

For immediate release

HKBN Ltd. Announces FY2017 Results ***J-Curve inflection of 16% half-on-half growth in EBITDA to HK\$560 million***

(Hong Kong - 2 Nov 2017) HKBN Ltd. (“HKBN” or the “Company”; SEHK stock code: 1310) today reported financial and business performance for the year ended 31 August 2017 (“FY2017”). During the year, the Company accelerated growth in both residential and enterprise businesses, beginning to harvest from the successful implementation of the quad-play strategy and the synergies from acquiring New World Telecom (“NWT”) business. Key highlights of FY2017 results include:

- Achieved financial J-curve inflection point in 2H2017 as evidenced by strong 16% half-on-half EBITDA growth to HK\$560 million.
- Revenue, EBITDA and Adjusted Free Cash Flow continued to grow year-on-year at 16%, 3% and 12% respectively to HK\$3,232 million, HK\$1,041 million and HK\$453 million.
- Enterprise revenue, which included the full 12-month contribution from the acquired NWT business, grew by 49% to HK\$1,208 million, representing 37% of total revenues for the year ended 31 August, 2017, as compared to 29% a year earlier.
- The Board has recommended the payment of a 15% year-on-year increase in final dividend to 23 HK cents per share resulting in a 12.5% year-on-year increase in full year payment to 45 HK cents per share.

Solid growth driven by rise in ARPU via quad-play bundling

Overall revenue grew by 16% year-on-year to HK\$3,232 million as HKBN continued to expand its customer base and focus on increasing ARPU via the introduction of integrated quad-play (broadband + home telephone + OTT (over-the-top) content + mobile) service plans. Ever since launching its OTT entertainment offerings in October 2015, HKBN has achieved a total of 800,000 set-top boxes ordered by residential customers. Since launching in September 2016, HKBN’s residential mobile services has garnered over 218,000 registered mobile subscriptions as of end of August 2017. By augmenting its service offerings of broadband and home telephone with the addition of OTT content and mobile services, HKBN lifted exit ARPU (Average Revenue Per User) in the month of August 2017 to HK\$194/month, compared to the historical full base residential ARPU of HK\$168/month for FY2017.

Stimulating enterprise subscription and revenue growth contributed by fully integrated operations

The Company’s enterprise revenue grew by 49% year-on-year to HK\$1,208 million on the back of a 12% half-on-half increase to HK\$639 million. Driven by the full integration of its NWT acquisition, and through the execution of 3P strategy (penetration in coverage, product enhancement and people engagement), HKBN Enterprise Solutions has increased its presence and capabilities to provide competitive value to different customer segments. During the year, the

Company achieved net additions of 4,000 enterprise customers while enterprise ARPU increased to HK\$1,463/month during the financial year.

Begin to harvest satisfying results for investors

William Yeung, Chief Executive Officer & Co-Owner said, “About two years ago, we began our financial J-curve transformation by focusing on quad-play services for the residential market, as well as through doubling our enterprise presence with the acquisition of NWT. Our financial J-curve inflection point achieved in 2H2017 demonstrates that we’ve passed the initial investment phase and are now surging forward to harvest higher returns in the years ahead.”

Drive sustained growth with strong shareholder alignment through Co-Ownership

“The best way to narrow the agency gap between managers and shareholders, is to turn us into shareholders, or as we like to call ourselves Co-Owners”, said NiQ Lai, Chief Operating Officer & Co-Owner.

Co-Ownership is a powerful expression of the commitment and belief that HKBN Talents have in the Company. HKBN launched Co-Ownership Plan I in 2012, which was accepted by about 90 Co-Owners and this increased to more than 330 Co-Owners, representing a majority of its supervisory and management level Talents under our current Co-Ownership Plan II launched in 2015. Through a dual role as both investor and Talent, the Company’s Co-Owners are incentivised with an ever-evolving mission to watch over all aspects of HKBN’s success and competitiveness.

Subject to shareholder approval, the Company plans to launch Co-Ownership Plan III in 2017, in order to ensure sustaining overall value creation for HKBN, as well as a strong alignment of shareholder interest permeating throughout the Company. For details of the proposed adoption of the Co-Ownership Plan III, please refer to the announcement dated 2 Nov 2017.

For details of HKBN’s results in FY2017, please refer to the announcement dated 2 Nov 2017.

Appendix: HKBN FY2017 Shareholder Letter

Photo and caption:



Delivering a solid performance with accelerated growth in both residential and enterprise businesses, the HKBN senior management team are excited about HKBN's FY17 financial results. (from left: COO and Co-Owner NiQ Lai, CTO and Co-Owner Gary McLaren, CEO and Co-Owner William Yeung, CIO and Co-Owner Eric Ho, and COO – Enterprise Solutions and Co-Owner Billy Yeung).

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HKBN FY2017 Shareholder Letter

Dear Fellow Shareholders,

TIME TO HARVEST!

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

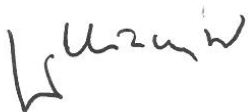
As at end of FY17, we expanded our residential market share in quad-play, with 871k of fixed broadband subscriptions, 518k of fixed voice subscriptions, 800k over-the-top (“OTT”) content subscriptions and 218k registered mobile subscriptions. Our HARVEST has already started in 2H2017, as indicated by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

In the enterprise market, we began to harvest the synergies from acquiring New World Telecom after some initial integration setbacks. Our execution of 3P strategy (penetration in coverage, product enhancement and people engagement) combined to deliver a 12% increase in revenue half-on-half. Furthermore, we started to see that the general makeup of our customer base evolve from small companies towards medium/large companies, contributing more big-ticket revenue to our business.

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

Additionally, subject to approval from shareholders, we’re keen on building stronger shareholder alignment with our plan to introduce Co-Ownership Plan III later this year. Please refer to “Co-Ownership Plan III” section in the announcement for further elaboration on this important development.

Sincerely yours,



William Yeung
Chief Executive Officer and Co-Owner



NiQ Lai
Chief Operating Officer and Co-Owner