Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2017

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

The Board of Directors (the "Board") of HKBN Ltd. (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 August 2017.

- Achieved financial J-curve inflection point in 2H2017 as evidenced by 16% half-on-half EBITDA growth to $560 million (1H2017: $481million).
- Revenue, EBITDA and Adjusted Free Cash Flow continued to grow year-on-year at 16%, 3% and 12% respectively to $3,232 million, $1,041 million and $453 million.
- Enterprise revenue, which included the full 12-month contribution from the acquired New World Telecom business ("NWT business"), grew by 49% to $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 cents per share, resulting in a 12.5% year-on-year increase in full year payment to 45 cents per share.

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.

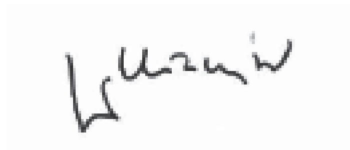
As at end of FY17, we expanded our residential market share in quad-play, with 871k of fixed broadband subscriptions, 518k of fixed voice subscriptions, 800k over-the-top ("OTT") content subscriptions and 218k registered mobile subscriptions. Our HARVEST has already started in 2H2017, as indicated by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

KEY FINANCIAL AND OPERATIONAL SUMMARY

Table 1: Financial highlights

	For the year ended 31 August 2017	2016	Increase/ (Decrease) YoY
Key financials ($'000)			
Revenue	**3,232,310**	2,784,007	+16%
– Residential	**1,958,286**	1,814,940	+8%
– Enterprise	**1,208,136**	810,831	+49%
– Product	**65,888**	158,236	-58%
Profit for the year	**171,110**	244,679	-30%
Adjusted Net Profit [1,2]	**377,839**	372,672	+1%
EBITDA [1,3]	**1,041,250**	1,006,387	+3%
EBITDA margin [1,4]	**32.2%**	36.1%	-3.9pp
Adjusted Free Cash Flow [1,5]	**453,365**	406,447	+12%
Reconciliation of Adjusted Net Profit [1,2]			
Profit for the year	**171,110**	244,679	-30%
Amortisation of intangible assets	**129,202**	119,758	+8%
Deferred tax arising from amortisation of intangible assets	**(20,094)**	(19,008)	+6%
Originating fee for banking facility expired	**73,397**	–	+100%
Loss on disposal of properties	**24,224**	–	+100%
Transaction costs in connection with business combination	**–**	27,243	-100%
Adjusted Net Profit	**377,839**	372,672	+1%
Reconciliation of EBITDA & Adjusted Free Cash Flow [1,3,5]			
Profit for the year	**171,110**	244,679	-30%
Finance costs	**210,740**	141,891	+49%
Interest income	**(276)**	(922)	-70%
Income tax	**86,044**	89,875	-4%
Depreciation	**420,206**	383,863	+9%
Amortisation of intangible assets	**129,202**	119,758	+8%
Loss on disposal of properties	**24,224**	–	+100%
Transaction costs in connection with business combination	**–**	27,243	-100%
EBITDA	**1,041,250**	1,006,387	+3%
Capital expenditure	**(403,702)**	(392,553)	+3%
Net interest paid	**(107,848)**	(104,228)	+3%
Other non-cash items	**6,994**	3,169	>100%
Income tax paid	**(122,605)**	(106,068)	+16%
Changes in working capital	**39,276**	(260)	N/A
Adjusted Free Cash Flow	**453,365**	406,447	+12%

KEY FINANCIAL AND OPERATIONAL SUMMARY (CONTINUED)

Table 2: Operational highlights

	For the year ended 31 August 2017	2016	Increase/ (decrease) YoY
Residential business			
Fixed telecommunications network services business			
Residential homes passed ('000)	**2,249**	2,202	+2%
Subscriptions ('000)			
– Broadband	**871**	857	+2%
– Voice	**518**	520	-0%
Market share [6]			
– Broadband	**37.1%**	37.2%	-0.1pp
– Voice	**22.2%**	22.0%	+0.2pp
Broadband churn rate [7]	**0.9%**	0.8%	+0.1pp
Residential ARPU [8]	**$168**	$173	-3%
Mobile business			
Subscriptions ('000)	**147**	–	N/A
– Mobile (without broadband services)	**78**	–	N/A
– Mobile (with broadband services)	**69**	–	N/A
Mobile ARPU			
– Mobile (without broadband services) [11]	**$119**	–	N/A
– Mobile (with broadband services) [12]	**$268**	–	N/A
Residential customers ('000)	**994**	898	+11%
Enterprise business			
Commercial building coverage ('000)	**2.3**	2.3	+0%
Subscriptions ('000)			
– Broadband	**53**	47	+13%
– Voice	**132**	120	+10%
Market share [6]			
– Broadband	**18.8%**	17.8%	+1.0pp
– Voice	**7.2%**	6.5%	+0.7pp
Enterprise customers ('000)	**54**	50	+8%
Broadband churn rate [9]	**1.7%**	1.3%	+0.4pp
Enterprise ARPU [10]	**$1,463**	$1,234	+19%

Notes:

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

(2) Adjusted Net Profit means profit for the year plus amortisation of intangible assets (net of deferred tax credit and direct cost incurred in corresponding period), non-recurring finance costs and other non-recurring items. Non-recurring finance costs, in the year under review, include originating fee for banking facility expired. Other non-recurring items, in the year under review, include loss on disposal of properties and transaction costs in connection with business combination.

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

(4) EBITDA margin means EBITDA divided by revenue.

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

(6) Our market share in broadband or voice services in Hong Kong, for residential or enterprise business, is calculated by dividing the number of broadband or voice subscriptions we have at a given point in time by the total number of corresponding broadband or voice subscriptions recorded by the Office of the Communications Authority ("OFCA") at the same point in time. Based on the latest disclosure from OFCA for July 2017 market data, total market figures from January 2016 to November 2016 were revised to reflect the adjustments filed by the Internet Service Provider(s).

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

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

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

(10) ARPU means average revenue per 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.

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

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

BUSINESS REVIEW

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

OUTLOOK

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

- Expand our market share by our ATM (A for 'A'/x DSL broadband; T for home 'T'elephone line; and M for 'M'obile) growth strategy though the intensified price war might reduce the overall market size;

- Execute our integrated quad-play strategy to reduce our churn rate and drive up ARPU further to disrupt the legacy broadband, fixed-voice, multimedia content and mobile standalone services;

- Further penetrate the enterprise market through our 3P strategy (penetration in coverage, product enhancement and people engagement); and

- Continue to cultivate and deepen our Talent-oriented Co-Ownership culture that aligns risks and rewards with shareholders by enlarging our base of Co-Ownership.

LIQUIDITY AND CAPITAL RESOURCES

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

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

- The Group's net debt to EBITDA ratio, which was expressed as a ratio of the gross debt net of cash and cash equivalents over EBITDA, was 3.4x as at 31 August 2017 (31 August 2016: 3.4x).

On 28 November 2016, the Group drew down a five-year bank loan of $3,900 million bearing interest rate at HIBOR plus margin, to finance the repayment of the remaining bank loan in full, to extend the debt maturity by 1.8 years to November 2021. Since the bank loan is repayable in full upon final maturity on November 2021, the Group can either refinance or renew it on maturity or earlier through sources that it deems appropriate at that time. This has provided us with flexibility to plan for various sources of financing arrangements to support the expansion of our business.

Cash and cash equivalents consisted of cash at bank and in hand. There was no pledged bank deposit as at 31 August 2017 and 31 August 2016. As at 31 August 2017, the Group had an undrawn revolving credit facility of $200 million (31 August 2016: $200 million).

Under the liquidity and capital resources condition as at 31 August 2017, the Group can fund its capital expenditures and working capital requirements for the financial year ending 31 August 2018 with internal resources and the available banking facilities.

HEDGING

The Group's policy is to partially hedge the interest rate risk arising from the variable interest rates of the debt instruments and facilities by entering into interest-rate swaps. The Group's finance team is responsible for planning, executing and monitoring the hedging activities. The Group would not enter into hedging arrangements for speculative purposes.

In connection with the bank loan, the Group entered into an interest-rate swap arrangement in the principal amount of $2,635 million with an international financial institution for a term of 3.5 years from 23 February 2015 to 23 August 2018. Benefiting from the hedging arrangement, the Group fixed the HIBOR interest rate exposure at 1.453% per annum.

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

This interest-rate swap arrangement is recognised initially at fair value and remeasured at the end of each reporting period. The interest-rate swap does not qualify for hedge accounting under HKAS 39, *Financial instruments: Recognition and measurement*, and therefore, it is accounted for as held for trading and measured at fair value through profit or loss.

CHARGE ON GROUP ASSETS

As of 31 August 2017 and 31 August 2016, no assets of the Group were pledged to secure its loans and banking facilities.

CONTINGENT LIABILITIES

As at 31 August 2017, the Group had total contingent liabilities of $4 million (31 August 2016: $4 million) in respect of bank guarantees provided to suppliers and utility vendors in lieu of payment of utility deposits.

EXCHANGE RATES

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

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

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

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

TALENT REMUNERATION

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

To attract, retain and motivate skilled and experienced Talents, the Company adopted a Co-Ownership Plan II on 21 February 2015. Co-Ownership is a powerful expression of the commitment and belief our Talents have in the Group. Unlike the more traditional approach of giving stock options to a very limited group of senior executives, the Company's Co-Ownership is open to all supervisors-and-above level Talents, spanning the Group's operations across Hong Kong and Guangzhou. Under Co-Ownership Plan II, we now have over 330 Co-Owners, representing a majority of our supervisors-and-above level Talents. On their own volition, they invested their personal savings in the amount of between two to twelve months of salary to acquire the Company's shares at full market price. The shares are then matched with free shares at a certain ratio vested over three years.

Please refer to "Share Incentive Scheme" section for a summary of the Co-Ownership Plan II.

CO-OWNERSHIP PLAN III

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

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

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

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

- Instead of being limited to just the top executives, (since our Co-Ownership Plan II) we offered Co-Ownership to our supervisors-and-above level Talents, which includes approximately 600 of our most senior titled Talents out of our around 3,000 total Talent base. As such, when you call our service hotline, the supervisor of a team of 10 operators is very likely a Co-Owner with substantial "skin in the game", and this is the element which makes HKBN special.

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

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

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

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

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

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

SHARE INCENTIVE SCHEME

Co-Ownership Plan II

Under the Co-Ownership Plan II, the Board may, in its absolute discretion, invite participants to purchase shares of the Company and agree to grant them a contingent right to receive shares ("RSU") at the relevant matching ratio in respect of any shares purchased, subject to certain terms, conditions and undertakings. The total number of shares that may underlie the RSUs granted pursuant to the 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.

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

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

* *Director of the Company*

ANNUAL GENERAL MEETING

2017 annual general meeting of the Company (the "2017 AGM") will be held on Friday, 15 December 2017 and the notice will be published and issued to shareholders of the Company (the "Shareholders") in due course.

FINAL DIVIDEND

The Directors recommended the payment of a final dividend of 23 cents per share for the year ended 31 August 2017 to the Shareholders whose names appear on the register of members of the Company on Friday, 22 December 2017. Subject to the approval by the Shareholders at the 2017 AGM, the proposed final dividend is expected to be paid in cash on or about Friday, 5 January 2018.

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

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2017 AGM, the register of members of the Company will be closed from Tuesday, 12 December 2017 to Friday, 15 December 2017, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the 2017 AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 11 December 2017.

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 21 December 2017 to Friday, 22 December 2017, 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, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 20 December 2017.

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

During the year ended 31 August 2017, 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 the management and the external auditor the audited annual results of the Group for the year ended 31 August 2017, 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 audited annual financial statements of the Group for the year ended 31 August 2017 has been reviewed by the Audit Committee and approved by the Board of the Company.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions as set out in the "Corporate Governance Code and Corporate Governance Report" (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 2017 except for the following deviation:

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct for dealings in securities of the Company by Directors. Having made specific enquiries with all Directors, they confirm that they have complied with the Model Code throughout the year ended 31 August 2017.

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 2017 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, 2 November 2017

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

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

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

Non-executive Director
Ms. Deborah Keiko ORIDA

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

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2017

	Note	**Year ended 31 August 2017 $'000**	31 August 2016 $'000
Revenue	*4*	**3,232,310**	2,784,007
Other net income	*5(a)*	**10,644**	16,260
Network costs and costs of sales		**(710,257)**	(451,097)
Other operating expenses		**(2,067,301)**	(1,872,525)
Finance costs	*5(c)*	**(210,740)**	(141,891)
Share of profits/(losses) of associates		**3,418**	(15)
Share of losses of joint ventures		**(920)**	(185)
Profit before taxation	*5*	**257,154**	334,554
Income tax	*6*	**(86,044)**	(89,875)
Profit for the year attributable to equity shareholders of the Company		**171,110**	244,679
Earnings per share			
Basic	*7*	**17.1 cents**	24.5 cents
Diluted	*7*	**17.1 cents**	24.4 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 AUGUST 2017

	Year ended	
	31 August 2017	31 August 2016
	$'000	*$'000*
Profit for the year	**171,110**	244,679
Other comprehensive income for the year		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong, with nil tax effect	**2,744**	(4,847)
Total comprehensive income for the year attributable to equity shareholders of the Company	**173,854**	239,832

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2017

	Note	**At 31 August 2017 *$'000***	At 31 August 2016 *$'000*
Non-current assets			
Goodwill		**1,771,969**	1,771,969
Intangible assets		**1,612,707**	1,550,209
Property, plant and equipment		**2,289,790**	2,419,890
Interest in associates		**–**	7,473
Interest in joint ventures		**8,788**	9,708
Other non-current assets		**24,600**	19,618
		5,707,854	5,778,867
Current assets			
Inventories		**11,824**	50,541
Trade receivables	*8*	**205,167**	148,064
Other receivables, deposits and prepayments		**266,321**	271,560
Amount due from a joint venture		**9,244**	761
Cash and cash equivalents		**385,052**	354,955
		877,608	825,881
Current liabilities			
Trade payables	*9*	**97,658**	107,550
Other payables and accrued charges – current portion		**363,181**	448,757
Deposits received		**57,221**	54,454
Deferred services revenue – current portion		**81,949**	50,672
Obligations under granting of rights – current portion		**9,024**	9,024
Amount due to an associate		**–**	2,165
Amounts due to joint ventures		**10,000**	10,000
Contingent consideration – current portion		**27,489**	18,091
Tax payable		**115,875**	125,073
		762,397	825,786
Net current assets		**115,211**	95
Total assets less current liabilities		**5,823,065**	5,778,962

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 AUGUST 2017

	At 31 August 2017	At 31 August 2016
	$'000	*$'000*
Non-current liabilities		
Other payables and accrued charges – long-term portion	**293,748**	99,008
Deferred services revenue – long-term portion	**92,752**	55,923
Obligations under granting of rights – long-term portion	**33,843**	42,867
Deferred tax liabilities	**423,618**	450,980
Contingent consideration – long-term portion	**2,869**	27,885
Provision for reinstatement costs	**16,015**	17,644
Bank loans	**3,831,332**	3,721,297
	4,694,177	4,415,604
NET ASSETS	**1,128,888**	1,363,358
CAPITAL AND RESERVES		
Share capital	**101**	101
Reserves	**1,128,787**	1,363,257
TOTAL EQUITY	**1,128,888**	1,363,358

NOTES:

1 BASIS OF PREPARATION

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 and derivative financial instrument are stated at their fair values.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued certain amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. None of these developments have a significant impact on the Group's financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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 and international telecommunications services to residential and enterprise customers in Hong Kong and product sales.

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

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

	Year ended	
	31 August 2017	31 August 2016
	$'000	*$'000*
Residential revenue	**1,958,286**	1,814,940
Enterprise revenue	**1,208,136**	810,831
Product revenue	**65,888**	158,236
	3,232,310	2,784,007

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

5 PROFIT BEFORE TAXATION

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

	Year ended 31 August 2017	31 August 2016
	$'000	*$'000*
(a) Other net income		
Interest income	**(276)**	(922)
Net foreign exchange loss/(gain)	**3,248**	(3,538)
Amortisation of obligations under granting of rights	**(9,024)**	(9,024)
Change in fair value of contingent consideration	**1,435**	–
Other income	**(6,027)**	(2,776)
	(10,644)	(16,260)

	Year ended 31 August 2017	31 August 2016
	$'000	*$'000*
(b) Talent costs		
Salaries, wages and other benefits	**846,791**	773,302
Contributions to defined contribution retirement plan	**55,028**	51,999
Equity-settled share-based payment expenses	**14,056**	11,605
Cash-settled share-based payment expenses	**527**	588
	916,402	837,494
Less: Talent costs capitalised as property, plant and equipment	**(32,703)**	(27,578)
Talent costs included in advertising and marketing expenses	**(384,851)**	(294,502)
	498,848	515,414

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

	Year ended 31 August 2017	31 August 2016
	$'000	*$'000*
(c) Finance costs		
Interest on bank loans	**101,505**	100,207
Interest on interest-rate swap, net	**18,664**	25,764
Fair value loss on interest-rate swap	**17,174**	15,920
Originating fee for banking facility expired	**73,397**	–
	210,740	141,891

5 PROFIT BEFORE TAXATION (CONTINUED)

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

	Year ended	
	31 August 2017	31 August 2016
	$'000	*$'000*
(d) Other items		
Advertising and marketing expenses	**568,896**	481,881
Depreciation	**420,206**	383,863
Loss on disposal of property, plant and equipment, net	**25,922**	520
Impairment losses on trade receivables	**41,206**	16,862
Amortisation of intangible assets	**157,802**	122,564
Operating lease charges in respect of land and buildings: minimum lease payments	**45,820**	42,335
Operating lease charges in respect of telecommunications facilities and computer equipment: minimum lease payments	**247,512**	175,028
Auditor's remuneration	**3,413**	7,280
Research and development costs	**21,129**	16,902
Cost of inventories	**45,402**	105,876
Transaction costs in connection with business combination	**–**	27,243

6 INCOME TAX

	Year ended	
	31 August 2017	31 August 2016
	$'000	*$'000*
Current tax – Hong Kong Profits Tax	**109,064**	105,777
Current tax – Outside Hong Kong	**4,342**	4,142
Deferred tax	**(27,362)**	(20,044)
	86,044	89,875

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

Income tax expense for the current taxation outside Hong Kong is mainly related to the income tax in the People Republic of China (the "PRC"). The Corporate Income Tax rate applicable to the subsidiaries located in the PRC is 25% (2016: 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 $171,110,000 (2016: $244,679,000) and the weighted average number of ordinary shares in issue less shares held for the Co-Ownership Plan II, of 1,000,887,000 ordinary shares (2016: 1,000,114,000 ordinary shares).

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $171,110,000 (2016: $244,679,000) and the weighted average number of ordinary shares in issue less shares held for the Co-Ownership Plan II after adjusting for the dilutive effect of the Company's Co-Ownership Plan II, calculated as follows:

	Year ended	
	31 August 2017	31 August 2016
	'000	*'000*
Weighted average number of ordinary shares less shares held for the Co-Ownership Plan II	**1,000,887**	1,000,114
Effect of the Co-Ownership Plan II	**2,029**	2,931
Weighted average number of ordinary shares (diluted)	**1,002,916**	1,003,045

8 TRADE RECEIVABLES

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

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

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

9 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 2017	At 31 August 2016
	$'000	*$'000*
Within 30 days	**50,179**	30,306
31 to 60 days	**16,574**	14,019
61 to 90 days	**6,433**	17,472
Over 90 days	**24,472**	45,753
	97,658	107,550

10 DIVIDENDS

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

	Year ended	
	31 August 2017	31 August 2016
	$'000	*$'000*
Interim dividend declared and paid of 22 cents per ordinary share (2016: 20 cents per ordinary share)	**221,247**	201,133
Final dividend proposed after the end of the reporting period of 23 cents per ordinary share (2016: 20 cents per ordinary share)	**231,303**	201,133
	452,550	402,266

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

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

	Year ended	
	31 August 2017	31 August 2016
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of 20 cents per ordinary share (2016: 20 cents per ordinary share)	**201,133**	201,133