	3,533,017
Property, plant and equipment	1,834,490
Customer acquisition and retention costs	173,166
Other non-current assets	23,668
Inventory	9,425
Trade receivables	306,675
Other receivables, deposits and prepayments	88,625
Contract assets	70,571
Cash and cash equivalents	355,172
Trade payables	(75,890)
Other payables and accrued charges – current portion	(494,994)
Contract liabilities – current portion	(136,528)
Deposits received	(2,703)
Tax payable	(13,835)
Contract liabilities – non-current portion	(99,192)
Deferred tax liabilities	(714,499)
Provision for reinstatement costs	(36,402)
Senior notes	(5,163,193)
Fair value of net liabilities acquired	(342,427)
Goodwill	6,986,926
Total consideration	6,644,499
Cash consideration paid	–
Cash and cash equivalents acquired	(355,172)
Net cash inflow in respect of the WTT Acquisition during the year ended 31 August 2019	(355,172)

Acquisition-related costs

Acquisition-related costs of approximately $75,608,000 and $16,181,000 were included in other operating expenses in the consolidated income statement for the years ended 31 August 2019 and 2018.

Revenue and profit contribution

The revenue and loss after taxation of $708,411,000 and $15,358,000 respectively included in the consolidated income statement were contributed by WTT Group from the date of the WTT Acquisition to 31 August 2019.

No separate sets of financial information for WTT Group were prepared for the period from 1 September 2018 to the date of the WTT Acquisition. As a result, it is impracticable for the Group to disclose the amounts of revenue and profit or loss after taxation of WTT Group as if the acquisition date for the business combination that occurred during the year had been as of 1 September 2018.

8. BUSINESS COMBINATION AND ACQUISITION OF A SUBSIDIARY (CONTINUED)

b. Business combination during the year ended 31 August 2018

On 30 May 2018, the Group acquired the entire shares of I Consulting Group Limited ("ICG") and its subsidiary ("ICG Acquisition"). ICG is primarily engaged in the provision of telecommunication services in Hong Kong.

The Group made an initial payment for acquisition totaling approximately $10,000,000 in cash and may have to make additional payments totaling up to approximately to $200,000,000 in cash if the businesses of ICG achieve certain financial milestones within a specified period. The fair value of this contingent consideration is estimated at approximately $29,649,000 (2018: $28,236,000) and has been included in the purchase price of ICG.

During the year ended 31 August 2018, the valuations have not been completed and the respective fair values of the identifiable net assets and goodwill were determined provisionally.

During the year ended 31 August 2019, the accounting for the acquisition of ICG was completed.

The fair values of the assets and liabilities of ICG recognised at the acquisition date upon completion of the purchase price allocation are as follows:

	$'000 (Restated)
Intangible assets	13,457
Property, plant and equipment	235
Trade receivables	3,536
Other receivables, deposits and prepayments	2,173
Tax recoverable	222
Cash and cash equivalents	499
Trade payables	(3,649)
Other payables, accrued charges, deposits received and deferred services revenue	(2,649)
Bank loans	(2,792)
Deferred tax liabilities	(2,220)
Fair value of net assets acquired	8,812
Goodwill	29,424
Total consideration	38,236
Cash consideration	10,000
Contingent consideration	28,236
Total consideration	38,236
Cash consideration paid	10,000
Cash and cash equivalents acquired	(499)
Net cash outflow in respect of the acquisition during the year ended 31 August 2018	9,501

8. BUSINESS COMBINATION AND ACQUISITION OF A SUBSIDIARY (CONTINUED)

b. Business combination during the year ended 31 August 2018 (Continued)

Compared with the provisional purchase price allocation disclosed in the Group's consolidated financial statements as of and for the year ended 31 August 2018, the following items were restated:

	As originally stated *$'000*	As restated *$'000*	Change *$'000*
Goodwill	32,935	29,424	(3,511)
Intangible assets	14,746	13,457	(1,289)
Deferred tax liabilities	(2,433)	(2,220)	213
Contingent consideration	(32,823)	(28,236)	4,587

The respective profit or loss impact from the acquisition date to 31 August 2018 arising from the above restatement was not material.

The goodwill is attributable mainly to the skills and technical talent of ICG's work force and the synergies expected to be achieved from integrating ICG into the Group's existing telecommunication business. None of the goodwill recognised is expected to be deductible for tax purpose.

The revenue and loss after taxation of $10,518,000 and $3,229,000 respectively included in the consolidated financial statements were contributed by ICG from the date of acquisition to 31 August 2018.

No separate sets of financial information for ICG was prepared for the period from 1 September 2017 to the date of the acquisition. As a result, it is impracticable for the Group to disclose the amount of revenue and profit after taxation of ICG as if the acquisition date for the business combination that occurred during the year had been as of 1 September 2017.

8. BUSINESS COMBINATION AND ACQUISITION OF A SUBSIDIARY (CONTINUED)

c. Acquisition of a subsidiary during the year ended 31 August 2019

On 26 September 2018 ("CTL Acquisition date"), HKBNGL acquired the entire interest of Cosmo True Limited ("CTL") which is principally engaged in property investment in Hong Kong at a cash consideration of $329,219,000 ("CTL Acquisition").

The CTL Acquisition would help the Group to secure the location site of its own network centres, which save future rental expenses and avoid the need for relocation.

The major assets of CTL are property, plant and equipment which are leased by the Group, and accordingly, the transaction has been accounted as the acquisition of assets.

The following table summarises the consideration paid for CTL, the fair values of assets acquired and liabilities assumed at CTL Acquisition date.

	$'000
Cash consideration	329,219
Identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	329,295
Prepayments, deposits and other receivables	439
Trade receivables	631
Other payables and accruals	(132)
Deferred tax liabilities	(1,014)
Total identifiable net assets	329,219

An analysis of net cash outflow in respect of CTL Acquisition is as follows:

Total consideration	329,219
Deposits paid as at 31 August 2018	(32,829)
Net cash outflow in respect of CTL Acquisition for the year ended 31 August 2019	296,390

9 TRADE RECEIVABLES

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

	At 31 August 2019 *$'000*	At 31 August 2018 *$'000*
Within 30 days	**217,558**	117,261
31 to 60 days	**113,655**	52,844
61 to 90 days	**59,638**	25,968
Over 90 days	**166,588**	51,137
	557,439	247,210

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

10 TRADE PAYABLES

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

	At 31 August 2019 *$'000*	At 31 August 2018 *$'000*
Within 30 days	**124,247**	46,123
31 to 60 days	**46,783**	9,786
61 to 90 days	**35,734**	31,038
Over 90 days	**159,212**	51,971
	365,976	138,918

11 CAPITAL AND DIVIDENDS

(a) Share capital

	No. of shares	*$'000*
Authorised:		
At 1 September 2017, 31 August 2018, 1 September 2018 and 31 August 2019	3,800,000,000	380
Ordinary shares, issued and fully paid:		
At 1 September 2017, 31 August 2018, 1 September 2018	1,005,666,000	101
Issue of new shares *(note)*	305,933,000	31
At 31 August 2019	1,311,599,000	132

Note: On 30 April 2019, the Group completed the acquisition of 100% equity interest of WTT Group. Part of the consideration was settled by the allotment and issue of 305,932,690 shares of $0.0001 each of the Company. The shares were issued on 30 April 2019 and the aggregate fair value of the shares issued, based on the quoted price of the shares on that date, was amounted to $4,295,295,000.

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.

(b) Dividend

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

	Year ended 31 August 2019	Year ended 31 August 2018
	$'000	*$'000*
Interim dividend declared and paid of 34 cents per ordinary share (2018: 26 cents per ordinary share)	**445,944**	261,473
Final dividend proposed after the end of the reporting period of 36 cents per ordinary share (2018: 30 cents per ordinary share)	**472,176**	301,700
	918,120	563,173

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

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

	Year ended 31 August 2019	Year ended 31 August 2018
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of 30 cents per ordinary share (2018: 23 cents per ordinary share)	**310,700**	231,303

12 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 23 August 2019, HKBNGL, a wholly-owned subsidiary of the Company, and JTH (BVI) Limited ("**JTH**"), amongst others, entered into the Share Purchase Agreement, pursuant to which, among other things, HKBNGL has conditionally agreed to purchase, and JTH has conditionally agreed to sell, the entire issued share capital of the Target Companies for a consideration of US$50,000,000 (equivalent to $393,500,000) in cash (subject to certain Closing and post-Closing adjustments). Jardine Technology Holdings Limited has agreed to guarantee to HKBNGL the proper and punctual performance by JTH of its obligations under the Share Purchase Agreement. MLCL, a wholly-owned subsidiary of the Company, has agreed to guarantee to JTH the proper and punctual performance by HKBNGL of its obligations under the Share Purchase Agreement. Upon satisfaction of the condition precedent(s) as set out in the Share Purchase Agreement, the Target Companies will become wholly-owned subsidiaries of the Company. The proposed transaction was not yet completed on the date of this report and no adjustments have been made to this annual report as a result of the above event.

On 16 September 2019, MLCL completed a conditional redemption of 10% of the senior notes due 2022 at a redemption price of 103% plus accrued and unpaid interest. Immediately upon the completion of the conditional redemption, US$603,000,000 (equivalent to $4,745,610,000) in aggregate principal amount of the senior notes remained outstanding. The redemption was completed using the Group's internal resources.

On 25 September 2019, Hong Kong Broadband Network Limited, a wholly-owned subsidiary of the Company, obtained a $1,000,000,000 uncommitted revolving loan facility from a bank in Hong Kong that bears interest at Hong Kong Inter-bank Offered Rate plus a margin per annum on the utilised amount (the "Facility").