香港寬頻
HONG KONG BROADBAND NETWORK

HKBN Ltd.
香港寬頻有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code:1310

Stronger as ONE

Interim Report 2020

Stronger as ONE

For all businesses, change is constant. Every day, customers and markets are increasingly demanding more of it. Broader coverage. More innovation. The latest technologies. In addition, unforeseeable events have reinforced just how volatile the business landscape can become from disruptive change. At HKBN, we firmly believe that to succeed – and, yes, even survive – we must evolve and adapt relentlessly. And as the digital world sprouts new possibilities, we're meeting the ambiguity of change head-on with more pertinent products, services and solutions to make daily life better and doing business easier and far more effective.

As a Talent-obsessed company, our strategy to achieve all this is clear: Talents will always lead the way. In every corporate acquisition and merger that we've made – Y5Zone, NWT, ICG, WTT and most recently JOS – our predominant goal has been to assemble the very best line-up of elite expertise from telecom and technology solutions. By spurring Talent-centred change on the inside, we've transformed our competitiveness and capabilities to create one united, stronger HKBN – ready to address emergent challenges and lead the market.

Unless otherwise stated, all monetary figures from this report is in Hong Kong dollars. This report is published in both English and Chinese. Where the English and the Chinese texts conflict, the English text shall prevail.

Contents

Representing different facets of HKBN's integrated operations, Talents featured on cover (from left):
Samuel Hui, Co-Owner and Chief Transformation Officer
Anita Chau, Co-Owner and Director – Corporate Sales & Strategic Partnership, Enterprise Solutions
Will Chung, Co-Owner and Senior Unit Manager – Customer Service, Residential Solutions
Jacky Lo, Co-Owner and Manager – Technical Service

Shareholder Letter

Dear Fellow HKBN Shareholders,

#ToughTimesTogether

We are committed to our pursuit of Purposeful profit even during toughest times. Whilst the global COVID-19 crisis is impacting all of us, HKBN is one of the fortunate companies that continues to grow through this crisis, so we are in an exceptional situation whereby we can **do good and do well**. In February 2020, we launched our #ToughTimesTogether initiatives to help alleviate economic impact of the crisis, starting with waiving of our February 2020 service fees for our residential fixed-services and corporate customers, followed by 10,000 free broadband services for families in financial difficulties, and offering three months of fixed contract work experience for 100 fresh graduates. In doing these, we hope to inspire other purpose-driven companies to act, and together make a far bigger impact.

HKBN is a Talent-obsessed company; in fact, HKBN is nothing but a Talent company. All our business hardware and software can be replicated with enough money and time, but our cultural DNA is impossible to replicate. At HKBN, we believe we must first WOW our 5,861 Talents before we can together WOW other stakeholders such as customers, business partners, shareholders etc.

Just a year ago, we were three competitors, being HKBN, WTT and JOS. Today, we are one entity of 5,861 HKBNers led by 935 Co-Owners (refer to the QR code below) who now share one common “elite sports team” bank account for our family savings. Our culture is based on “pride” of common success leading to individual success, rather than the “envy” that is the disease of many legacy companies. When an HKBNer is doing well, be it on our Co-Ownership upside, pain/GAIN payout, earning higher commissions etc., we know that we are all aligned and contributing to each other’s success. “Pride” in each other’s success is why we do not set caps in sales commissions, as we are happy to see a top performing sales person earn more in total compensation via commissions, than managers above them. Conversely, when an HKBNer does poorly on any of the above, we all suffer together; hence this makes us work smarter together to avoid this pain.

Whilst the economy is currently facing unprecedented headwinds, times of crisis creates opportunity for legacy market change. With our recent sequence of acquisitions and the completion of our Co-Ownership III Plus scheme, we have completely transformed into an integrated telecom and technology solutions provider. At HKBN, we believe in “eat what we cook first, before we sell it”. Today we are undergoing a massive internal digital transformation which in turn we will sell externally as Transformation as a Service (“TaaS”) to help our customers.

We expect that COVID-19 will structurally slow down global business-as-usual economic activity but force massive demand for business transformations; it is the latter that we are focused on for growth. In short, we are optimistic of the mid-term future.

Sincerely yours,

William Yeung
Co-Owner and Executive Vice-chairman

NiQ Lai
Co-Owner and Group CEO

Scan QR Code for our full list of Co-Owners

NiQ Lai
Co-Owner and Group CEO

William Yeung
Co-Owner and Executive Vice-chairman

Key Financial and Operational Summary

Table 1: Financial highlights

	For the six months ended		
	29 February 2020 *(Note)*	28 February 2019	Change YoY
Key financials ($' 000)			
Revenue	**4,457,282**	2,218,591	>100%
– Enterprise	**2,275,641**	785,612	>100%
– Residential	**1,251,575**	1,223,102	+2%
– Product	**930,066**	209,877	>100%
Profit for the period	**131,584**	199,445	-34%
Adjusted Net Profit [1, 2]	**345,296**	256,308	+35%
EBITDA [1, 3]	**1,283,359**	723,396	+77%
Service EBITDA [1, 3]	**1,171,041**	712,833	+64%
Service EBITDA margin [1, 4]	**33.2%**	35.5%	-2.3pp
Adjusted Free Cash Flow [1, 5]	**440,175**	298,968	+47%
Reconciliation of Adjusted Net Profit [1, 2]			
Profit for the period	**131,584**	199,445	-34%
Amortisation of intangible assets	**300,641**	65,452	>100%
Deferred tax arising from amortisation of intangible assets	**(48,993)**	(10,187)	>100%
Loss on extinguishment of senior notes	**43,373**	–	n/a
Deferred tax recognised on unused tax losses	**(87,878)**	–	n/a
Transaction costs in connection with business combination	**6,569**	1,598	>100%
Adjusted Net Profit	**345,296**	256,308	+35%

Key Financial and Operational Summary

	For the six months ended		
	29 February 2020 *(Note)*	28 February 2019	Change YoY
Reconciliation of EBITDA & Adjusted Free Cash Flow [1,3,5]			
Profit for the period	**131,584**	199,445	-34%
Finance costs	**286,258**	86,978	>100%
Interest income	**(1,532)**	(1,504)	+2%
Income tax (credit)/charge	**(51,630)**	49,529	-100%
Depreciation	**466,265**	214,040	>100%
Amortisation of intangible assets	**300,641**	65,452	>100%
Amortisation of customer acquisition and retention costs	**145,204**	107,858	+35%
Transaction costs in connection with business combination	**6,569**	1,598	>100%
EBITDA	**1,283,359**	723,396	+77%
Capital expenditure*	**(249,433)**	(187,805)	+33%
Net interest paid	**(200,200)**	(61,731)	>100%
Other non-cash items	**(729)**	(1,053)	-31%
Income tax paid	**(156,582)**	(114,137)	+37%
Customer acquisition and retention costs	**(131,386)**	(97,972)	+34%
Premium paid on senior notes redemption	**(31,457)**	–	n/a
Lease payments in relation to right-of-use assets	**(86,782)**	–	n/a
Changes in working capital	**13,385**	38,270	-65%
Adjusted Free Cash Flow	**440,175**	298,968	+47%

Note: HKBN Ltd. (the "Company") and its subsidiaries (collectively, the "Group") had changed its accounting policies with effect from 1 September 2019 as a result of adopting HKFRS 16, Leases ("HKFRS 16"). Under HKFRS 16, the Group recognised right-of-use assets and lease liabilities arising from certain lease commitments. Details on the financial impact and accounting policy changes can be referred to note 2 to the unaudited consolidated interim financial information. The adoption of HKFRS 16 had no impact on adjusted free cash flow.

* *In the six months ended 28 February 2019 ("1H2019"), capital expenditure 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.*

Table 2: Operational highlights

	For the six months ended			
	29 February 2020	31 August 2019	28 February 2019	Change YoY
Enterprise business				
Commercial building coverage ('000)	**7.3**	7.2	2.4	>100%
Subscriptions ('000)				
– Broadband	**116**	116	58	>100%
– Voice	**453**	454	144	>100%
Market share [6]				
– Broadband	**38.1%**	36.5%	19.4%	+18.7pp
– Voice	**25.6%**	25.3%	7.9%	+17.7pp
Enterprise customers ('000) [13]	**104**	103	58	+79%
Broadband churn rate [9]	**1.2%**	1.3%	1.3%	-0.1pp
Enterprise ARPU [10]	**$2,775**	$1,742	$1,508	+84%
Residential business				
Fixed telecommunications network services business				
Residential homes passed ('000)	**2,377**	2,360	2,321	+2%
Subscriptions ('000)				
– Broadband	**882**	878	864	+2%
– Voice	**501**	500	495	+1%
Market share [6]				
– Broadband	**35.5%**	35.8%	35.8%	-0.3pp
– Voice	**22.2%**	21.9%	21.6%	+0.6pp
Broadband churn rate [7]	**0.8%**	0.9%	1.1%	-0.3pp
Residential ARPU [8]	**$190**	$185	$184	+3%
Mobile business				
Subscriptions ('000)	**272**	277	280	-3%
– Mobile (without broadband services)	**129**	133	140	-8%
– Mobile (with broadband services)	**143**	144	140	+2%
Mobile ARPU				
– Mobile (without broadband services) [11]	**$151**	$148	$144	+5%
– Mobile (with broadband services) [12]	**$311**	$312	$306	+2%
Residential customers ('000)	**1,017**	1,019	1,015	+0%
Total full-time permanent Talents	**5,861**	4,131	3,027	+94%

Notes:

(1) *EBITDA, Service EBITDA, Service 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, loss on extinguishment of senior notes and deferred tax recognised on unused tax losses.*

(3) *EBITDA means profit for the period plus finance costs, income tax charge, depreciation, amortisation of intangible assets (net of direct cost incurred in corresponding period), amortisation of customer acquisition and retention costs, transaction costs in connection with business combination, and less interest income and income tax credit. Service EBITDA means EBITDA excluding gross profit on product revenue.*

(4) *Service EBITDA margin means Service EBITDA divided by service revenue, which is excluding product revenue.*

(5) *Adjusted Free Cash Flow means EBITDA less capital expenditure, customer acquisition and retention costs, net interest paid, income tax paid, premium paid on senior notes redemption, lease payments in relation to right-of-use assets, changes in working capital and other non-cash items. Working capital includes other non-current assets, inventories, trade receivables, finance lease receivables, other receivables, deposits and prepayments, contract assets, amounts due from joint ventures, amounts due to joint ventures, trade payables, contract liabilities, and deposits received. Other non-cash items, in the period under review, include amortisation of obligations under granting of rights, change in fair value of contingent consideration 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 December 2019 market data, total market figures from January 2019 onwards 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 and technology solutions business (excluding revenue from IDD, product resell 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 the sum of: i) number of enterprise telecom customers, as calculated by dividing the sum of enterprise telecom customers at the beginning of the period and the end of the period by two, and; ii) the number of enterprise technology solutions customers, which represents the number of unique customers with billing transactions on technology solutions related services during the financial period. This metric may be distorted by the impact of certain particularly large contracts we have with enterprise customers. Enterprise ARPU calculation for the period ended 29 February 2020 includes the relevant revenue and average number of enterprise customers of WTT Group#, JOS Group* and HKBN for the six months ended 29 February 2020. 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 February 2020 was $2,985.*

(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, product resell and mobile customers.*

WTT Group represents HKBN Enterprise Solutions Development Ltd and its subsidiaries.

* *JOS Group represents HKBN JOS Holdings (C.I.) Limited and its subsidiaries, Adura Hong Kong Limited and Adura Cyber Security Services Pte. Ltd..*

Business Review

The Group continued to deliver a solid set of operational and financial results for the period ended 29 February 2020 ("1H2020"). HKBN completed JOS Acquisition (as defined in page 12 of this interim report) on 13 December 2019 and has further bolstered our offering and capabilities as the largest alternative telecom with complete integrated telecom and technology solutions capabilities 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. Taking into consideration six months and two and a half months of results of WTT Group and JOS Group, respectively, our Group revenue, EBITDA and AFF increased year-on-year by 101%, 77% and 47%, respectively, to $4,457 million, $1,283 million and $440 million.

- Enterprise revenue increased by 190% year-on-year to $2,276 million after consolidating six months and two and a half months of operating results of WTT Group and JOS Group, respectively in 1H2020. Enterprise revenue, before accounting for WTT Group and JOS Group, increased by 25% year-on-year to $982 million. Total number of enterprise customers increased year-on-year to 104,000 while our enterprise ARPU increased from $1,508 to $2,775. The Group had fully integrated WTT Group since its completion in April 2019. Sales teams from WTT Group have been consolidated and new commission scheme has been in place. Since then, we have secured big wins with over $1 billion of total contract value for different services to be realised ranging from 2 to 15 years from a variety of different industries. Despite a short period of two and a half months after completion in mid-December 2019, the integration of JOS Group have been substantially completed. Talents from JOS Group had new incentive schemes which are helping drive the growth of AFF in addition to revenue growth. Throughout both integrations, our top management has relentlessly engaged key customers and vendors to understand their needs and challenges. This will help transform the enlarged group into an integrated telecom and technology solutions provider that can offer one-stop customised solutions to our customers. Separately, the JOS Acquisition greatly enhanced our capabilities in the enterprise segment, which has enabled us to provide a comprehensive suite of telecom and technology solutions at competitive value to our growing 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 2% year-on-year to $1,252 million as a result of the successful execution of our quad-play strategy that increased ARPU while achieving subscription growth. Our customer base has shown good receptiveness to our quad-play offerings whereby our triple/quad-play upsell has reached 50% of our total broadband customers as of 29 February 2020. Historical full base residential ARPU has increased by 3% year-on-year, from $184/month in 1H2019 to $190/month in 1H2020, while our monthly churn rate remained low. Our market share by broadband subscriptions remained stable at approximately 38% as at 29 February 2020 (based on the latest available OFCA statistics).

  The Group continued to evolve from quad-play to multi-play by bringing new and exciting offers to our customer base. The Group also sought to enhance our customers' experience by investing in our digital platforms, which will facilitate us to serve our one million billing relationships more efficiently.

  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 343% year-on-year to $930 million, mainly represented by the sale of smartphone products that complements our mobile business and the product revenue contributed by JOS Group. Product revenue excluding contribution by JOS Group increased by 40% year-on-year, mainly driven by smartphone sales.

Network costs and costs of sales increased by 167% year-on-year to $2,227 million mainly due to the consolidation of six months and two and a half months of operating results of WTT Group and JOS Group respectively, Network costs and costs of sales increased by 36% year-on-year to $1,137 million after excluding the contribution from WTT Group and JOS Group. The increase is mainly driven by the increase in international telecommunication services revenue.

Other operating expenses increased by 78% year-on-year from $1,060 million to $1,882 million mainly due to the consolidation of WTT Group's and JOS Group's operating results. Other operating expenses, excluding the contribution from WTT Group and JOS Group and transaction costs in connection with business combinations, increased by 18% year-on-year to $1,246 million. The increase is mainly due to the increase in amortisation of intangible assets recognised on business combination of $156 million and the year-on-year inflationary increase.

The integration of WTT Group was substantially completed in FY19. By streamlining the back-end support function, integrating the network planning, restructuring the combined organisation, synergy started to be realised in FY20. With a leaner organisation after restructure, related general and administrative expenses were further reduced. Such cost synergies have been reflected under our other operating expenses as well as capital expenditure. For example, our combined Talent pool of HKBN and WTT Group has decreased by over 10% since announcement of the deal and full savings will be materialised in FY20.

Finance costs increased by 229% year-on-year from $87 million to $287 million mainly due to the interest on senior notes of $134 million after the consolidation of WTT Group in 1H2020 and the one-off loss on extinguishment of senior notes of $43 million.

Income tax decreased by 204% year-on-year from tax charge of $50 million to tax credit of $52 million, which is due to the recognition of deferred tax assets arising from unused tax losses of the Group's subsidiary.

As the result of the aforementioned factors, profit attributable to equity shareholders decreased by 34% year-on-year from $199 million to $132 million.

Adjusted Net Profit, excluding the impact of amortisation of intangible assets (net of deferred tax credit), and non-recurring items, increased by 35% year-on-year to $345 million. This was mainly contributed by the combined operating performance of the enlarged group.

AFF rose by 47% year-on-year to $440 million mainly due to the consolidation of six months of WTT Group's operating results and two and a half months of JOS Group's operating results and the overall growth and synergies of the enlarged group.

Outlook

The successful completion of the JOS Acquisition shall greatly enhance the combined Group's capabilities, in terms of extended customer reach, wider service offerings and enhanced market competition in the enterprise space. HKBN had proven success in integrating five add-on acquisitions since management buyout in 2012. As both businesses are highly complementary, we are confident that the combined organisation will 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 by upselling more services to our monthly billing relationships in both enterprise and residential space, 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 over $300 million synergy per annum by the year ending 31 August 2021;
- Fully integrate the sales team and back-end support functions of JOS Group in transforming the Group to a truly integrated telecom and technology solutions powerhouse;
- Continue to foster our Talent-oriented Co-Ownership culture that aligns risks and rewards with shareholders;
- 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 facilities.

Liquidity and Capital Resources

As at 29 February 2020, the Group had total cash and cash equivalents of $692 million (31 August 2019: $663 million) and gross debt (principal amount of outstanding borrowing) of $10,520 million (31 August 2018: $9,712 million), which led to a net debt position of $9,828 million (31 August 2019: $9,049 million). The increase in gross debt is mainly due to the financing for the acquisition of JOS Group in 1H2020.

- The Group's gearing ratio, which was expressed as a ratio of the gross debt over total equity, was 1.5x as at 29 February 2020 (31 August 2019: 1.3x).
- 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 2019: 4.2x). The ratio is stable as EBITDA growth compensates the increase in net debt after the JOS Acquisition is mainly due to the financing for the acquisition of JOS Group.

Cash and cash equivalents consisted of cash at bank and on hand. There was no pledged bank deposit as at 29 February 2020 and 31 August 2019. As at 29 February 2020, the Group had an undrawn revolving credit facilities of $1,834 million (31 August 2019: $200 million).

Under the liquidity and capital resources condition as at 29 February 2020, the Group can fund its capital expenditures and working capital requirements with internal resources and the available banking facilities.

Hedging

The Group's policy is to hedge the currency and interest rate risk arising from non-Hong Kong dollar denominated assets/liabilities and the variable interest rates of the debt instruments and facilities by entering into currency forward and interest-rate swaps, respectively. 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 currency forward to buy USD at 7.778 in the principal amount of US$621 million with an international financial institution that matures on 30 November 2020. Benefiting from the hedging arrangement, the Group substantially fixed the USD/HKD exchange exposure until maturity of the instrument.

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.

The currency forward and the interest-rate swap arrangements are recognised initially at fair value and remeasured at the end of each reporting period. Neither of the financial instruments 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 29 February 2020, no assets of the Group were pledged to secure its loans and banking facilities.

Contingent Liabilities

As at 29 February 2020, the Group had total contingent liabilities of $532 million (31 August 2019: $8 million) in respect of bank guarantees provided to suppliers and utility providers in lieu of payment of utility deposits, and bank guarantees in lieu of performance guarantee.

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.

Significant Investments, Acquisitions and Disposals

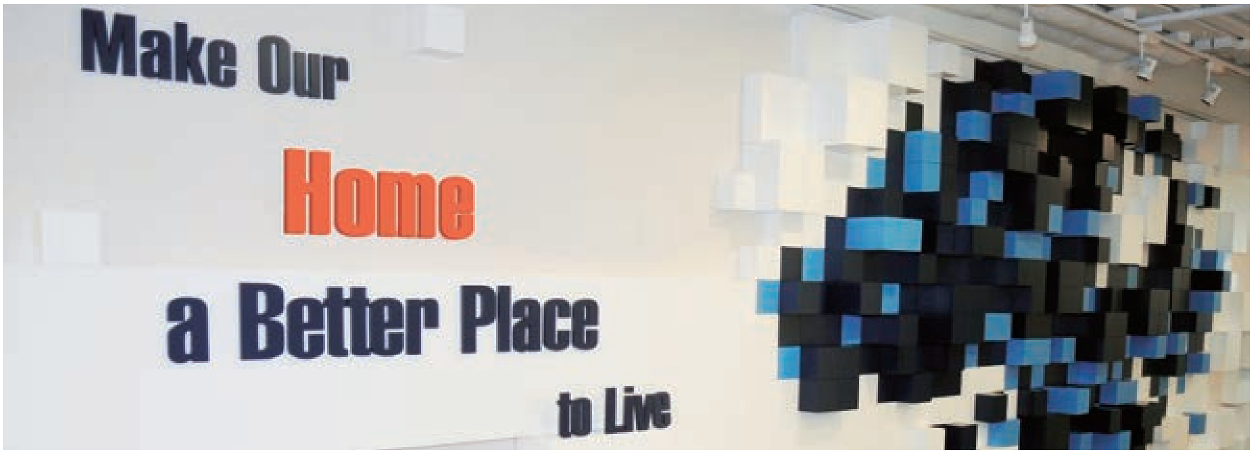
On 23 August 2019, HKBN Group Limited ("HKBNGL"), an indirect wholly-owned subsidiary of the Company, (as purchaser) and JTH (BVI) Limited ("JTH") (as seller), amongst others, entered into the share purchase agreement (the "Share Purchase Agreement"), pursuant to which, among other things, HKBNGL conditionally agreed to purchase, and JTH conditionally agreed to sell, the entire issued share capital of HKBN JOS Holdings (C.I.) Limited (formerly known as "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 million) in cash (subject to certain Closing and post-Closing adjustments) ("JOS Acquisition"). The condition precedent as set out in the Share Purchase Agreement was satisfied and the completion of JOS Acquisition took place on 13 December 2019. The Target Companies have become direct wholly-owned subsidiaries of HKBNGL and indirect wholly-owned subsidiaries of the Company. Please refer to the announcements of the Company dated 23 August 2019 and 13 December 2019, and the circular of the Company dated 21 November 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 1H2020.

Talent Remuneration

As at 29 February 2020, the Group had 5,861 permanent full-time Talents (31 August 2019: 4,131 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.

Our Core Purpose



Since 1999, HKBN has embarked on an incredible journey of change that has transformed the way people and businesses connect and do more in the digital era. For most of that time, the far majority of our business centred on serving customers and communities throughout Hong Kong. Whether it's providing millions of Hong Kongers and thousands of businesses with a wide array of telecom and technology solutions, or the efforts we've undertaken to empower sustainability for local communities, we greeted each day as a chance to realise our Core Purpose: Make our Hong Kong a Better Place to Live.

With the acquisition of JOS in December 2019, our business immediately expanded into regions that now include Singapore, Malaysia, mainland China and Macau. And in line with this expansion, we've also broadened the scope of our Core Purpose to reflect an unwavering commitment to make local communities better wherever HKBNers call home.

Wherever we operate, in everything we do and in every decision we take, our Core Purpose seeks to

'Make our Home a Better Place to Live'.

Being a purpose-driven company means we measure success in ways beyond financial-only performance.

Customers

As a company, we always seek out market inadequacies and follow up with action to do better. In terms of business, our legacy of delivering innovation, exceptional products and service experiences provides customers with vast improvements to the way they live, learn, work and play.

Talents

As a Talent-obsessed employer in Hong Kong, Singapore, Malaysia, mainland China and Macau, we take great pride – and lead by example – in how HKBNers are treated as priority number one. Through an exhaustive range of initiatives, we provide Talents with excellent work flexibility to enjoy life and perform efficiently, as well as offer development and skin-in-the-game entrepreneurship opportunities that enable them to flourish both professionally and financially.

Suppliers

The relationships which exist between HKBN and our business partners and suppliers are built on mutual trust, respect, fairness and rigorous compliance of the respective laws and regulations. Paramount is the concept of win-win partnerships. To this end, we want all our partners and suppliers to work with us to make money together, rather than off each other – and we're using creative new ways to achieve that.

Community

By actively embracing our purpose to do good, we believe HKBN has a responsibility to uplift and empower, especially for underprivileged people from the local communities in which we operate. Above all, our approach, which we term Corporate Social Investment ("CSI"), favours investing and collaboration over philanthropic donations.

Environment

As a technology-based company, our goal is to find smarter ways to do good for our planet. This we achieve by utilising the latest eco-friendly solutions and ideas to help us realise better results in energy consumption, waste reduction, recycling, carbon footprint reduction and more.

In early January, the World Health Organisation announced that a new virus – now named COVID-19 – was identified and said as belonging to the coronavirus family, like the SARS virus of 2003. With each passing day, reports emerged of COVID-19 spreading around the world. On 22 January, Hong Kong reported its first two confirmed cases. A global health emergency had begun.

#ToughTimesTogether begins...

In the fight against COVID-19, many communities have been ordered to reduce, and even, limit social contacts. Consequently, this has impaired the economy, with many businesses and families suffering tremendously by way of financial losses, wage cuts and even layoffs.

As communities face one of the most difficult challenges in recent memory, HKBN quickly stepped up – embracing our Core Purpose to 'Make our Home a Better Place to Live' with a myriad of holistic relief measures. Through a concerted campaign to help local families, SMEs and communities get through #ToughTimesTogether, our comprehensive response – ranging from fee waivers, innovative ways to do business and free remote office solutions to free broadband and smartphones – addresses many different stakeholder groups, including our Talents, customers, businesses, and the society's most vulnerable.

“In times of crisis, we believe it is our responsibility to proactively respond with a 'can do' spirit to help ease the financial burden, as well as work with businesses, communities and vulnerable people in need. While our relief measures are comprehensive, covering the needs of many different groups, the true meaning behind our #ToughTimesTogether campaign is that we hope to inspire more companies to step forward and extend a helping hand by being flexible or by doing more. Collective action will make all the difference.”

CY Chan
Co-Owner and Chief Talent & Purpose Officer

For

ALL RESIDENTIAL FIXED-LINE SERVICES AND ENTERPRISE CUSTOMERS IN HONG KONG

1-month Service Fee Relief

Mindful of the coronavirus's economic toll, we stepped forward to ease the financial burden for our full base of over 900,000 residential fixed-line services and enterprise customers in Hong Kong. From 2 to 15 March, registered customers could have a 1-month service fee waiver (up to $200 for Residential Solutions and up to $500 for Enterprise Solutions).

▲ Protective supplies like face masks and hand sanitisers are provided to our frontline and core operational Talents.

For

TALENTS

Flexibility to Work From Home

Keeping in mind the importance of social distancing, we expeditiously announced that starting 28 January all HKBN Group back-end and office Talents in Hong Kong, Singapore, Malaysia, mainland China and Macau would be allowed to work from home ("WFH"). And to maintain productivity, our Talents were empowered by remote access capabilities for virtual meetings and secure access to company systems.

As this WFH measure continues, services and support for our customers remain in operation. To protect our frontline Talents, we have clear guidelines mitigating infection risks from quarantined buildings/premises in the territories.

For ENTERPRISE CUSTOMERS

Free Mobile & Remote Office Solutions

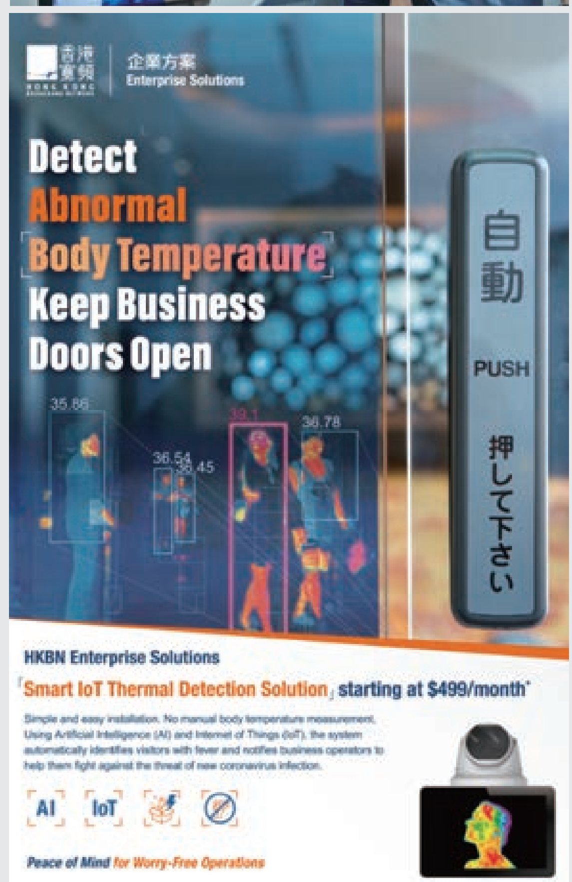
As companies scramble to balance employee safety with maintaining operational continuity, we responded quickly to help businesses work through this critical period. In late January, we offered mobile office solutions – to minimise business disruption and safeguard employees against infection – which includes the use of Business Continuity Service ("BCS") Centres as an office backup facility, mobile conferencing service and remote access service, free for our enterprise customers until the end of May 2020.

On 14 February, in response to growing demand for business continuity outside the office, we teamed up with Microsoft to help customers in Hong Kong work from anywhere and access their company's data and systems – free for three months. Our Remote Office Solutions features comprehensive end-to-end services that include free use of laptops, software licenses and installation, system configuration and deployment as well as a 6GB mobile data SIM card. HKBN JOS customers in Singapore could also enjoy similar offers.

Cost-effective IoT Thermal Detection Solution

Knowing that on-site temperature checks will play an important line of defense against the coronavirus, we quickly introduced a smart IoT Thermal Detection Solution to help businesses automatically screen higher-than-normal body temperatures, aiming to create virus-free environments to give employees and customers peace of mind. Starting from $439/month, our easy-to-install solution provides a cost-effective way for businesses to stay safe and stay open.

Our IoT thermal detection solution became a very timely solution to businesses, as the HKSAR Government announced on 27 March 2020 that temperature detection would be mandatory in all restaurants.



Barter & Bundle

In order to help businesses in Hong Kong stay afloat during this difficult period – and to achieve a win-win for long-term development, enterprises from different industries have the option to offer their products or services in exchange for HKBN's telecom and technology solutions. Through our 'Barter & Bundle' plan, we're exercising great flexibility so that businesses can offset part of their payments for our range of telecom and technology solutions – saving on-hand cashflow.

For our

COMMUNITIES

Free Data Smartphones for Care Home Residents

As in-person visitations have been curtailed at care homes, we teamed up with the Evangelical Lutheran Church Social Service – Hong Kong and St. James' Settlement to give away free unlimited local mobile data and smartphones to help over 720 residents (elderly and persons with disabilities) stay connected with family, friends and the outside world through video calls.

▲ Our free unlimited data SIM cards and smartphones have helped nursing care home elderly and the chronically ill residents stay in touch with family and friends.

Free Data Smartphones for New Life Psychiatric Rehabilitation Association Members

Amid the coronavirus threat, many rehab centres in Hong Kong have been temporarily forced to close. Concerned about the well-being of New Life Psychiatric Rehabilitation Association members, particularly those who live alone, HKBN and HKBN Talent CSI Fund teamed up to provide unlimited mobile data SIM cards and smartphones. Through this measure, beneficiaries are now able to use tele-health services to resume basic medical check-ups and consultations via video calls.

Free Data SIM cards for Disadvantaged Students

To cope with school closures due to the coronavirus, online learning has become a necessity for students. Enabling disadvantaged families with children eager to learn, HKBN and HKBN Talent CSI Fund joined hands with Caritas Hong Kong, The Hong Kong Family Welfare Society, The Hong Kong Federation of Youth Groups and St. James' Settlement, and provided 1,000 free unlimited local mobile data SIM cards.

Free Broadband for 10,000 Disadvantaged Families

Extending our support to families in need, we announced plans to provide our fibre broadband service free for two years to 10,000 disadvantaged households. Starting 1 April, disadvantaged individuals and families, including the chronically ill, the elderly and students in financial hardship can apply for our free broadband plans through seven partner organisations.

▲ Joining hands with Hung Fook Tong, a food and beverage wellness retailer based in Hong Kong, we gave away 15,000 face masks to our community's most vulnerable people.

Elinor Shiu
Co-Owner and
Chief Marketing Officer -
Residential Solutions

Better for Customers

Mindful that our success begins with customers, we work endlessly not only to inject disruptive features and appeal across our products, services, solutions and experiences, but to also embed factors like reliability, transparency, quality and safety in all our offerings.

Service Reliability

Reliability of our services is a crucial attribute that helps to reinforce customer trust in our service.

Network Performance

To ensure that our fibre network service is outstanding and reliable, our Network Operation Centre ("NOC") works around-the-clock to monitor and oversee our performance. As at the end of January 2020, availability of our core network for Residential Solutions ("RS") customers was at 99.9997%*, exceeding our target of 99.999%, whilst access network availability was at 99.9904%*, over our target of 99.99%. As at the end of December 2019, network availability for Enterprise Solutions ("ES") customers was at 99.9998%*, beating our target of 99.9996%.

Standard procedures and escalation guidelines are in place to ensure rigorous monitoring of network performance across different service platforms.

99.9998%

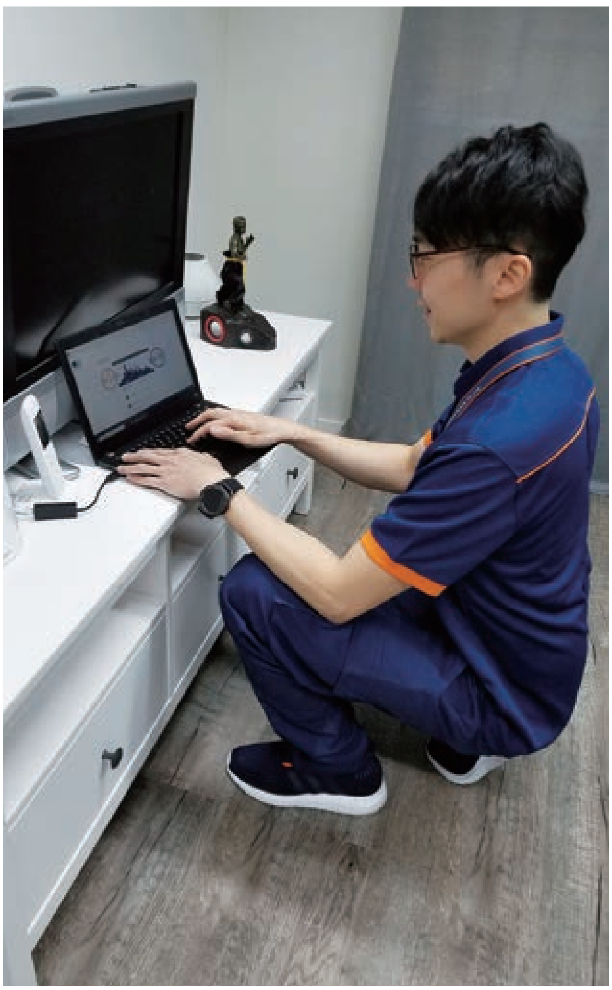
Network availability for enterprise customers

99.9997%

Network availability for residential customers

** Excludes interruptions caused by circumstances beyond HKBN's control such as civil disobedience, explosion, fire, typhoon, flood, government action, labour disputes, trade disputes or actions of third parties.*

During the interim period, we continued to develop a Centralised Alarm System ("CAS") to consolidate our existing alarms protocols for improved network surveillance capabilities and effectiveness. Disaster drills are regularly conducted to ensure speedy service recovery in case of contingency. In terms of network outage recovery performance, as at the end of January 2020, 97%* of residential cases were restored within six hours, exceeding our target of 95%, 87%* were restored within four hours, better than our target of 85%.

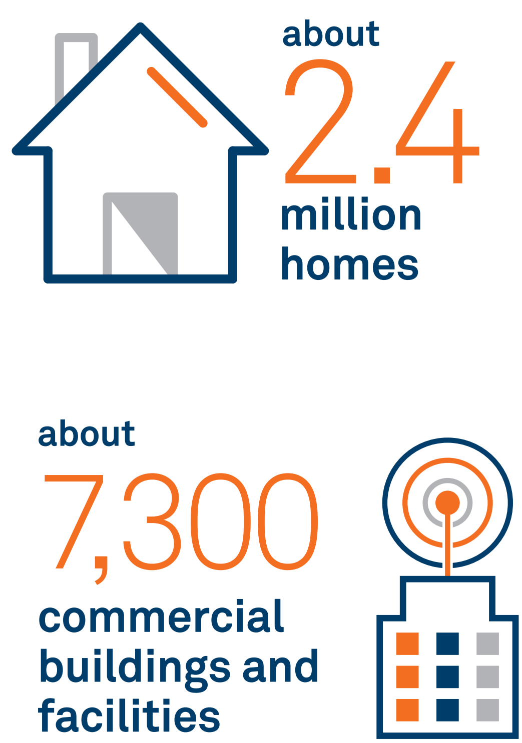


▲ Our dedicated broadband engineers are fully trained to diagnose and resolve on-site issues for customers.

Expanded Network Coverage

To increase the availability of our services to more households and companies, we continued to expand our fibre network coverage. Throughout the interim period, our fibre coverage was extended to more than 17,000 additional homes, 21% of which were in rural areas, including villages not previously served by high-speed fibre broadband service. Likewise, 197 commercial buildings were added to the coverage of our fibre network, in addition to those integrated from our WTT acquisition, extending our reach to more Enterprise Solutions customers. As at the end of February 2020, our fibre network reached about 2.4 million homes and about 7,300 commercial buildings and facilities in Hong Kong.

Network covers



* *Excludes interruptions caused by circumstances beyond HKBN's control such as civil disobedience, explosion, fire, typhoon, flood, government action, labour disputes, trade disputes or actions of third parties.*

Customers

Network Improvements & Upgrades

As our fibre network remains a vital aspect of HKBN's business, we invest considerable effort and resources to maintain network reliability as well as future-proof its capabilities. During the interim period, the following measures were undertaken:

- Continued to automate service provisioning to reduce provisioning lead time
- Upgraded our Fibre-to-the-Home GPON network to the latest technology, doubling network capacity and paving the way for 10GE service in the future
- Upgraded our DWDM transmission network for features to augment service availability and performance
- Integrated and aligned former-WTT services and network specifications for enhanced performance, reliability and cost synergy
- Building a new 5G mobile backhaul network infrastructure to enable 5G rollout for mobile network operators
- A new NOC in Guangzhou is being established to provide resilience support for network surveillance and service support

▲ Dedicated to outstanding technical excellence, our Field Service Engineer team (pictured from left to right: Ming-ho Wong, Engineer; Tak-hing Lau, Field Service Engineer; Calvin Tam, Supervisor - Field Engineering; Wing-lung Wong, Field Service Engineer; and Chi-kong Lui, Field Service Engineer) ensures that our network services are always running optimally for customers.

Reliable Partners, Reliable Service

For the interest of our customers, we work closely with business partners at different operational levels to maintain reliability of our mobile and OTT services. During the reporting period, no major service interruptions occurred.

Securing Customer Satisfaction

To understand the user experience, we continued with efforts to benchmark customer feedback via online satisfaction surveys. The following are some of the ways we garnered feedback throughout the interim period to improve what we do:

- We conducted a customer evaluation survey wherein overall evaluation of 'products in use' was at 7.72 out of 10 (-0.9% versus FY19), whilst 'overall performance of products and services' was at 7.86 out of 10 (+2.2% versus FY19).
- Once a month, we conducted satisfaction surveys with new customers and received an average score of 4.7 out of 6 for our broadband service survey.

- In order to better understand overall customer satisfaction across our range of services and experiences, a comprehensive annual Health Check Survey was initiated in December 2019 (once completed, results will be shared at a later date).
- One calendar day after every installation/ maintenance service order is completed, an electronic customer satisfaction survey will be sent. When the score given is 3 or below (out of 6), or if customers express a need for improvement, we will proactively contact the customer for follow-up. From September 2019 to January 2020, the average score received was at 5.75 out of 6.
- After every interaction made with our customer service channels (online chat or service hotline), customers are invited to rate their satisfaction level. The satisfaction score of our hotline was at 6.56 out of 7, and our online chat service was at 6.28 out of 7.

We take great pride in giving our customers the best assistance possible. From time to time, customers share their appreciation of our attentive service through complimentary feedback sent by e-mail or even via handwritten letters. During the reporting period, our Residential Solutions after-sales service team received 1,290 individual complimentary notes; our Enterprise Solutions quality management team received 196 individual complimentary notes.

Residential Solutions received

1,290

personalised compliments from customers

Enterprise Solutions received

196

personalised compliments from customers

RS Complaints Procedure

A complaint management system is in place to ensure that our customer service can address customer inquiries, deliver a consistent level of support and manage complaints in a timely manner. A dedicated "Resolution Service" team conducts investigation into complaint cases with the relevant parties and provides a response to each complainant based on the target response timeline. Cases would be settled and closed when resolved with customer satisfaction after follow-up actions are taken. Details of communication and follow-up actions with the complainant are recorded in the system. A monitoring procedure is in place to ensure that unsettled complaint cases are reviewed daily.

With a target to resolve customer complaints within 6 working days as at the end of January 2020, 100% of complaints received got initial resolution within the target response timeline; whilst 84% of complaints received were settled and fully closed within 6 working days.

ES Complaints Procedure

For Enterprise Solutions general complaints, we adopted ISO10002:2014 into our complaint management system to handle customer complaints. A dedicated Customer Care & Fulfilment ("CCF") team handles this by performing investigations to identify root causes and subsequently provide resolutions. The CCF team will also work with relevant teams to pinpoint areas for improvement and fault prevention. A monthly review record with root causes and complaint case information will then be distributed to the relevant department heads as means to review and remedy problem areas. In terms of customer service performance, our target is to settle complaints by proposing a resolution within five business days, and fully resolve the complaint issue within one calendar month. As at the end of January 2020, 86.6% of complaints were resolved via a proposed resolution within 5 business days, and 86.6% of complaint issues were resolved within the calendar month.

Making Service Affordable

True to our Core Purpose to "Make our Home a Better Place to Live", we believe broader accessibility to world class telecommunications is essential in a strong, prosperous society. For this reason, we continue to set the price ceiling for our 100Mbps residential fibre broadband service at 1% of Hong Kong's median household income.

As a company committed to bringing customers unbeatable value for their money, we constantly track, analyse and benchmark market trends. But rather than following legacy market practices, our disruptive DNA has led us to tailor services for the benefits of consumers.

Fair and Transparent Sales & Marketing

Our long-term success with customers is built on a relationship of trust and integrity. For this crucial reason, our objective is to ensure that customers can make well informed decisions when choosing our products, services and solutions.

Standard policies and procedures are in place to ensure that all our marketing materials are compliant with the relevant laws and regulations including the Trade Descriptions Ordinance. Before any marketing material is made available to customers, they must first be properly vetted and approved by our legal and/or senior management teams.

Selling Responsibly

At HKBN, we put heavy emphasis on training and service quality for all Talents involved with the sale of our products and services.

Our sales-related Talents are required to undergo comprehensive training covering product/service knowledge, sales techniques, company policies and ethics. Crucially, Talents must pass an assessment before being permitted to interact with our customers.

For existing sales Talents, on-the-job training and refresher trainings are regularly mandated to ensure they are always adequately prepared. To ensure that accurate information is relayed to customers, our telesales Talents operate with the support of pre-approved scripts and detailed procedural guidelines.

Performance of our frontline sales teams is carefully monitored by team leaders as well as the Quality Management team. Monthly mystery shopper exercises are conducted to ensure that our retail sales Talents operate according to our standards.

Between September 2019 and January 2020, we provided 703 hours of sales and marketing conduct training exercises for our newly joined Talents.

▲ Appropriate training is provided to our marketing and sales Talents to ensure that information we give to customers is accurate and fair.

For added consumer protection, customers are entitled to HKBN's dual 14-day cooling off periods. Customers may cancel their residential fixed and mobile services within 14 days after registration or within 14 days after installation (for fixed services) or service activation (for mobile services) at no additional cost.

Customer Privacy

Our customers trust us with their personal data, and we take data privacy protection as a top priority. We have a stringent privacy policy governing how we collect, use and manage customer information. Our Internal Audit and Risk Department also commissions certified professionals to conduct periodic reviews of our security systems. Customers can pose their enquiries or complaints about data privacy via telephone hotline, email, fax or letter. We target to investigate and respond to enquiries within seven days.

During the reporting period, we further strengthened our information security capabilities via the following:

- Alignment of our information security-related policies with newly merged WTT and JOS operations
- Conducted network and application security assessments for WTT and HKBN infrastructure
- Upgraded our Bring Your Own Device ("BYOD") arrangements to empower Talents to work from home with extra security measures
- Restructured information security-related policies in accordance with ISO/IEC 27110:2013 specifications

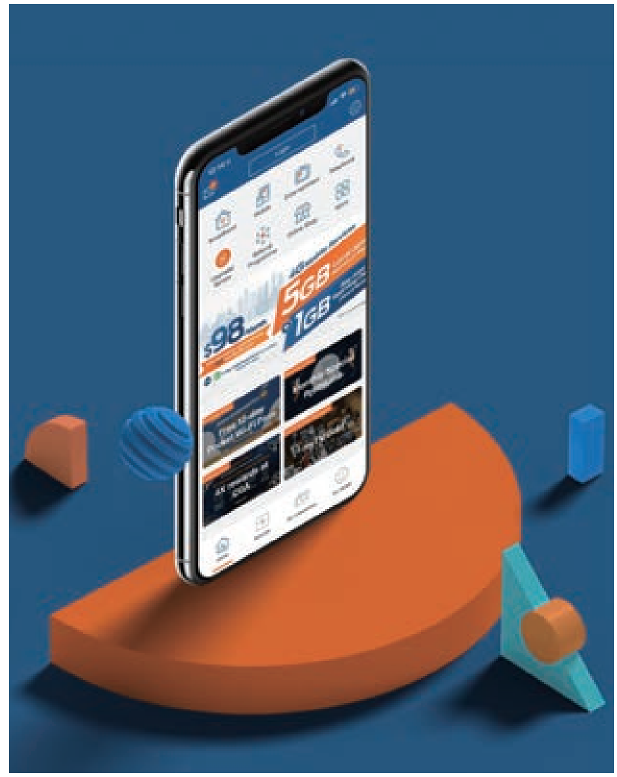
Innovation for Customers

As a leading telecom and technology solutions provider, we know our ability to innovate ensures that customers can rely on us for best-in-class products and services. As such, we put extra effort in mobilising our Talents to focus on innovation and the latest technologies to deliver greater value for customers.

The following are some of our innovative new services introduced during the interim period:

My HKBN App

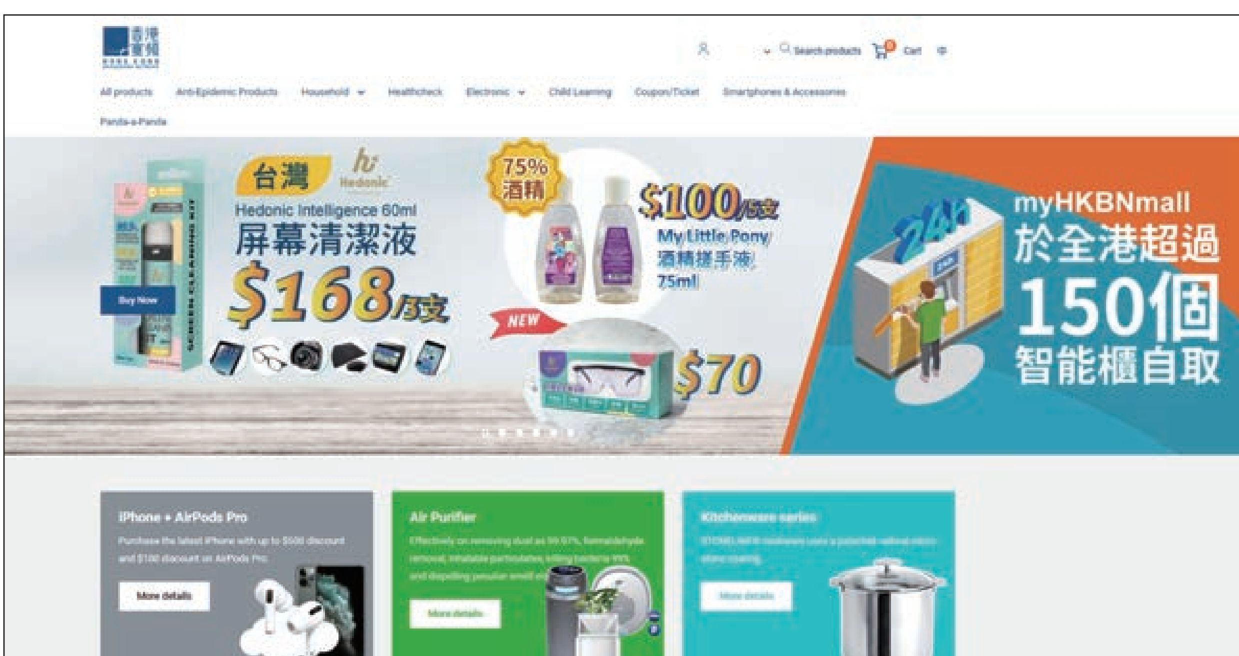
Our My HKBN App conveniently allows customers to do just about anything related with HKBN services: check mobile data usage, upgrade or renew services, check out our latest offers, refer a friend for awesome rewards, or pay their monthly bills. During the reporting period, we added a new reward functionality to incentivise users for being our customers. In just a few simple clicks, customers can now redeem (on a regular basis) awesome discounts and giveaways like free McDonald's fries, a free bottle of hand sanitiser, a Pacific Coffee $10 discount coupon good for repeated use during the promotion period, and so much more!



▲ It almost does everything! The My HKBN App lets customers check our latest plans and offers, pay their bills, refer friends and now get rewarded with awesome freebies and discounts.

myHKBNmall

Our all-new myHKBNmall is a one-stop online shopping destination designed to expand our relationship with customers through a growing range of everyday products, as well as the latest must-have gadgets. Items available for purchase include products from Apple, Le Creuset, 3M, Sinomax and more. In addition, myHKBNmall also offers useful items like hand sanitisers and even air purifiers.



Global Talk+

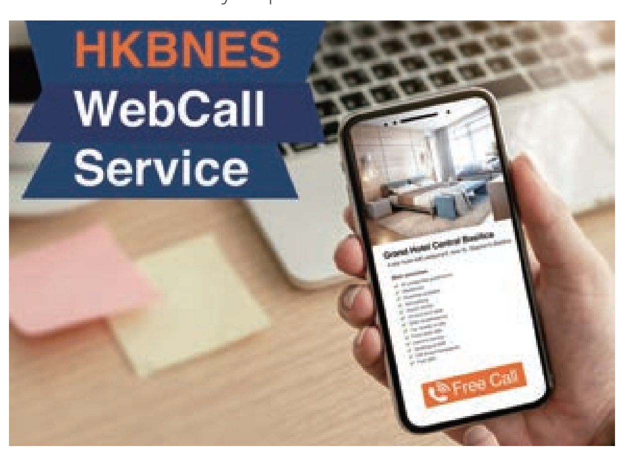
For many families, keeping a fixed line number at home can be costly. For just $28 per month, Global Talk+ allows subscribers to take their current home number (or be assigned a brand-new home number from HKBN) anywhere in the world (no fixed telephone line installation necessary). Powered by a seamless user experience, Global Talk+ subscribers can travel the world and make calls to any Hong Kong number or receive calls from anywhere for free via their smartphones (a data or Wi-Fi connection is needed).

Sigfox 0G IoT Solutions

In December 2019, we partnered with Thinxtra to be the very first telecom carrier in Hong Kong to launch game-changing Internet of Things ("IoT") platform solutions based on Sigfox's technology standard. As the innovator of the global 0G network standard, Sigfox is the world's leading connectivity provider for IoT. By leveraging this 0G network technology, our customers from both public and private sectors will be able to unlock the limitless potential of IoT in a simple and cost-effective manner. From IoT-based solutions that focus on energy savings (e.g. automated lighting, air conditioning) and health & safety (e.g. sanitation leakage monitoring, indoor air quality monitoring) to transformative smart city technologies (e.g. city-wide intelligent waste management, public transport tracking), the opportunities and applications for enterprises are virtually endless.

WebCall

Our WebCall service is a one-click Internet calling solution that enables anyone browsing the Internet to speak to any business without requiring additional IDD or long-distance charges. This game-changing solution is the perfect answer for companies that regularly do business with customers worldwide, like hotels or e-commerce websites. Rather than make customers wait for an email reply, any questions they may have can be answered directly in-person.



▲ Our Remote Office Solutions answer the call to help companies stay operational, especially when employees cannot physically be at the office.

Mobile Office Solutions

As businesses and their employees better appreciate the importance of having additional options for remote access and split offices, especially in times of disruption, we launched our Mobile Office Solutions. This multifaceted service includes the use of Business Continuity Service Centres as an office backup facility, conferencing service for virtual meetings and remote access service to company systems, databases and telephone lines.

Remote Office Solutions

In response to a growing demand for continuing business outside the office, we teamed up with Microsoft to enable customers to work from anywhere and access their company's data and systems. For many companies, especially SMEs, the costs of systems, software, user equipment, and IT support as well as network configuration are often the biggest barriers in adopting a virtual desktop infrastructure ("VDI") for working remotely. Our Remote Office Solutions provides excellent value for money with comprehensive end-to-end service that includes use of laptops, software licences and installation, system configuration and fast deployment.

Business Continuity Service Anywhere

Our Business Continuity Service Anywhere provides an essential security blanket for enterprises to minimise loss and keep their businesses up and running in times of contingencies. Tailored to each enterprise customer's needs, including compliance with regulatory requirements, our service works by completing core mission-critical data set-up (such as financial, HR, IT systems and customer information) for remote access by employees at different locations across Hong Kong, minimising the impact of business disruption. When needed, our service also includes flexibility for employees to use backup office sites covering various locations around Hong Kong.

IoT-based Thermal Detection

Our highly cost-effective Smart IoT Thermal Detection Solution ("SITD Solution") is a well-timed service designed to help businesses and organisations mitigate the risks of COVID-19 and other similar viruses from entering their premises. Using advanced Internet of Things and Artificial Intelligence ("AI") thermal tracking technologies, our SITD Solution effectively detects and screens abnormal body temperatures before individuals enter offices, restaurants, retailers or schools. This convenient contactless body temperature tracking solution, which starts from as low as $439/month, supports real-time monitoring, smart alerts and record uploads via Wi-Fi or 4G mobile network, without requiring a staff member to manually conduct temperature checking.

Scan the QR code for a video about our SITD Solution

Over
1,200
cloud certifications conferred to HKBN Talents

Becoming Hong Kong's Most Cloud-proficient Telecom and Technology Solutions Provider

Understanding that cloud is critical to the future competitiveness for businesses across all industries, we embarked on a bold journey in November 2018 to establish ourselves as Hong Kong's most cloud-proficient telecom and technology solutions provider (with the most professionally-certified cloud experts). As at the end of March 2020, over 1,200 HKBN Talents completed their training and received certification across a broad range of cloud-related expertise, among which over 280 professional certifications have been achieved for both the Amazon Web Services ("AWS") and Microsoft Azure cloud platforms.

Put simply, this milestone means that across different levels and different function areas of HKBN, our Talents are now in the driver's seat position to assist and advise customers on their cloud transformation needs — using expert knowledge to help tailor cloud-powered solutions specifically for each customer's requirements. From picking the ideal platform and choosing a public, private or hybrid cloud architecture, to designing a roadmap of priorities for each customer's unique digital transformation timeline, our Talents are fully equipped to deliver transformative results for customers.

Customer Accessibility to Information and Assistance

Whether online or offline, customers can easily subscribe to HKBN's diverse range of services and get access to information like pricing, plan details, terms and conditions, and more, in a consistent and transparent manner across all channels.

Residential Solutions Customer Service

Through our customer service hotline, online platforms, e-mail and other channels, customers can get help fast and easy. In terms of performance during the reporting period, our enquiry hotline answered 85% of calls made by customers within 30 seconds during operating hours from 9am to 11pm. Our Online Customer Service Chat answered 87% of chat enquiries within 30 seconds during operating hours from 9am to 9pm. For emails, 98% of enquiries made during operating hours from 9am to 9pm were normally replied to within four hours. Customers can also report any technical issues via our 24-hour customer service hotline. When cases require special diagnosis, our target is to address the issue within two calendar days. During the interim period, 88% of such cases were resolved within the target two-day timeframe.

Gauging customer sentiment is important to us. Upon completing enquiries made to our customer service hotline, customers are asked to rate their satisfaction based on a scale from 1 to 7. During the reporting period, we scored an average of 6.56 out of 7.

Residential Solutions customer service satisfaction score averaged

6.56 out of 7

Customers

Enterprise Solutions Customer Service

Through our Enterprise Solutions customer service hotline, customers can make enquiries or get assistance fast and easy. In terms of performance during the reporting period, our enquiry hotline answered 94% of calls, exceeding our target of 90%.

Like our residential operations, Enterprise Solutions also relies on customer service feedback as an important way to improve. During the reporting period, we conducted customer surveys on product and service satisfaction, wherein the average score was 86%.

To improve enterprise customer user experiences, we are currently revamping (targeted for completion during 3rd quarter of FY20) our Enterprise Solutions website with a focus on making information more accessible. The ES MyAccount platform will also undergo a similar revamp with more customer-relevant information and functionality to be added.

94% of calls

to Enterprise Solutions customer service hotline answered

Customer Health & Product Safety

HKBN is committed to providing products and services which comply fully with the legal and regulatory requirements for consumer safety. Early involvement with our suppliers throughout the product design stage helps ensure our requirements for quality, compliance with safety regulations and standards, as well as sustainability metrics, are met.

For our OTT content, we ensure that options for parental controls are available so that guardians may safeguard children from age-restricted content.

During the interim period, no substantiated non-compliance court cases or product recalls relating to product health and safety occurred.

Certified for Safety

As at the end of the reporting period, 100% of HKBN broadband technicians have earned a Construction Industry Safety Training Certificate. Granted by the HKSAR Occupational Safety & Health Council, this certification course provides the relevant health and safety training for construction industry professionals.

100% of

HKBN broadband technicians certified by Construction Industry Safety Training

Awards and Recognition

Asia's Best E-tailing Awards — Best Payment (Merit) conferred by The Best Practice of Ecommerce Alliance.

Talents Leading the Way

A career at HKBN entails 'Total Rewards' for Talents that aren't just strictly monetary in nature. Our Talents know that by embracing our Core Purpose to "Make our Home a Better Place to Live", they have a role in delivering improvements and benefits for the societies from which we operate.

We are also Talent-obsessed – substantiated by how we treat our Talents with respect, offer them exceptional flexibility and employment benefits, and provide copious opportunities to grow professionally. By championing objectivity in our pay structure, Talents understand all contributions they make will be fairly rewarded. In an analogous way, our skin-in-the-game Co-Ownership culture gives Talents a unique opportunity to prosper as part owners of the company they serve.

All combined, these elements ensure that HKBN Talents come to work thoroughly engaged with a sense of pride and passion to perform.

Fairly Rewarding our Talents

In terms of monetary compensation, we emphasise a culture of pay-for-performance. While outstanding performers are rewarded with better year-end bonuses, salary increments and job promotion opportunities, we also enforce a bottom 5% exit rule wherein poorly performing Talents are required to undergo a Performance Improvement Plan ("PIP"). When such Talents show no signs of improvement, they'll be asked to leave.

Talents

For FY19, we provided an average of 1.5 months of year-end bonuses. For annual salary review effective 1 January 2020, an average 3.2% increment was awarded for Talents in Hong Kong, while the average increment for our Talents in mainland China is 6.5%. In addition, the following are some key highlights which transpired during the reporting period:

- Under our performance rating system, which assesses each individual Talent's performance based on a criterion of company goals, core values and leadership attributes, a total of 56 Talents from Hong Kong and mainland China earned A+ ratings
- True to our bottom 5% exit rule, we invited 112 Talents to undergo the Performance Improvement Plan after their FY19 performance review. PIP is not the end game, as today's failure can be a springboard for tomorrow's success. Encouragingly, two PIP Talents from FY18 where rated as top performers in FY19, with one even earning a much deserved job promotion
- With effect from 1 January 2020, 298 Talents earned job promotions for their contributions. These Talents also shared the factors behind their success in a Promotion Journal, which has served as a learning guide to help fellow Talents learn, excel and succeed in their roles
- Whilst assessment results are important, we also want to highlight the decision-making behind endorsing or rejecting promotions for managerial-and-above-level Talents. This year, our Talent Management team collected the assessment feedback of all successful and unsuccessful promotions as a resource for supervisor-level Talents to understand the qualities we seek

3.2% and 6.5%

average salary increments for Hong Kong and mainland China Talents

Co-Ownership

Co-Ownership is our key Legal Unfair Competitive Advantage ("LUCA") and key differentiator which defines HKBN's unique strengths. Unlike the more traditional approach of giving stock options to a very limited group of senior executives, our Company's Co-Ownership is open to all supervisor-and-above level Talents, spanning operations across Hong Kong, Singapore, Malaysia, mainland China and Macau.

To participate, Talents can choose to invest their personal savings in the amount of between two and 24 months of salary to acquire HKBN shares at full market price. The shares are then matched with free shares at a certain ratio vested after three years, only if key company performance targets are met. Alternatively, Talents can also become Co-Owners by investing between two and 24 months of salary via our pain/GAIN Programme. After a specified period, and only when the predetermined common KPIs are met, Talents will be handsomely rewarded for their investments. Fall short, and all investments will go to a charity of their choice.

Co-Ownership Plan III Plus ("CO3+")

During the end of 2019, we opened invitations for Co-Ownership Plan III Plus to all supervisory-and-above-level Talents. In late February 2020, 789 Talents (including many former WTT and JOS Talents) joined as CO3+ Co-Owners and made an incremental investment of $295 million for the latest CO3+ tranche. Our CO3+ scheme has a 3-year cumulative performance target with bonus share returns of up to 1.33 times the amount purchased by Co-Owners. A 1-year cooling off period will be enforced before we grant the bonus shares; this 4-year period allows Talents to focus on long-term value creation beyond the immediate market challenges.

Mirroring our purpose-driven objective to create a lasting community impact wherever we operate, a majority of the 789 CO3+ Co-Owners have pledged to donate some of their bonus shares to the HKBN Talent CSI Fund, an independently operated charity founded by HKBN Co-Owners, if the CO3+ KPIs are achieved. On 27 February, our Executive Directors personally donated four million HKBN shares worth over $57 million as seed funding to kick things off. Collectively, this remarkable commitment from our Co-Owners will endow the HKBN Talent CSI Fund with perpetual capital (includes twice-a-year share dividends) to sustainably fuel its purposeful initiatives in communities where we operate.

Beyond HK pain/GAIN Co-Ownership

Shortly after acquiring JOS, we challenged our 'Beyond-HK' management team (as part of integrating Singapore, Malaysia, mainland China and Macau) to drastically improve their Adjusted Free Cash Flow ("AFF") contribution to our Group. Through our Beyond-HK pain/GAIN Co-Ownership programme, 72 supervisor-and-above level Talents from Singapore, Malaysia, mainland China and Macau invested between 2 and 24 months of salary upfront. Meet the cumulative AFF target by August 2021, and our Co-Owners will GAIN a multiple of their investment. We intentionally set one common cumulative AFF goal, rather than separate regional targets, to ensure outstanding silo-less performance from Talents across the 4 different regions.

In total, we now have 935 Co-Owners from our CO1, CO2, CO3+ and Beyond-HK pain/GAIN schemes, representing a powerful majority of supervisory-and-above-level Talents driven for success with skin-in-the-game.

Co-Ownership take-up rate among our CXO executives and Director/Associate Directors is 100%; 74% among Manager-grade Talents; and 50% among Supervisor-grade Talents.

HKBN now managed by

935

skin-in-the-game Co-Owners

100%

take-up for senior management

HKBN Co-Ownership Take-up Amongst Talents:

Seniority	Total Invited for Co-Ownership	Co-Ownership Take-up	Co-Ownership Take-up Rate
CXO Management Committee, Directors and Associate Directors	73	73	**100%**
Managers	405	300	**74%**
Supervisors	1,124	562	**50%**
Total eligible for Co-Ownership	**1,602**	**935**	**58%**

Note: As of 31 March 2020

JOS Integration

As part of our efforts to accelerate HKBN x JOS integration, we organised a series of pre-engagement activities knowing that the sooner we could start communication and engagement, the better we'd be able to harvest synergies of the two complementary businesses.

Cross-team exchange activities were arranged to convene Talents from various facets and share their knowledge, expertise, and experiences. Through this, we garnered greater insights on the services, solutions, business operations and client portfolios being handled by different functional groups. As a result, teams from HKBN and JOS formed special committee groups to initiate the merger and integration plan for a well-structured alignment.

To help JOS Talents better understand the culture of HKBN, we organised two HKBN open house sessions on 14 and 20 January 2020. These activities gave incoming JOS Talents a chance to see up close how our Core Purpose, values and LIFE-work priority focus are dynamically linked with our day-to-day career objectives.

1-HKBN e-Townhall Meeting

An embrace of open communication and total engagement means our Talents are always well-informed about key strategy directions impacting our business. On the day of the completed acquisition (13 December 2019) with JOS, we organised an e-Townhall meeting to celebrate and welcome JOS Talents into our HKBN elite sports team. Attended by Talents from 15 HKBN and JOS offices across the pan-Asia region (via live streaming), we shared our integrated HKBN vision and strategy with about 5,800 Talents.

▲ After acquiring JOS, we invited JOS Talents to get a better understanding of HKBN culture via two open house sessions at our offices.

▲ On the day our acquisition of JOS was completed, we welcomed everyone into our elite sports team via a live + virtual town hall meeting attended by Talents from 15 offices in five countries/regions.

No Silos, All LUCA: HKBNES x JOS

Through our acquisition of technology solutions leader JOS, we transformed overnight from a primarily Hong Kong-based business into one dynamically engaged across markets that now includes Singapore, Malaysia, mainland China, and Macau. As a vertical fusion, our two businesses each bring many strengths and capabilities (HKBNES: telecommunications and enterprise solutions; JOS: system integration and technology solutions). The biggest question in all of this is: how can we integrate to unleash our full potential across five different regions?

Being a Talent-obsessed company means we understand that more than any other factor, Talents – not technology, infrastructure nor software – play a pivotal role in everything we do. With this firmly in consideration, our merger integration strategy has been modelled on embracing change – a total mindset alignment that challenges everyone (both ex-JOS Talents and HKBNers) to work towards the same set of goals.

Preliminary Meeting in Singapore and Malaysia

As part of the JOS deal and due diligence process, members of our senior management team visited JOS offices in Singapore and Malaysia between October and December 2019. We met with JOS Talents to discuss the future ahead, as well as gain a more informed understanding of the two regional businesses, Talents' capabilities and solutions portfolios – defining the focus of our integration strategy.

"To our surprise, the two regions were completely siloed. Lacking an understanding of Singapore and Malaysia team's respective strengths, frontline sales Talents had no incentive to perform beyond the legacy boundaries. Through HKBN's LUCA of breaking down silos, and aligning the regional teams, we were confident in turning JOS acquisition into comprehensive new growth opportunities."

Almira Chan
Co-Owner and
Chief Strategy Officer

By favouring stronger collaboration between our regional operations and between different functional teams, we're eliminating the legacy silos to unlock and coalesce our full spectrum of technical skill sets, expertise and ingenuity as a Legal Unfair Competitive Advantage ("LUCA") for customers, broadening HKBN's telco + technology solutions impact like never before.

The following are some of the initiatives we undertook to change and evolve into a unified silo-less operation:

A Masterclass in Change: Learning@INSEAD Singapore

Shortly after the JOS deal completed, we jumpstarted our HKBN x JOS integration strategy in January 2020 by gathering for a variety of vision-aligning activities that included a 2.5-day workshop at INSEAD Singapore. After spending time at INSEAD unlearning and relear—ning, 53 of our elite senior executives from HKBN, HKBNES and JOS regional offices became inspired leaders, breaking free from legacy thinking to embrace concepts like a blue ocean strategy shift, design thinking and calculated risk taking. Framed with unorthodox exercises such as a charity poker tournament and a team cooking challenge, this trip greatly elevated our integrated team chemistry and strategic thinking.

Scan QR code to watch a video of our learnings in Singapore

▲ Throughout the 2.5 days of intense learning, our management team absorbed a wide range of new ideas and strategies to help our broader teams think outside the box.

▲ Whilst fun, a charity poker tournament was organised to reaffirm the importance of calculated risk-taking.

▲ In this design thinking exercise, our leaders learned the value of iterative prototyping, acting swiftly, and the merits of failing fast.

HKBN JOS Townhall in Singapore

Following learnings at INSEAD, we organised our first open 2-way communication event between management and hundreds of JOS Talents from Singapore (other Talents from Malaysia, mainland China and Macau joined via web-casting). At this event, our leadership team leveraged what they learned from INSEAD, and shared their strategy and goals for our combined integration. Through sessions of questions, discussions and feedback, we inspired our Talents with a vision of what a silo-less integrated HKBN can be: a united and more agile company empowered for success.

> We are one of the few companies that has a wide footprint, a big pool of skilled-Talents, and a broad range of solutions to address the region's ICT market demands. We are already seeing cross-country silo-less collaboration paying off as we build stronger pipelines and unique go-to-market strategies.
>
> **Steven Soo**
> Co-Owner and Managing Director, JOS Malaysia

> Silo-less 1-HKBN is a great initiative and I'm pleased to know HKBN is NOT in line with a SILO mentality. Identifying and properly utilising the strengths of Talents across the region is only going to make us STRONGER TOGETHER!
>
> **Anu Subramaniam**
> Accounting Assistant,
> JOS (based in Singapore)

> The management team, together with our regional JOS leaders and Talents, are all aligned to make the Beyond-HK business a strong success... I believe skin in the game ownership, for which I've committed 6 months of salary towards our pain/GAIN scheme, is clearly the catalyst to drive our growth.
>
> **Patrick Ng**
> Co-Owner and Head of JOS Macau

▲ At the town hall meeting, our senior management team shared our vision about what HKBN can become moving forward.

Pain/GAIN 'Beyond-HK' Co-Ownership

At HKBN, there's no better way to drive silo-less alignment than by allowing our Talents to put their 'skin in the game'. As integration began, we challenged our 'Beyond-HK' management team (as part of integrating Singapore, Malaysia, mainland China and Macau) to drastically improve their AFF (Adjusted Free Cash Flow) contribution to our Group. Rather than just hope for the best, we invited our Beyond-HK JOS Talents to invest in our pain/GAIN Co-Ownership programme.

Like our CO3+ scheme, our Beyond-HK pain/GAIN Co-Ownership programme invites eligible supervisory-and-above-level Talents to put their skin-in-the-game by committing 2-24 months of salary upfront. Hit or exceed the common cumulative AFF target by August 2021, and participants will GAIN a multiple of their investment. Fall short of the cumulative AFF target, and all investments made will go to a charity of their choice. A common cumulative AFF goal was set, rather than separate regional targets, to ensure that Talents from the four different regions can work together unencumbered by silos. Excitedly, this single silo-less cumulative AFF target gives us unstoppable LUCA to capture bigger and more diverse projects throughout the region, as we focus our telecom + technology expertise on fintech, healthcare and high-tech manufacturing sector opportunities.

▲ Confident in a future driven by pain/GAIN Co-Ownership, our HKBN JOS Talents (pictured is our Shanghai team) can't wait to harness success via cross-regional collaboration.

Silo-less Potential Unleashed

In our transformation into a more agile and silo-less HKBN powered by specialised professionals in five regions, our attractiveness as a telecommunications and technology solutions leader is already harvesting opportunities that were probably unthinkable before merging with JOS, and prior to that, WTT.

As at the end of the reporting period, we were awarded a number of mega-deals worth over $1 billion in total contracts. These extraordinary projects include a next generation fibre backhaul service for 5G deployment, telecom and digital services for a global quick service restaurant chain, a major stock trading platform network upgrade, network operations centre & IT operations for a regional technology hub, and the management of Oracle services and licenses, and advanced support services for a government health institution, as well as big win projects from HKBN JOS Macau like a network and Wi-Fi revamp, and hardware deployment with managed services.

Through an engagement approach tailored around each client's pain-points – often informed by laboriously collecting vital information from the client and other sources – our project leaders, who are mostly Co-Owners, have delivered tremendous energy and commitment to exceed expectations for value capture. Co-Ownership culture as well as silo-less collaboration ensured that project members (representing a dream team of industry professionals from HKBN, Y5Zone, ICG, NWT, WTT and JOS) could easily leverage the complete spectrum of their telco + technology know-how in our projects – current and future!

Talents

▲ The combined strategy and expertise of our three new executives, CIO Sam Tan (top left picture; centre), CT&PO CY Chan (top right picture), and CTO Samuel Hui (bottom picture; centre) will help unleash a total transformation for HKBN and our Talents.

HKBN Transformation with 3 New Appointments

Success for any business depends on how well it can adapt and lead through change. This is especially true in the digital era. Reflecting our commitment to unleash 180-degree transformation, between January and February 2020, we added three newly created leadership roles with the appointments of Sam Tan as Chief Innovation Officer ("CIO"), CY Chan as Chief Talent & Purpose Officer ("CT&PO"), and Samuel Hui as Chief Transformation Officer ("CTO"). By design, our two Sams + CY will serve to enhance all aspects of our business and operations, starting from Talent thinking, innovation, purpose and skin-in-the-game Co-Ownership to automation, digitalisation, customer engagement strategies and new agile ways of working together.

As a company that believes in eating what we cook before serving to customers, our holistic transformation journey will further enhance HKBN's capabilities to partner and deliver Transformation-as-a-Service ("TaaS") for customers everywhere.

LIFE-work Priority

Mindful that Talents play a decisive role in our overall success, we strive to ensure they can work and enjoy happy, fulfilled lives. While many are still grappling with work-life balance, we uphold LIFE-work priority. As a Talent-obsessed company, we maintain that personal well-being and family should always come first – when Talents can spend quality time with friends and family – we believe they arrive at work more motivated to perform.

Alignment of Benefits

The HKBN x JOS integration represents a new era bringing HKBN to the next level, transforming HKBN from a telecom carrier to a fully integrated telecom and technology solutions provider. By holding various Talent briefings, sharing, roadshows and townhalls, we promoted, cultivated and integrated our culture, core values, total rewards and skin-in-the-game concept to JOS Talents.

Talents

One key result of integration is that we've extended our LIFE-work priority initiatives to our 'new Talents' on Day 1 of our integration. 'Newly joined HKBNers' in Hong Kong now enjoy all the same leave benefits as all Hong Kong-based HKBN Talents, including shortened work hours of 9am- 5pm, monthly half-day off Friday, upgraded maternity and paternity leave, birthday leave, anniversary leave, etc. These have also been extended and applied to Talents in Beyond-HK regions.

Work Flexibility

Championing LIFE-work priority means we respect our Talents by practising work flexibility whenever the need arises. Throughout the interim period, we continued to be flexible and accommodating in response to unforeseen events like Hong Kong's protest movement and the coronavirus pandemic. We allowed Talents to work from home or remotely at our mobile office locations, or leave office earlier when personal safety was a concern.

COVID-19 Response

In light of the coronavirus threat, we exercised vigilance by encouraging office and back-end support Talents in Hong Kong (including HKBN, HKBN Enterprise Solutions and HKBN JOS operations) to flexibly work from home ("WFH"). As this measure continues to be implemented, we're also prioritising the safety of all front-line and core operational Talents with the supply of protective necessities like face masks and hand sanitisers. In addition, split-office arrangements are rolled out to mitigate the risk of cross-infection.

At our mainland China offices, we implemented comparable WFH measures until 10 February 2020 (when Talents returned to work in compliance with local authority directives). For those who were required to work due to operational needs between 29 January and 9 February 2020, we provided additional allowances.

For our Talents in Macau, Singapore and Malaysia, similar flexible WFH and split office measures were implemented as the situation across these regions were monitored and reviewed on a regular basis.

As a precaution, we've implemented a policy for any Talent at risk of contacting the coronavirus to undergo self-quarantine at home for 14 days. HKBN is determined to protect Talents' financial needs during this extraordinary period by granting full-paid sick leave for those who must undergo self-quarantine. A Commission Protection Scheme was also introduced to help sales-related Talents whose incomes are impacted during the pandemic period.

Talent Development

Investing in life-long development remains a crucial example of how we are absolutely Talent-obsessed. Our commitment is to ensure that Talents have all the development opportunities and tools to stay ahead of the game in an ever-evolving business and tech environment.

Professional Cloud Certification

Since November 2018, we embarked on a journey to become Hong Kong's most cloud-proficient telecommunications provider. As at the end of March 2020, over 1,200 Talents have undergone training and have successfully received their certifications across a range of cloud-related expertise. Worth noting is that out of this aggregate number, over 280 professional certifications have been achieved (ranging from being certified as cloud practitioners, solutions architects, and developer associates to administrator associates) for both the Amazon Web Services ("AWS") and Microsoft Azure cloud platforms. For more on how this empowers us to provide better services for customers, please refer to page 26 of this report.

WisCafé

To meet the learning and development needs from our expanded operations in Hong Kong, Singapore, Malaysia, mainland China and Macau, we established a brand-new platform, bringing together our knowledge, inspiration, best practices and experience sharing via one easy-access resource. Through this, we hope to empower greater collaboration and cultivate a culture of 'learning agility' for our continual development, growth and embrace of new strategies.

The following are some of the key highlights of the platform:

Wellness

Knowledge and insights are shared to showcase how Talents can enjoy happy, healthy and productive lives as they work towards enhancing HKBN's capabilities to innovate and stay competitive.

▲ Reminding Talents about the importance of cognitive wellness, we organised an experience workshop to unlock balance between breathing, sound and internal thoughts.

Knowledge

To ensure that Talents can stay ahead of the game, our resource provides a growing database of expert professional knowledge and experience insights.

▲ At our first WisCafé Sharing Session, Gary Leung, our Co-Owner and Head of JOS Solution, shared insights on how our Talents can become a great ICT partner for CIOs.

WisCafé – WIN Wednesday

From time to time, we will issue internal case studies for mega win projects. Summarising the winning factors and reflections from the respective teams involved, these releases provide HKBNers with practical hands-on insights and tips based on actual winning results.

Development Programme – "Be a Pioneer"

"Be a Pioneer" is our flagship development programme which aims to nurture Talents with management potential through entrepreneurship and innovation development. A series of development courses are offered to help unleash each participant's potential in design thinking, leadership profiling, innovation leadership and finance. During the interim period, 22 high potential Talents have been selected, comprising individuals from Hong Kong and Guangzhou, to work together on team-based projects.

▲ Each year, our flagship Be a Pioneer development programme helps nurture and identify promising Talents who can step up into management positions.

A Peek Inside HKBN

Our ability to mobilise quickly and effectively stems from a willingness to embrace open and direct communication. From notes which inspire us to memos on strategy and even mission objectives for the future, members of our senior management team favour an off-the-cuff approach when sharing insights with all HKBNers.

4/12/2019
NiQ Lai

To All HKBN Talents

Making William, Billy and NiQ redundant

For those who have attended the monthly Enterprise War Room and/or Residential pain/Gain meetings, you will consistently notice that William, Billy and I are always pushing the team beyond the logical norm, i.e. when the team proposes a very logical "work harder" 1.25x improvement, we will challenge them with "Why not 2-3x improvement instead of only 1.25x?". Only an "impossible" target will force us to think beyond merely working harder. Overtime, we hope the team will step up and make the 3 of us redundant.

Some of our key considerations:

- Are we silo-less. This means that if silo "A" loses money, but silo "B" makes money, as long as "A+B" silos makes money, we will proceed and importantly, the combined net benefits will be shared fairly between silos "A and B"... very few companies are truly able to execute this. This is why we have cross department Squads with single KPI and common 1-HKBN Co-Ownership. Our ability to execute silo-lessly is how we are facilitating our Barter & Bundle LUCA which is impossible for silo-ed companies to replicate. Being silo-less is also key to our JOS integration for transformation into 1-HKBN ICT.
- We have unlimited resources as long as it is AFF accretive. I often hear our teams limit themselves by saying we have limited resources, so should focus on the priorities. This is wrong, i.e. if an increment investment of $1 generates risk-adjusted >$1 of AFF during the life of the CO3+ program, then we should go ahead, as this is a no brainer. If the payback straddles beyond CO3+ then let's discuss the risk/reward.

In our view, for the right dynamic Talents, there is no better place than 1-HKBN to build our ICT careers in the next 3-5 years. In recent months, we have won or are in the process of winning ICT partnerships that are way beyond our wildest dreams as separate entities of HKBN, Y5Zone, NWT, ICG, WTT or JOS capabilities.

We are truly seeing the benefits of 1-HKBN coming through. In the coming years, we would love to see the team mature, and in the process make the current form William, Billy and NiQ redundant.

For long term investors, there is an easy arbitrage as the stock market is incredibly myopic. When we purchased NWT, our stock price was near our post IPO high approaching HK$11, and for the next two years, the stock price traded down approach HK$7 at its low. This is because it took some time for us to fully integrate NWT, for which the benefits we are only now fully reaping today. The same pattern repeated for the WTT acquisition.

The acquisition of JOS will complete our fixed line ICT transformation and create opportunities for us that we dare not dream of before as separate companies, but it is up to us to execute dreams into reality.

NiQ Lai
Co-Owner & Group CEO

10/1/2019
William Yeung

To All Point 3x up Talents

貪新忘舊、練精學懶

All,
I shared these 8 words with some of you.

I want to extend to all: At work, we should

貪新忘舊, 練精學懶!
貪新忘舊(pursue the new ones and forget the old ones):

We must always explore new revenue streams to cover the downfall of current revenue streams.

We must always acquire new mindset and challenge our old thinking.

練精學懶("selectively" invest our time/money/resources on areas with bigger impacts and "must" neglect the others)

This will lead us to stand out from the competition.

Cheers

William Yeung
Co-Owner & Executive Vice-chairman

17/9/2019
Samuel Hui

To All Point 3x up Talents

Going Agile to Deliver on Digital Transformation

Dear Fellow 1-HKBNers Present and Future,

Last week, Mulesoft invited me to Sydney, Australia to speak at an executive panel at their marquee APAC event (Mulesoft Connect). Joining me on stage to discuss the topic "Delivering on Digital Transformation" were 3 other Executives – the former Global CIO of McDonalds, the CIO of MCL Life Insurance (a 130-year-old Australian Insurer), and the CMO of Mulesoft.

As the only non-C level featured, how was I able to inspire the 300+ crowd (also senior business and IT leaders) on their transformation journeys? At this technology conference, I stood out by focusing on a contrarian (or surprising) message: "Digital Transformation is not about the Technology! It's about TALENT!"

The traditional operating mindset as treating IT like a weapons factory. Sales & Marketing are in the trenches fighting the war or in the boardroom strategizing the attacks. Then they pass memos back to IT to develop the weapons they need for the front line. Too often, by the time IT delivers that weapon to the front line, the battle would have already been over, or the win conditions have been altered.

At HKBN, we all head to the front lines. If the terrain calls for small-arms, we bring small-arms specialists with us, so we can continuously refine our weapons based on terrain and enemy conditions. Under this model, the squad's KPI are well-defined AND co-owned – Is it to burn the supply caravan? Capture the farm? Hold the line? Then under this KPI, we hyper-align our Talents with Co-Ownership and painGAIN- essentially burning our return boats (破釜沉舟) so the only way ahead is forward. Technology (like Mulesoft) is only there to enable IT to enhance and service our weapons in the trenches – but not there to WIN the war. Agile TALENTS win the war!

Do reach out directly to me if you've got any questions about HKBN, painGAIN, Co-Ownership, Digital Transformation, or anything in general!

Thanks,
Samuel Hui
Co-Owner and Chief Transformation Officer

4/12/2019
NiQ Lai

To All fellow 1-HKBNers

To meet today's challenges, it is essential that 1-HKBNers Give and Take, and be flexible

Dear All fellow 1-HKBNers,

As 1-HKBN, we have dual essential priorities of 1) safety of our 5,861 1-HKBNers around the region, and 2) keeping our essential utility services up. Remember, broadband today is an essential utility service and nobody does broadband better than HKBN.

To survive these unprecedented times requires us all to exercise flexibility and personal judgement, i.e. we cannot solely rely on instructions from the top. Further, we must all "Give & Take" to our 1-HKBN rather than merely "Take" from our 1-HKBN, as if we all merely do the latter, there will be nothing left at our 1-HKBN to take. As we work from home (WFH) and other flexible arrangements per regional best practices, think about what we can "Give" our 1-HKBN, even if this is beyond our normal job scope.

Remember to make a specific effort to personally reach out to our colleagues and check that they are ok. It is up to us to look after each other, so that we can do more to help the "Home" we live in... Let's truly execute upon our core purpose to "Make our Home a Better Place to Live".

Cheers,
NiQ
1 of 5,861 1-HKBNers

18/3/2020
Elinor Shiu

To All HKBN Talents

Customer Experience vs Potential Loss

Customer Experience vs Potential Loss

A month ago, we noticed hand sanitizers and related were in serious shortage in HK. For Residential, one household among every 3 are using HKBN services. To try to help our customers, we ordered a big lot of hand sanitizers and launched a "Free hand sanitizer to all HKBN customers" marketing program on Monday. The result was overwhelming with 30,000 downloads in just 2 days of which was out of our expectations. The too good response created a heavy burden to our frontlines that there was long queues over all our shops yesterday!

How I reacted on this?

- 8 hours before the queue - I read report every morning and noticed there was upsurge in coupon redemption at our APP. I reviewed the whole redemption flow at flow and shorten the redemption system updating time from 15min to instant update.
- Long queue (still happened after office hour) - I immediately forgoed the existing system workflow and changed to manual by simply taking the account number and distributing the hand sanitizer without any checking in order to release the frontlines burden and ensure our customer no need to wait even a minute.

3 important HKBN LUCA

- **CUSTOMER FIRST** All design thinking should be customer first, otherwise, good thing will result in bad thing and our customers will leave us!
- **ACT FIRST** before reporting and avoid long discussion with a large group of people! This is our LUCA of authority delegation!
- **TRUST FIRST** - we trust our Talents and allow we taking calculated risk! For example, in this case, I changed to manual flow would probably resulted in duplicated redemption. But the hand sanitizer only costs us HK$20. I don't mind if customers redeemed repeatedly and that costs to us is minimal. But if we have to require customers to queue long time just due to a reason of making a record at our system to avoid duplicated redemption, this bad customer experience would cost us even more!

Above was a real case on how HKBN LUCA demonstrated!

Regards

Elinor Shiu
Co-Owner & CMO-Residential Solutions

▲ At Dreamforce 2019 in San Francisco, our delegation team of seven shared and learned on behalf of about 5,800 HKBNers.

Learning and Exposure

As change is the only constant in business, our Talents must stay ahead of the curve with world-class knowledge and expertise – from outside and inside HKBN. An important element in all this is how we encourage Talents, when resources are limited, to serve as proxies learning on behalf of about 5,800 HKBNers.

Dreamforce 2019

During the interim period, seven Talents visited Dreamforce 2019 in San Francisco, the world's largest cloud carnival, to learn, share and explore the latest customer relationship management best practices. As representatives from key facets of HKBN, our seven delegates brought back inspired knowledge and action points to help HKBN grow via insights from the world's best CRM and digitally transformed companies. Salesforce, the organiser, also invited us to speak about our profound digital journey for delegates at Dreamforce.

AWS re:Invent in Las Vegas

In December, our ES Cloud delegates travelled to Las Vegas to attend the AWS re:Invent in Las Vegas. Picking from Amazon Web Service's 2,500 break-out sessions, our delegation team learned about technical best practices focused on topics such as cloud architecture, security and identity, machine learning and more. These eye-opening experiences will shape our cloud business strategy and create better experience for customers. To this end, our delegation came back with reflections on this experience, sharing what they learned with about 5,800 Talents.

World-class Expert Knowledge Learning

Bringing knowledge and inspiration to our Talents is an important way we expand our perspectives. From time to time, we invite external speakers, often people with unique insights, to speak with our Talents sharing a broad range of topics and issues – from business, cybersecurity and environmentalism to social enterprises and even professional boxing through the eyes of a world champion.

▲ Speakers like Wharton MBA professor, Scott Snyder (front row, 2nd from left), provide HKBN Talents with invaluable 'brain food'.

Workplace Health and Safety

Success of our business hinges greatly on how we ensure that Talents can work in a healthy and safe environment. To achieve this, we maintain policies and guidelines for an occupational health and safety management system that are regularly reviewed and tested across a diverse variety of conditions. In general, our objective is to establish a vigilant view over safety, as well as continuously seek to enhance equipment and software when needed.

Safety as a Priority

According to the HKSAR's Occupational Safety and Health Ordinance, we must ensure that 1 person out of every 150 employed is trained as a first aid provider. During the interim period, we conducted first aid course certifications for new joiners, and have now far exceeded the government's suggested ratio by having over 70 certified first aiders within our office premises. In addition, we installed Automated External Defibrillators ("AED") for resuscitation at our new office premises, and have provided AED practical training via online learning videos made available during the coronavirus outbreak.

Besides first aid skills, we also offered a wide range of customised Occupational Safety and Health ("OSH") training exercises like Display Screen Equipment ("DSE") training, Working at Height and Basic Safety Training, as well as enhanced safety awareness engagement to help prevent work injuries from happening.

To deal with the fire related emergencies, we organised dedicated training for our designated fire wardens, fire commanders and department coordinators, supplemented by fire contingency arrangement instruction and drills. In addition to facilitating communication between our fire wardens and commanders, we established a communication platform via mobile devices for designated Talents. This systematic approach will be an indispensable tool to improve our evacuation response should a fire emergency ever arise.

Mindful that 45% of our FY19 work injury cases were caused from slipping, we reviewed the occupational footwear provided to uniformed Talents. Putting Talent safety first, we are now conducting trials for two safety footwear with our frontline Talents, performing assessments based on shock absorption, grip performance, breathability and comfort.

During the interim period, we provided health and safety training in the following areas:

- Fire safety ambassador training
- Certification in first aid
- Automated External Defibrillation online training
- Working at height
- Safety management

Throughout the coronavirus outbreak, we regularly provided our Talents with health-related advice and safety guidelines for working outdoors. Additionally, a variety of personal protective equipment ("PPE") such as surgical masks, surgical gloves, shoe covers, protective goggles and sanitising materials have been provided. And to nourish our Talents, lunch, dietary supplements, refreshments, herbal teas and soups have all been provided free.

Talent Well-being

To help our Talents maintain a healthy well-being, we organised a variety of wellness programmes not only to encourage healthier living, but also to tackle some common illnesses often associated with urban life.

During the interim period, we organised a body health check day to help Talents assess their well-being in terms of cholesterol level and blood pressure. In addition, we

▲ Blood pressure check-up at our offices was conveniently provided for Talents.

▲ Instructional fitness classes helped HKBNers stay informed about how best to keep fit.

organised follow-up activities such as fitness class trials and a Chinese medicine luncheon presentation focused on the merits of herbal medicine and acupuncture, as well as massage, exercise and dietary therapy to combat muscular fatigue and back-pain.

To help strengthen immune systems, we also initiated an in-house flu vaccination day at our offices, as well as provided incentives for our Talents to vaccinate through local clinics.

Winning Partnerships

Above all, the primary objective of our sourcing activities is to ensure continuity of our product and service supply, which we accomplish by maintaining strong and effective relationships between our business units and suppliers in a fair, open, transparent and mutually beneficial win-win manner.

Building a long-term relationship with our suppliers requires two-way dialogue, and this cannot be done without trust, communication and shared values which include business ethics, integrity and commitment to deliver world-class products and services.

Supplier Performance Assessment

Supplier performance plays a crucial role in our operations. By working closely with suppliers, we can operate smoothly, as well as become equipped with the resilience capabilities to provide outstanding service for customers. As such, we value our suppliers like an extension of our operations and consider them as business partners. Our supplier management framework introduced in 2015 provides us with a systematic and consistent approach to review, track and improve – ensuring supplier performance are on track and risks are mitigated in a proactive manner.

For a robust assessment of supplier performance, we've incorporated criteria to determine supplier criticality on a project by project basis. Key factors considered include assessments made on impact to customers, operations, legal and regulatory, sustainability and reputation. Such assessments help us identify potential risks much earlier and mitigate hazards proactively. Importantly, these assessments provide a solid indication of how we monitor and measure a supplier's performance, as well as manage relationships.

Suppliers

During the reporting period, we further strengthened our business partner and supplier-related activities through the following actions:

- To create even stronger engagement with business partners and suppliers, we are currently undertaking a Supplier Satisfaction Survey. Once completed by the end of FY20, these surveys will be used to provide insights in areas we have fallen short, and, new for this year, gauge our supplier competitiveness as compared to our market rivals from the industry.
- In the 3rd quarter of FY20, we plan to launch an e-sourcing platform to enhance operational transparency and efficiency of our sourcing activities. Through this one-stop platform, all mandatory documentation is captured and stored, making the entire sourcing process easier for suppliers to read, sign, acknowledge and submit their documents via web-browser.

Rather crucially, we champion innovative and creative ideas whenever they can best serve the interest of our company and those of our suppliers. In a process that favours flexibility, our aim is not to necessarily seek better prices, but rather a better deal based on strategic requisition costs. As an example, this flexibility enables us to accept resource exchanges – whereby we exchange our ICT services for goods and services that we may need at a given time – as a means of payment.

This is done with the cooperation of our sales and functional teams, who work closely to help specify and evaluate our suppliers' needs as well as ours. Past examples of such resource exchanges included the procurement of conferencing facilities, food & beverage services, serviced offices and co-working space, indoor activity parks, etc.

In March 2020, we initiated a 'Barter & Bundle' plan to embrace win-win flexibility on a massive scale – by inviting enterprises from different industries to offer their products or services in exchange for our telecom and technology solutions. Breaking legacy practices of paying for services with just money, this unique plan allows participating businesses to use their own products or services to offset part of their payments for our telecom and technology solutions, enabling them to save on expenditures whilst we gain more new customers with greater deal-making flexibility. In addition, the products or services that we gain through barter can be used as part of our offers, provisioned as freebies, coupons or even sold to Residential Solutions customers. Win-win-win. Our services available for barter range from data connectivity, voice communication, cloud and remote office solutions, IoT, digital solutions, business continuity, e-security and many more.

Community Investment

In everything we do, and in every decision we take, "Make our Home a Better Place to Live" is omni-present at all times. The most direct way we achieve this is through purposeful initiatives aimed at the local communities in which our Talents operate.

Going beyond pure philanthropy, we strive to ensure that people, especially youths and the underprivileged, can benefit by way of sustainability and empowerment. Rather than corporate social responsibility, we passionately embrace Corporate Social Investment ("CSI") to focus our corporate resources and Talent expertise as drivers to boost betterment for individuals and communities in a sustainable way.

Technology for Good

Throughout this CSI journey, we're actively giving back through technology empowerment, Talent volunteerism and cooperative partnerships with social enterprises. Our goal is to work towards building a better and safer future. Along the way, we have worked closely with HKBN Talent CSI Fund, our independently operated charity organisation funded by our Co-Owners.

Coronavirus Relief

In light of the unprecedented impact that the COVID-19 global pandemic has brought during the reporting period, we proactively initiated a number of bold measures to provide relief, in various different forms, to support groups that have ranged from our own Talents and customers to the most vulnerable from our local communities. Mindful of the toll caused – in terms of the economic, psychological, and safety-related consequences – we stepped up as a responsible business to do as much as we could.

Briefly summarised, our holistic relief measures included:

- 1-month service fee waiver offered to all residential fixed services and enterprise customers
- Immediately after the Lunar Chinese New Year, our office and backend Talents were encouraged to flexibly work from home. Protective supplies such as face masks were provided to safeguard all front-line and core operational Talents
- We offered free solutions for enterprise customers to help equip their operations with greater mobility and remote access work capabilities

In terms of specific actions implemented to address local community needs, the following was undertaken:

- We provided free smartphones with unlimited local data to seven residential care homes in Hong Kong, benefiting more than 720 seniors and persons with disabilities
- HKBN and HKBN Talent CSI Fund provided free smartphones with unlimited data SIM cards to enable tele-health consultations for New Life Psychiatric Rehabilitation Association members who live alone
- HKBN and HKBN Talent CSI Fund provided 1,000 free unlimited mobile data SIM cards to underprivileged Hong Kong students
- We announced the free offer of 10,000 broadband plans for two years to disadvantaged families in Hong Kong

For a more detailed look at our coronavirus relief initiatives, please refer to pages 14-17 of this report.

▲ To help the elderly and people with disabilities cope with life under the coronavirus crisis, we provided smartphones with unlimited mobile data SIM.

Cyber Wellness Detective Game x Dyeing Experience in Schools

To help children safely and responsibly navigate the cyber world, running since July 2019, we introduced fun and interactive school learning workshops aimed at primary students in Hong Kong. Under the guidance of facilitators, our activities gave over 150 students from four schools the chance to role-play as they investigate the mystery of a missing dye master. Participants learned how to manage their digital footprint and espouse a more critical view towards cyber information.

"Our existing curriculum touches very little on cyber wellness learning. As a result, students are less aware on such topics. The workshops are a fun way for students to understand the importance of cyber wellness issues, and raise their awareness about digital footprints and cyber security," said Mrs. Tse, a teacher at Diocesan Girls Junior School.

▲ Diocesan Girls Junior School teacher, Mrs. Tse supports our efforts to equip children with cyber-wellness awareness.

▲ Adding sleuthing fun into cyber-wellness learning, our Detective Game x Dyeing Experience engaged students to think analytically.

AI Code Programming

To foster innovative thinking among students, as well as enhance their knowledge in the computer sciences, 12 of our IT Talents from Guangzhou volunteered in November 2019 to work with Guangzhou students from Nanjiao Primary School. Through this educational exercise, our Talents combined LEGO blocks with their IT expertise, teaching young participants about the wonders of AI programming.

▲ In Guangzhou, our Talent volunteers taught students the magic of AI coding.

▲ With their minds open to boundless possibilities, will these students grow up to become future leaders in the field of computer science?

Narrowing Digital Divides

▲ By offering our broadband services at greatly reduced prices, many more disadvantaged people can now have access to the Internet.

Affordable Broadband for People with Disabilities and Chronic Illness

As a leading integrated telecom & technology solutions provider, we embrace a responsibility to help bridge the digital divide in our communities. In January 2020, we joined hands with The Hong Kong Society for Rehabilitation to offer home broadband services at discounted prices for people with disabilities and chronic illness patients suffering financial hardship.

HKBN PC Doctors 2.0

Led by our Certified Professional Engineers ("CPE") and Facilities Services Engineers ("FSE"), since 2015 our volunteer "PC Doctors" programme has provided free assistance to help diagnose and fix computers for underprivileged families, as well as offer IT classes free of charge. During the interim period, we further expanded the programme's scope to include cyber wellness knowledge sharing for Hong Kong families with children aged 3-16. To date, our CPE and FSE volunteers have conducted cyber wellness assessment for 31 families.

▲ Throughout the year, our Talents volunteer as PC Doctors to fix computer equipment and teach basic computer skills for people from our local communities in Hong Kong.

Technology Learning for the Elderly

In October 2019, our Talents in Guangzhou partnered with the Qichuang Social Work Service Center to teach 20 seniors how to use their smartphones and mobile apps. By narrowing the digital divide, this effort has helped the elderly to make better use of technology in their everyday routine such as for commuting and social networking.

Talent Volunteering

At every opportunity, our Talents are encouraged to give back by participating in volunteering activities. During the interim period, a wide range of volunteer activities were organised featuring contributions from our Talents based in Hong Kong and Guangzhou. However, owing first to social unrest in Hong Kong and later, the coronavirus outbreak, we responded quickly by reducing and even cancelling activities in order to safeguard both our volunteers and beneficiaries. In total, 98 Talents volunteered 418.5 hours to serve our local communities.

Senior Video Pals

As technology advances, our means of social interaction continues to evolve. Due to low mobility amongst the elderly, visiting friends and family remains a challenge. Acting on this, our HKBN volunteer team partnered with Hong Kong Young Women's Christian Association ("YWCA") in December 2019 to conduct a 3-month project called 'Senior Video Pals'. Through prepaid SIM cards provided free from HKBN Enterprise Solutions, and tablets lent by our CPE teams, this project is empowering seniors who live alone to make video calls and stay connected. In addition, our volunteers have also become video pals, checking in once a week via video calls to share friendly chit-chat.

▲ Besides providing SIM cards, our Talents volunteered their time to help seniors stay connected with new tablet devices.

Walking for a Good Cause

In September 2019, 929 Talents from Guangzhou participated in the 2019 Tencent 99 Giving Day, a charity event in which Tencent notably matches donations made through its platform. As part of our participation in an exercise-inducing charity initiative, our Talents walked a total of 16,806,761 steps. Based on the event guidelines of 10,000 steps equals RMB1, we garnered a total of RMB1,671 in donation proceeds to help disadvantaged children in Guangzhou.

Talents walked

16,806,761

steps to raise RMB1,671 for disadvantaged children in Guangzhou

▲ As technology evolves, we will continue to leverage our telecommunication resources across a wide range of good for the communities.

Awards & Recognitions

Award and Certifications	Presented by
Hong Kong Sustainability Award 2018/19	Hong Kong Management Association
Special Recognition for Outstanding Sustainability Initiative: Social Dimension	Hong Kong Management Association
The 10th Hong Kong Outstanding Corporate Citizenship Award – Merit Award (Enterprise Category) and Bronze Award (Volunteer Team)	Hong Kong Productivity Council
Social Enterprise Supporter Plus Award 2019	Tithe Ethical Consumption Movement

Benson Ma
Officer – Administration

Smarter Approach to Green

Our embrace of technology and smart solutions is transforming the way we consume and conserve.

As a technology business, our main environmental footprint source is our use of electricity to power our operations, and the waste that is generated out of these activities. Cognisant of this, we're focused on exploring newer, better and more innovative ways to improve energy efficiency and minimise waste generation.

Something From Nothing

"Something from Nothing" has continued to make huge improvements in our overall energy footprint. This highly pioneering initiative, which we began in 2016, saw us collaborate with an energy consultant to improve overall energy efficiency through clever innovations and win-win-win partnerships.

In a uniquely smart way, Something from Nothing required no capital investment from HKBN, despite numerous energy efficiency upgrades implemented at our offices and data centre operations. Investments for all incurred retrofitting was fully funded by our consultant, who shared a fraction of our energy cost savings as compensation. Thanks to the higher efficiency of replaced equipment – together with new workflow enhancements – Something from Nothing's performance has, to date, exceeded our energy and cost savings targets.

In November 2019, the success of this project earned us an Asia Pacific Award of Excellence in Collaborative Partnership by International Facility Management Association ("IFMA") for our joint project.

Environment

Something from Nothing's planned upgrades for this fiscal year	Implementation timeline	Estimated annual energy savings (kWh)
Replace existing T5 fluorescent tubes with T5 LED at HKBN office	By March 2020	300,000 kWh (33% reduction on baseline consumption)
Replace existing T5 fluorescent tubes with T5 LED at three data centres	By May 2020	599,000 kWh (8.7% reduction on baseline consumption)

Owing to the significant energy reductions garnered, our project scope will be further extended to include new office and data centre locations.

▲ Through our partnership with Energenz and Blue Sky, the Something from Nothing's project earned us the Asia Pacific Award of Excellence in Collaborative Partnership from the International Facility Management Association.

Switching Off Idle Equipment for Energy Savings

Since 2016, we began a consolidation of our network facilities in Hong Kong. In the past year, we switched off 188 units of idle equipment in ex-NWT switch rooms, garnering annual energy savings of 308,000 kWh. For this fiscal year, we're on target to shut down 500 additional units of idle equipment in our former WTT switch rooms and telephone system at World Tech Centre, for a forecasted annual savings of 756,000 kWh.

Energy Efficient Thin Client Computers

To minimise power consumption in Guangzhou, we began a process of gradually replacing computer hardware with Thin Client-based computers. In May 2019, 150 host computers were replaced. By May 2020, we target to have a total of 300 hosts changed to Thin Clients, which will reduce our computer-related power footprint in Guangzhou by 90%. In addition, since August 2019, we've set our systems to automatically shut down 400 Thin Client computers. This is expected to reduce our electricity consumption by about 25%.

WLAB Recycling

Widely used across numerous industries, bulk waste lead acid batteries ("WLAB") are the most common chemical waste items in Hong Kong. Therefore, we strive to minimise the risk of heavy metal pollution by working closely with licensed chemical waste collectors. In 2019, we began working with the Hong Kong Battery Recycling Centre ("HKBR"), the city's first WLAB recovery facility. Through this collaboration, HKBR provides secure transportation, handling and disposal of WLAB, as well as leverage its state-of-the-art technology to maximise WLAB material recovery at 80%.

In addition, we have committed to become Hong Kong's first telecom operator to turn 100 tonnes of WLAB into reusable materials annually. We're also working with HKBR to offer a joint incentive programme in hopes of encouraging more local businesses to recycle WLAB and make a difference for our planet.

▲ By working with HKBR, we've ambitiously committed to re-purposing 100 tonnes of WLAB into reusable materials.

Target to repurpose

100 tonnes

of WLAB into reusable materials

Resource Sharing

To avoid non-essential items like festive hampers, gifts and souvenirs from going to landfills, we actively encourage our Talents to share internally or even make donations to the community. This year, we organised a calendar sharing programme for fellow Talents, as well as donated 98 office cabinets along with stationery items to several local schools and NGOs in Hong Kong.

▲ As a general waste reduction policy, we ask partners and suppliers to refrain from festive gift-giving (like mooncakes during Mid-Autumn's Festival). And when we do receive gifts, items are donated to local NGOs and other community organisations.

Recycling from Talents

In collaboration with Guangdong OOLA Charitable Foundation ("OOLA"), an eco-conscious company, we set up an exclusive recycling programme for our operations in mainland China. Through this, Talents can schedule appointments to recycle used clothes, digital products and books – and earn points for their efforts. The points are then converted into cash by OOLA, and donated to 'Send Reading Treasures to Children in the Country', a charity project for disadvantaged children.

We are very conscious that personal behavior and consumption habits can have a big impact on the environment. To this end, we continued to encourage Talents during the interim period via the following:

Veggie Buffet for Seniors

Going vegetarian not only reduces our carbon footprint, but also encourages healthy eating for seniors. To this end, a number of our Talents personally sponsored and organised a free veggie lunch buffet for seniors at Po Leung Kuk Lau Hon Shuen Memorial Family Joy Centre.

▲ With a wide variety of good eats, our vegetarian buffet was designed to persuade seniors to change their eating habits.

▲ The selection of vegetarian dishes on offer were as informative health-wise as they were delicious.

▲ Initiatives like our vappy farm allow HKBNers to experience the joys of planting, nurturing and growing their own greenery.

Talent Farmers at Office

With near endless possibilities from IoT tech, we've implemented an intelligent gardening solution to enable 'farm to table' at our Hong Kong offices. As an intelligent indoor gardening system, our "Vappy Farm" provides an ideal environment for plant growth at our offices. Through this adaptive system, our office Talents can easily grow vegetables and herbs, monitoring conditions via mobile app.

Plogging

Originating from Sweden, plogging is an exercise that combines jogging with the activity of picking up litter. This January, 28 Talents in mainland China tried plogging for the first time, walking an average of 22,400 steps. In total, our Talents recovered 39.94kg of litter.

Awards and Recognitions

Asia Pacific Award of Excellence in Collaborative Partnership conferred by the International Facility Management Association.

Review report to the board of directors of HKBN Ltd.

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 57 to 91 which comprises the consolidated statement of financial position of HKBN Ltd. (the "Company") as of 29 February 2020 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 29 February 2020 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

22 April 2020

Consolidated Income Statement

For the six months ended 29 February 2020 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended	
		29 February 2020	28 February 2019 *(Note)*
	Note	**$'000**	$'000
Revenue	3	**4,457,282**	2,218,591
Other net income	4(a)	**19,013**	10,744
Network costs and costs of sales		**(2,226,664)**	(833,661)
Other operating expenses	4(b)	**(1,881,850)**	(1,059,643)
Finance costs	4(d)	**(286,258)**	(86,978)
Share of losses of joint ventures		**(1,569)**	(79)
Profit before taxation	4	**79,954**	248,974
Income tax credit/(charge)	5	**51,630**	(49,529)
Profit for the period		**131,584**	199,445
Attributable to:			
Equity shareholders of the Company		**132,239**	199,445
Non-controlling interests		**(655)**	–
Profit for the period		**131,584**	199,445
Earnings per share	6		
Basic		**10.1 cents**	19.9 cents
Diluted		**8.9 cents**	19.9 cents

Note: *The Group has initially applied HKFRS 16 at 1 September 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.*

The notes on pages 64 to 91 form part of this interim financial report. Details of dividend payable to equity shareholders of the Company are set out in note 14.

Consolidated Statement of Comprehensive Income

For the six months ended 29 February 2020 – unaudited

(Expressed in Hong Kong dollars)

	Six months ended	
	29 February 2020	28 February 2019 *(Note)*
	$'000	$'000
Profit for the period	**131,584**	199,445
Other comprehensive income for the period		
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	**4,368**	3,515
Total comprehensive income for the period	**135,952**	202,960
Attributable to:		
Equity shareholders of the Company	**136,635**	202,960
Non-controlling interests	**(683)**	–
Total comprehensive income for the period	**135,952**	202,960

Note: The Group has initially applied HKFRS 16 at 1 September 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 64 to 91 form part of this interim financial report.

Consolidated Statement of Financial Position

At 29 February 2020 – unaudited
(Expressed in Hong Kong dollars)

	Note	At 29 February 2020 $'000	At 31 August 2019 (Note) $'000
Non-current assets			
Goodwill		**8,999,541**	8,788,319
Intangible assets		**4,571,517**	4,638,643
Property, plant and equipment	7	**3,971,856**	4,341,590
Investment properties	7	**218,035**	222,041
Right-of-use assets	8	**959,134**	–
Customer acquisition and retention costs		**584,212**	598,030
Contract assets		**3,160**	4,740
Interest in joint ventures		**10,560**	9,429
Deferred tax assets		**90,817**	–
Other non-current assets		**70,777**	32,105
		19,479,609	18,634,897
Current assets			
Inventories		**162,724**	29,168
Trade receivables	9	**1,505,835**	557,439
Other receivables, deposits and prepayments	9	**352,962**	240,894
Finance lease receivables		**7,914**	–
Contract assets		**304,094**	241,717
Amounts due from joint ventures		**15,545**	15,093
Tax recoverable		**717**	–
Cash and cash equivalents	10	**691,830**	662,816
		3,041,621	1,747,127
Current liabilities			
Trade payables	11	**836,938**	365,976
Other payables and accrued charges – current portion	11	**986,914**	907,317
Contract liabilities – current portion		**693,244**	219,763
Deposits received		**76,881**	72,443
Obligations under granting of rights – current portion		**9,024**	9,024
Amounts due to joint ventures		**10,750**	10,750
Contingent consideration – current portion	17	**1,404**	1,371
Bank loans	12	**778,691**	–
Lease liabilities – current portion	2(e)	**233,743**	–
Tax payable		**109,308**	158,480
		3,736,897	1,745,124
Net current (liabilities)/assets		**(695,276)**	2,003
Total assets less current liabilities		**18,784,333**	18,636,900

Consolidated Statement of Financial Position

At 29 February 2020 – unaudited (continued)
(Expressed in Hong Kong dollars)

	Note	At 29 February 2020 $'000	At 31 August 2019 (Note) $'000
Non-current liabilities			
Other payables and accrued charges – long-term portion	11	**154,134**	143,600
Contract liabilities – long-term portion		**178,499**	187,690
Obligations under granting of rights – long-term portion		**11,283**	15,795
Deferred tax liabilities		**1,083,549**	1,131,440
Contingent consideration – long-term portion	17	**33,432**	28,278
Lease liabilities – long-term portion	2(e)	**528,411**	–
Provision for reinstatement costs		**74,227**	50,146
Bank loans	12	**5,543,407**	4,454,253
Senior notes	13	**4,137,420**	5,169,137
		11,744,362	11,180,339
NET ASSETS		**7,039,971**	7,456,561
CAPITAL AND RESERVES	14		
Share capital		**132**	132
Reserves		**7,042,206**	7,456,429
Total equity attributable to equity shareholders of the Company		**7,042,338**	7,456,561
Non-controlling interests		**(2,367)**	–
TOTAL EQUITY		**7,039,971**	7,456,561

Note: *The Group has initially applied HKFRS 16 at 1 September 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.*

Approved and authorised for issue by the board of directors on 22 April 2020.

Chu Kwong YEUNG) Directors

Ni Quiaque LAI)

The notes on pages 64 to 91 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 29 February 2020 – unaudited

(Expressed in Hong Kong dollars)

	Note	Share capital $'000	Share premium $'000	Vendor loan notes $'000	Capital reserve $'000	Other reserve $'000	Retained profits $'000	Exchange reserve $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
		Attributable to equity shareholders of the Company									
Balance at 1 September 2018		101	–	–	35,813	596,420	781,639	(8,805)	1,405,168	–	1,405,168
Changes in equity for the six months ended 28 February 2019:											
Profit for the period		–	–	–	–	–	199,445	–	199,445	–	199,445
Other comprehensive income		–	–	–	–	–	–	3,515	3,515	–	3,515
Total comprehensive income		–	–	–	–	–	199,445	3,515	202,960	–	202,960
Dividend approved to equity shareholders of the Company in respect of the previous year	14(b)(ii)	–	–	–	–	–	(301,700)	–	(301,700)	–	(301,700)
Equity-settled share-based transactions	14(d)	–	–	–	1,434	–	–	–	1,434	–	1,434
Balance at 28 February 2019 and 1 March 2019		101	–	–	37,247	596,420	679,384	(5,290)	1,307,862	–	1,307,862
Changes in equity for the six months ended 31 August 2019:											
Profit for the period		–	–	–	–	–	15,082	–	15,082	–	15,082
Other comprehensive income		–	–	–	–	–	–	(9,713)	(9,713)	–	(9,713)
Total comprehensive income		–	–	–	–	–	15,082	(9,713)	5,369	–	5,369
Issues of ordinary shares		31	4,295,264	–	–	–	–	–	4,295,295	–	4,295,295
Issue of Vendor loan notes		–	–	2,349,204	–	–	–	–	2,349,204	–	2,349,204
Dividend declared to equity shareholders of the Company in respect of the current year	14(b)(i)	–	(445,944)	–	–	–	–	–	(445,944)	–	(445,944)
Distribution to holders of Vendor loan notes		–	(56,890)	–	–	–	–	–	(56,890)	–	(56,890)
Equity-settled share-based transactions	14(d)	–	–	–	1,665	–	–	–	1,665	–	1,665
Balance at 31 August 2019 (Note)		132	3,792,430	2,349,204	38,912	596,420	694,466	(15,003)	7,456,561	–	7,456,561

Consolidated Statement of Changes in Equity

For the six months ended 29 February 2020 – unaudited (continued)
(Expressed in Hong Kong dollars)

	Note	Share capital $'000	Share premium $'000	Vendor loan notes $'000	Capital reserve $'000	Other reserve $'000	Retained profits $'000	Exchange reserve $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
		Attributable to equity shareholders of the Company									
Balance at 31 August 2019		132	3,792,430	2,349,204	38,912	596,420	694,466	(15,003)	7,456,561	–	7,456,561
Impact on initial application of HKFRS 16	2(d)	–	–	–	–	–	(19,539)	–	(19,539)	–	(19,539)
Adjusted balance at 1 September 2019		132	3,792,430	2,349,204	38,912	596,420	674,927	(15,003)	7,437,022	–	7,437,022
Changes in equity for the six months ended 29 February 2020:											
Profit for the period		–	–	–	–	–	132,239	–	132,239	(655)	131,584
Other comprehensive income		–	–	–	–	–	–	4,396	4,396	(28)	4,368
Total comprehensive income		–	–	–	–	–	132,239	4,396	136,635	(683)	135,952
Dividend approved to equity shareholders of the Company in respect of the previous year	14(b)(ii)	–	(472,176)	–	–	–	–	–	(472,176)	–	(472,176)
Distribution to holders of Vendor loan notes		–	(60,236)	–	–	–	–	–	(60,236)	–	(60,236)
Equity-settled share-based transactions	14(d)	–	–	–	1,093	–	–	–	1,093	–	1,093
Acquisition of subsidiaries	15	–	–	–	–	–	–	–	–	(1,684)	(1,684)
Balance at 29 February 2020		132	3,260,018	2,349,204	40,005	596,420	807,166	(10,607)	7,042,338	(2,367)	7,039,971

Note: *The Group has initially applied HKFRS 16 at 1 September 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.*

The notes on pages 64 to 91 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 29 February 2020 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended	
	29 February 2020	28 February 2019 *(Note)*
	$'000	$'000
Operating activities		
Cash generated from operations	**1,058,817**	632,229
Tax paid:		
– Hong Kong Profits Tax paid	**(152,744)**	(111,512)
– Tax paid outside Hong Kong	**(3,838)**	(2,625)
Net cash generated from operating activities	**902,235**	518,092
Investing activities		
Payment for the purchase of property, plant and equipment	**(249,433)**	(187,805)
Payment for the purchase of investment properties	**–**	(191,431)
Proceeds from sale of property, plant and equipment	**1,970**	1,353
Payment for contingent consideration	**–**	(8,329)
Payment for acquisition of subsidiaries	**(323,067)**	(296,390)
Payment for investment in a joint venture	**(2,500)**	–
Interest received	**1,532**	1,504
Other cash flows arising from investing activities	**1,000**	–
Net cash used in investing activities	**(570,498)**	(681,098)
Financing activities		
Capital element of lease rentals paid	**(74,740)**	–
Interest element of lease rentals paid	**(12,042)**	–
Proceeds from bank loans	**1,683,809**	774,365
Repayment of bank loans	**(86,096)**	(200,000)
Transaction costs paid for bank loans	**(1,080)**	–
Payment for redemption of senior notes	**(1,080,007)**	–
Interest received/(paid) on interest-rate swaps	**1,105**	(3,428)
Interest paid on bank loans	**(58,807)**	(59,807)
Interest paid on senior notes	**(142,950)**	–
Dividend paid to equity shareholders of the Company	**(472,176)**	(301,700)
Distribution to holders of Vendor loan notes	**(60,236)**	–
Net cash (used in)/generated from financing activities	**(303,220)**	209,430
Net increase in cash and cash equivalents	**28,517**	46,424
Cash and cash equivalents at the beginning of the period	**662,816**	373,293
Effect of foreign exchange rate changes	**497**	1,157
Cash and cash equivalents at the end of the period	**691,830**	420,874

Note: *The Group has initially applied HKFRS 16 at 1 September 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.*

The notes on pages 64 to 91 form part of this interim financial report.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Basis of preparation

This interim financial report of HKBN Ltd. (the "Company") and its subsidiaries (together the "Group") has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 22 April 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements of the Group for the year ended 31 August 2019, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 August 2019. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 56.

Going concern assumption

As at 29 February 2020, the current liabilities of the Group exceeded their current assets by approximately $695 million. Included in the current liabilities were current portion of contract liabilities of $693 million recognised under Hong Kong Financial Reporting Standard ("HKFRS") 15 which will gradually reduce over the contract terms through the satisfaction of performance obligations and current portion of lease liabilities of $234 million recognised under HKFRS 16 which is the amount related to leases that has a lease term more than 12 months and with a corresponding asset recorded in the non-current assets as right-of-use assets. Management of the Group anticipates the net cash inflows from their operations, together with the ability to draw down from available bank loan facilities, would be sufficient to enable the Group to meet their liabilities as and when they fall due. Accordingly, this unaudited condensed consolidated interim financial information has been prepared on a going concern basis.

2 Changes in accounting policies

(a) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 September 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 September 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(b) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 September 2019. For contracts entered into before 1 September 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

2 Changes in accounting policies (continued)

(b) Changes in the accounting policies (continued)

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in note 7.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. For the Group, low-value assets are typically laptops or office furniture. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) Lessor accounting

The Group leases out the properties as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

2 Changes in accounting policies (continued)

(c) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(d) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 September 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 September 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.32%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 August 2020; and

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Changes in accounting policies (continued)

(d) Transitional impact (continued)

The following table reconciles the operating lease commitments as disclosed in note 18(b) as at 31 August 2019 to the opening balance for lease liabilities recognised as at 1 September 2019:

	1 September 2019 $'000
Operating lease commitments at 31 August 2019	531,771
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 August 2020	(130,275)
– leases of low-value assets	(6)
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	31,838
Add: lease commenced on 1 September 2019	20,812
	454,140
Less: total future interest expenses	(61,375)
Total lease liabilities recognised at 1 September 2019	392,765

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount as if HKFRS 16 had always been applied since the commencement date of the lease.

The Group presents right-of-use assets and lease liabilities separately in the consolidated statement of financial position.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Changes in accounting policies (continued)

(d) Transitional impact (continued)

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 August 2019 $'000	Capitalisation of operating lease contracts $'000	Carrying amount at 1 September 2019 $'000
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Property, plant and equipment	4,341,590	(264,948)	4,076,642
Right-of-use assets	–	642,521	642,521
Other non-current assets	32,105	(3,818)	28,287
Total non-current assets	18,634,897	373,755	19,008,652
Other receivables, deposits and prepayments – current portion	240,894	(529)	240,365
Current assets	1,747,127	(529)	1,746,598
Lease liabilities – current portion	–	(91,647)	(91,647)
Current liabilities	(1,745,124)	(91,647)	(1,836,771)
Net current assets/(liabilities)	2,003	(92,176)	(90,173)
Total assets less current liabilities	18,636,900	281,579	18,918,479
Lease liabilities – long-term portion	–	(301,118)	(301,118)
Total non-current liabilities	(11,180,339)	(301,118)	(11,481,457)
Net assets	7,456,561	(19,539)	7,437,022
Reserves	7,456,429	(19,539)	7,436,890
Total equity attributable to equity shareholders of the Company	7,456,561	(19,539)	7,437,022
Total equity	7,456,561	(19,539)	7,437,022

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	At 29 February 2020 $'000	At 1 September 2019 $'000
Properties leased for own use, carried at depreciated cost	**898,106**	610,327
Telecommunication facilities and computer equipment, carried at depreciated cost	**61,028**	32,194
	959,134	642,521

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Changes in accounting policies (continued)

(e) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 29 February 2020		At 1 September 2019	
	Present value of the minimum lease payments $'000	**Total minimum lease payments $'000**	Present value of the minimum lease payments $'000	Total minimum lease payments $'000
Within 1 year	**233,743**	**258,781**	91,647	106,850
After 1 year but within 2 years	**201,586**	**220,199**	64,302	76,482
After 2 years but within 5 years	**211,051**	**239,571**	117,288	142,100
After 5 years	**115,774**	**125,808**	119,528	131,173
	528,411	**585,578**	301,118	349,755
	762,154	**844,359**	392,765	456,605
Less: total future interest expenses		**(82,205)**		(63,840)
Present value of lease liabilities		**762,154**		392,765

(f) Impact on the financial result of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 September 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a negative impact on the reported profit for the period in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Changes in accounting policies (continued)

(f) Impact on the financial result of the Group (continued)

The following tables may give an indication of the estimated impact of adoption of HKFRS 16 on the Group's financial result for the six months ended 29 February 2020, by adjusting the amounts reported under HKFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply to the six months ended 29 February 2020 instead of HKFRS 16, and by comparing these hypothetical amounts for 2020 with the actual 2019 corresponding amounts which were prepared under HKAS 17.

	2020				2019
	Amounts reported under HKFRS 16 (A) $'000	Add back: HKFRS 16 depreciation and interest expense (B) $'000	Deduct: Estimated amounts related to operating leases as if under HKAS 17 (C) $'000	Hypothetical amounts for the six months ended 29 February 2020 as if under HKAS 17 (D=A+B+C) $'000	Compared to amounts reported for the six months ended 28 February 2019 under HKAS 17 $'000
Financial result for the six months ended 29 February 2020 impacted by the adoption of HKFRS 16:					
Network costs and costs of sales	(2,226,664)	14,765	(14,198)	(2,226,097)	(833,661)
Other operating expenses	(1,881,850)	85,725	(96,724)	(1,892,849)	(1,059,643)
Finance costs	(286,258)	12,042	–	(274,216)	(86,978)
Profit before taxation	79,954	112,532	(110,922)	81,564	248,974
Profit for the period	131,584	112,532	(110,922)	133,194	199,445

3 Revenue and segment reporting

The principal activities of the Group are (i) provision of fixed telecommunications network services, international telecommunications services and mobile services to residential and enterprise customers in Hong Kong, (ii) system integration services, (iii) product sales and (iv) marketing and distribution of computer hardware and software, telecommunication products, office automation products and the provision of related services.

(a) Disaggregation of revenue

Revenue represents revenue from (i) fixed telecommunications network services, international telecommunications services and mobile services to residential and enterprise customers in Hong Kong, (ii) system integration services, (iii) product sales and (iv) marketing and distribution of computer hardware and software, telecommunication products, office automation products and the provision of related services.

(Expressed in Hong Kong dollars unless otherwise indicated)

3 Revenue and segment reporting (continued)

(a) Disaggregation of revenue (continued)

Disaggregation of revenue from contracts with customers by major categories is as follows:

	Six months ended	
	29 February 2020 $'000	28 February 2019 $'000
Disaggregated by major products or service lines:		
Fixed telecommunications network services	**2,224,004**	1,478,624
International telecommunications services	**598,931**	265,397
Other services	**427,920**	248,550
Fees from provision of telecommunications services	**3,250,855**	1,992,571
Product revenue	**930,066**	209,877
Technology solution and consultancy services	**260,668**	16,143
Revenue from contracts with customers within the scope of HKFRS 15	**4,441,589**	2,218,591
Rental income from leasing business	**15,693**	–
Total	**4,457,282**	2,218,591
Disaggregated by major categories:		
Residential revenue	**1,251,575**	1,223,102
Enterprise revenue	**2,275,641**	785,612
Product revenue	**930,066**	209,877
	4,457,282	2,218,591
Disaggregated by geographical location of customers:		
Hong Kong	**4,086,430**	2,218,591
China	**211,151**	–
Singapore	**114,270**	–
Other territories	**45,431**	–
	4,457,282	2,218,591

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

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 3(b).

(b) Segment reporting

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

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

(Expressed in Hong Kong dollars unless otherwise indicated)

3 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

The Group's management assesses the performance and allocates the resources of the Group by geographical location. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments following the acquisition of Jardine OneSolution Holdings (C.I.) Limited, Adura Hong Kong Limited and Adura Cyber Security Services Pte. Ltd. on 13 December 2020. No operating segments have been aggregated to form the following reportable segments.

(i) Telecom and technology solutions (Hong Kong)
Include provision of fixed telecommunications network services, international telecommunications services, mobile services to residential and enterprise customers and technology-related services in Hong Kong.

(ii) Telecom and technology solutions (non-Hong Kong)
Include the provision of telecom and technology solutions and consultancy services in China, Macau, Singapore and Malaysia.

The Group's senior executive management monitors the results attributable to each reportable segment on the following basis:

The segment revenue of the Group is based on geographical location of customers. Income and expenses are allocated to the reportable segments with reference to revenue generated by those segments and expenses incurred by those segments or which otherwise arisen from the depreciation or amortisation of assets attributable to those segments. The inter-segment transactions are conducted on normal commercial terms and are priced with reference to prevailing market prices and in the ordinary course of business.

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	Telecom and technology solutions (Hong Kong)		Telecom and technology solutions (non- Hong Kong)		Total	
For the six months ended	29 February 2020 $'000	28 February 2019 *(Note)* $'000	29 February 2020 $'000	28 February 2019 *(Note)* $'000	29 February 2020 $'000	28 February 2019 *(Note)* $'000
Disaggregated by timing of revenue recognition						
Point in time	**693,950**	209,877	**236,116**	–	**930,066**	209,877
Over time	**3,264,949**	2,008,714	**262,267**	–	**3,527,216**	2,008,714
Revenue from external customers	**3,958,899**	2,218,591	**498,383**	–	**4,457,282**	2,218,591
Inter-segment revenue	**–**	–	**133,298**	131,165	**133,298**	131,165
Reportable segment revenue	**3,958,899**	2,218,591	**631,681**	131,165	**4,590,580**	2,349,756
Reportable segment profit (EBITDA)	**1,231,844**	711,947	**51,515**	11,449	**1,283,359**	723,396

Note: The Group has initially applied HKFRS 16 at 1 September 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

(Expressed in Hong Kong dollars unless otherwise indicated)

3 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

The performance measure used for reporting segment profit is "EBITDA" i.e. "earnings before finance costs, interest income, income tax, depreciation, amortisation of intangibles assets (net of direct cost incurred), amortisation of customer acquisition and retention costs and transaction costs in connection with business combination".

(c) Reconciliation between segment profit after taxation and profit for the period

	Six months ended	
	29 February 2020	28 February 2019 *(Note)*
	$'000	$'000
Reportable segment profit derived from Group's external customers	**1,283,359**	723,396
Finance costs	**(286,258)**	(86,978)
Interest income	**1,532**	1,504
Depreciation	**(466,265)**	(214,040)
Amortisation of intangible assets	**(300,641)**	(65,452)
Amortisation of customer acquisition and retention costs	**(145,204)**	(107,858)
Transaction costs in connection with business combination	**(6,569)**	(1,598)
Consolidated profit before taxation	**79,954**	248,974

Note: *The Group has initially applied HKFRS 16 at 1 September 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.*

4 Profit before taxation

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

	Six months ended	
	29 February 2020	28 February 2019 *(Note)*
	$'000	$'000
(a) Other net income		
Interest income	**(1,532)**	(1,504)
Net foreign exchange (gain)/loss	**(2,807)**	2,641
Amortisation of obligations under granting of rights	**(4,512)**	(4,512)
Change in fair value of contingent consideration	**815**	166
Fair value gain on currency swap	**(1,065)**	–
Other income	**(9,912)**	(7,535)
	(19,013)	(10,744)

(Expressed in Hong Kong dollars unless otherwise indicated)

4 Profit before taxation (continued)

	Six months ended	
	29 February 2020	28 February 2019 *(Note)*
	$'000	$'000
(b) Other operating expenses		
Advertising and marketing expenses	**213,829**	189,844
Depreciation		
– Property, plant and equipment	**361,770**	214,040
– Investment properties	**4,005**	–
– Right-of-use assets	**84,114**	–
(Gain)/loss on disposal of property, plant and equipment, net	**(2,853)**	21
Impairment losses on trade receivables	**8,751**	21,305
Talents costs (note 4(c))	**508,649**	263,557
Amortisation of intangible assets	**296,930**	61,741
Amortisation of customer acquisition and retention costs	**145,204**	107,858
Transaction costs in connection with the business combination	**6,569**	1,598
Others	**254,882**	199,679
	1,881,850	1,059,643
(c) Talent costs		
Salaries, wages and other benefits	**713,139**	466,010
Contributions to defined contribution retirement plan	**45,735**	30,853
Equity-settled share-based payment expenses	**1,093**	1,434
Cash-settled share-based payment expenses	**1,875**	346
	761,842	498,643
Less: Talent costs capitalised as property, plant and equipment	**(29,506)**	(16,309)
Talent costs included in advertising and marketing expenses and amortisation of customer acquisition and retention costs	**(223,687)**	(218,777)
Talent costs included in other operating expenses	**508,649**	263,557
Talent costs included in network costs and costs of sales	**93,071**	–
	601,720	263,557

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

(Expressed in Hong Kong dollars unless otherwise indicated)

4 Profit before taxation (continued)

	Six months ended	
	29 February 2020	28 February 2019 *(Note)*
	$'000	$'000
(d) Finance costs		
Interest on bank loans	**96,141**	63,431
Interest on the interest-rate swap, net	**(1,105)**	3,428
Fair value loss on the interest-rate swap	**2,312**	20,119
Interest on lease liabilities	**12,042**	–
Loss on extinguishment of senior notes	**43,373**	–
Interest on senior notes	**133,495**	–
	286,258	86,978
(e) Other items		
Amortisation of intangible assets	**355,731**	96,067
Depreciation of right-of-use assets	**100,490**	–
Operating lease charges in respect of land and buildings: minimum lease payments	**–**	30,989
Operating lease charges in respect of telecommunications facilities and computer equipment: minimum lease payments	**–**	142,734
Expenses relating to short-term leases and leases of low-value assets	**145,801**	–
Research and development costs	**10,778**	13,638
Cost of inventories	**817,748**	199,314

Note: *The Group has initially applied HKFRS 16 at 1 September 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.*

5 Income tax credit/(charge)

	Six months ended	
	29 February 2020	28 February 2019
	$'000	$'000
Current tax – Hong Kong Profits Tax	**(100,788)**	(75,335)
Current tax – Outside Hong Kong	**(4,084)**	(2,554)
Deferred tax	**156,502**	28,360
	51,630	(49,529)

Hong Kong Profits Tax is calculated at 16.5% (six months ended 28 February 2019: 16.5%) of the estimated assessable profits for the six months ended 29 February 2020. Taxation outside Hong Kong is calculated on the estimated assessable profit for the period of the rates of taxation prevailing in the jurisdictions which the Group operates.

(Expressed in Hong Kong dollars unless otherwise indicated)

6 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 $132,239,000 (six months ended 28 February 2019: $199,445,000) and the weighted average number of ordinary shares in issue less shares held for the Co-Ownership Plan II, of 1,310,419,855 ordinary shares (six months ended 28 February 2019: 1,003,590,000 ordinary shares).

	Six months ended	
	29 February 2020 '000	28 February 2019 '000
Issued ordinary shares at 1 March	**1,005,667**	1,005,667
Less: shares held for the Co-Ownership Plan II	**(5,667)**	(5,667)
Add: effect of the Co-Ownership Plan II RSUs vested	**4,487**	3,590
Add: effect of issue of new shares (note 14 (a))	**305,933**	–
Weighted average number of ordinary shares less shares held for the Co-Ownership Plan II	**1,310,420**	1,003,590

(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 $132,239,000 (six months ended 28 February 2019: $199,445,000) and the weighted average number of ordinary shares in issue less shares held for the Co-Ownership Plan II after adjusting for the dilutive effect of the Company's Co-Ownership Plan II, calculated as follows:

	Six months ended	
	29 February 2020 '000	28 February 2019 '000
Weighted average number of ordinary shares less shares held for the Co-Ownership Plan II	**1,310,420**	1,003,590
Effect of the Co-Ownership Plan II	**267**	1,120
Effect of Vendor loan notes	**167,322**	–
Weighted average number of ordinary shares (diluted)	**1,478,009**	1,004,710

7 Investment properties and property, plant and equipment

	At 29 February 2020 $'000	At 31 August 2019 $'000
Opening net book value	**4,563,631**	2,293,950
Impact on initial application of HKFRS 16 (Note 2(d))	**(264,948)**	–
Net book value, as at 1 September	**4,298,683**	2,293,950
Exchange adjustments	**859**	(511)
Additions	**212,886**	646,079
Business combination	**45,448**	2,163,785
Disposals (net carrying amount)	**(2,210)**	(4,914)
Depreciation charges for the period	**(365,775)**	(534,758)
Closing net book value	**4,189,891**	4,563,631

(Expressed in Hong Kong dollars unless otherwise indicated)

8 Right-of-use assets

	At 29 February 2020 $'000
Opening net book value	–
Impact on initial application of HKFRS 16 (Note 2(d))	**642,521**
Net book value	**642,521**
Exchange adjustments	**1,755**
Additions	**215,722**
Business combination	**199,704**
Disposals (net carrying amount)	**(78)**
Depreciation charges for the period	**(100,490)**
Closing net book value	**959,134**

9 Trade receivables, other receivables, deposits and prepayments

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 29 February 2020 $'000	At 31 August 2019 $'000
Within 30 days	**458,207**	217,558
31 to 60 days	**335,792**	113,655
61 to 90 days	**251,224**	59,638
Over 90 days	**460,612**	166,588
Trade receivables, net of loss allowance	**1,505,835**	557,439
Other receivables, deposits and prepayments	**352,962**	240,894
	1,858,797	798,333

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

Other receivables, deposits and prepayments consist of rental deposit, interest receivable, prepayments and other receivables. All of the other receivables, deposits and prepayments, except for rental deposits and other receivables amounted to $43,110,000 (31 August 2019: $19,620,000), are expected to be recovered or recognised as expenses within one year.

The amount of the currency swap included in other receivables, deposits and prepayments is $1,065,000 (2019: $Nil).

(Expressed in Hong Kong dollars unless otherwise indicated)

10 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position and condensed consolidated cash flow statement comprise:

	At 29 February 2020 $'000	At 31 August 2019 $'000
Cash at bank and in hand	**691,830**	662,816

11 Trade payables, other payables and accrued charges

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

	At 29 February 2020 $'000	At 31 August 2019 $'000
Within 30 days	**312,339**	124,247
31 to 60 days	**172,296**	46,783
61 to 90 days	**210,704**	35,734
Over 90 days	**141,599**	159,212
	836,938	365,976
Trade payables	**836,938**	365,976
Other payables and accrued charges		
– Current portion	**986,914**	907,317
– Long-term portion	**154,134**	143,600
	1,977,986	1,416,893

The amount of the interest-rate swap included in other payables and accrued charges is $2,376,000 (2019: $64,000).

12 Bank loans

(a) The analysis of the carrying amount of bank loans is as follows:

	At 29 February 2020 $'000	At 31 August 2019 $'000
Current liabilities		
Bank loans	**778,691**	–
Non-current liabilities		
Bank loans	**5,543,407**	4,454,253

(Expressed in Hong Kong dollars unless otherwise indicated)

12 Bank loans (continued)

(b) As at 29 February 2020, the bank loans were repayable as follows:

	At 29 February 2020 $'000	At 31 August 2019 $'000
Bank loans (unsecured)		
Within 1 year or on demand	**778,691**	–
After 1 year but within 2 years	**1,085,945**	–
After 2 years but within 5 years	**4,457,462**	3,873,716
	5,543,407	3,873,716
	6,322,098	3,873,716

(i) On 21 November 2016, the Group entered into term and revolving credit facilities agreement of $4,100,000,000 in aggregate with various international banks and drew down a bank loan with a principal amount of $3,900,000,000 at Hong Kong Interbank Offered Rate ("HIBOR") plus a margin per annum payable quarterly. The loan was unsecured and covered by a cross guarantee arrangement issued by the Company, Metropolitan Light Company Limited ("MLCL"), HKBN Group Limited ("HKBNGL"), Hong Kong Broadband Network Limited ("HKBN"), HKBN Enterprise Solutions Development Ltd, HKBN Enterprise Solutions Cayman Corp, HKBN Enterprise Solutions HK Limited and COL Limited, and repayable in full upon maturity on 25 May 2023.

(ii) On 9 September 2019, the Group drew down the revolving credit facilities of $200,000,000 at HIBOR plus a margin per annum payable quarterly. The facility was fully repaid on 11 March 2020.

(iii) On 10 October 2018, the Group entered into a facility agreement with a local bank in Hong Kong for a five-year term loan of $580,000,000 that bore interest at HIBOR plus a margin per annum. The facility was fully utilised on 11 October 2018. The loan was unsecured and covered by a cross guarantee arrangement issued by the Company, MLCL, HKBNGL and HKBN, and repayable in full upon maturity on 10 October 2023.

(iv) On 25 September 2019, the Group entered into revolving credit facilities agreement of $1,000,000,000 in aggregate with a bank in Hong Kong and drew down the revolving credit facilities of $400,000,000 at HIBOR plus a margin per annum payable monthly. The facility was unsecured and covered by a guarantee arrangement issued by the Company. The facility was repayable on 30 April 2020 and $160,000,000 of the facility was repaid on 30 March 2020.

(v) On 21 December 2019, the Group entered into a facility agreement with a local bank in Hong Kong for a two-year term loan of United States Dollar ("USD") 70,000,000 that bore interest at LIBOR plus a margin per annum. The facility was fully utilised on 16 January 2020. The loan was unsecured and covered by a cross guarantee arrangement issued by the Company, MLCL and HKBNGL, and repayable in full upon maturity on 21 December 2021.

(vi) On 10 February 2020, the Group entered into a facility agreement with a Japan based bank for an 18 months interest bearing term loan of $540,000,000. The facility was fully utilised on 25 February 2020. The loan was unsecured and covered by a cross guarantee arrangement issued by the Company, MLCL and HKBNGL, and repayable in full upon maturity on 11 August 2021.

(Expressed in Hong Kong dollars unless otherwise indicated)

12 Bank loans (continued)

(b) As at 29 February 2020, the bank loans were repayable as follows: (continued)

(vii) On 28 February 2020, HKBN JOS (Singapore) Pte. Ltd. (formerly Jardine Onesolution (2001) Pte Ltd) entered into revolving credit facilities agreement of Singapore Dollar ("SGD") 30,000,000 in aggregate with an international bank and drew down the revolving credit facilities of SGD17,800,000. The facility was unsecured, interest bearing at this bank's cost of funds plus a margin, and repaid in full upon maturity on 6 March 2020.

(viii) On 28 February 2020, HKBN JOS (Singapore) Pte. Ltd. (formerly Jardine Onesolution (2001) Pte Ltd) entered into revolving credit facilities agreement of SGD11,940,000 in aggregate with an international bank and drew down the revolving credit facilities of SGD10,300,000. The facility was unsecured, interest bearing at a fixed rate, and repaid in full upon maturity on 6 March 2020.

(ix) On 28 February 2020, JOS Application(S) Pte. Ltd. entered into revolving credit facilities agreement of SGD2,000,000 in aggregate with an international bank and drew down the revolving credit facilities of SGD1,655,000. The facility was unsecured, interest bearing at a fixed rate, and repaid in full upon maturity on 6 March 2020.

(x) On 5 February 2020, HKBN JOS (Malaysia) Sdn. Bhd. (formerly known as JOS Malaysia Sdn. Bhd.) entered into revolving credit facilities agreement of Malaysian Ringgit ("MYR") 24,500,000 in aggregate with an international bank and drew down the revolving credit facilities of MYR4,000,000. The facility was unsecured, interest bearing at Kuala Lumpur International Offered Rate plus a margin, and repaid in full before maturity on 2 March 2020.

The bank loans are recognised initially at fair value less attributable transactions costs. Subsequent to initial recognition, the bank loans are stated at amortised cost with any difference between the amount initially recognised and interest payable using the effective interest method.

To calculate the effective interest in each reporting period, the effective interest rate is applied to the amortised cost of the bank loan at the end of the previous reporting period.

The effective interest rate of the bank loans as of 29 February 2020 is 3.68% per annum (2019: 3.25%).

13 Senior notes

On 21 November 2017, WTT Investment Ltd (the "Predecessor Issuer") issued senior notes with a nominal value of US$670,000,000 (equivalent to $5,232,091,000) that will mature on 21 November 2022. The notes were denominated and settled in USD, and bore coupon at 5.5% per annum payable semi-annually on 21 May and 21 November in each year commencing on 21 May 2018. The senior notes were recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, the senior notes were stated at amortised cost with any difference between the amount initially recognised and the redemption value being recognised in profit or loss over the period of the senior notes, together with any interest and fees payable, using the effective interest method.

On 28 May 2019, MLCL assumed the obligations of the Predecessor Issuer.

The senior notes are guaranteed by the Group's subsidiaries.

(Expressed in Hong Kong dollars unless otherwise indicated)

13 Senior notes (continued)

During the period ended 29 February 2020, the Group repurchased a portion of the senior notes with aggregate principal value of US$134,000,000 (equivalent to $1,048,550,000) in the open market. The total consideration paid was approximately US$138,020,000 (equivalent to $1,080,007,000). The loss on partial extinguishment of the senior notes, which included the write-off of unamortised senior notes originating fee and redemption cost, was US$5,550,000 (equivalent to $43,373,000) recorded within the finance costs in the consolidated income statement (note 4(d)) for the period ended 29 February 2020.

At 29 February 2020, the remaining principal amount of the senior notes in issue after the repurchase was US$536,000,000 (equivalent to $4,179,138,000) and the amortised cost of the senior notes was US$530,447,000 (equivalent to $4,137,420,000).

The effective interest rate of the senior notes for the period is 5.9% per annum.

14 Capital, reserves and dividends

(a) Share capital

As at 29 February 2020, 3,800,000,000 ordinary shares, with par value of $0.01 cent each, were authorised for issue. As at 29 February 2020, the Company had 1,311,599,356 (28 February 2019: 1,005,666,666) ordinary shares in issue.

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the interim period

	Six months ended	
	29 February 2020 $'000	28 February 2019 $'000
Interim dividend declared after the interim period of 37 cents per ordinary share (six months ended 28 February 2019: 34 cents per ordinary share) (Note)	**485,292**	445,944

Note: *The amount of 2020 proposed interim dividend is based on the 1,311,599,356 (2019: 1,311,599,356) ordinary shares in issue as at the date of this interim report.*

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

(Expressed in Hong Kong dollars unless otherwise indicated)

14 Capital, reserves and dividends (continued)

(b) Dividends (continued)

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

	Six months ended	
	29 February 2020 $'000	28 February 2019 $'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of 36 cents per ordinary share (six months ended 28 February 2019: 30 cents per ordinary share)	**472,176**	301,700

(c) Other reserve

The entire issued share capital of MLCL was transferred to the Company in consideration for an issue of the Company's share to Metropolitan Light Holdings Limited on 17 February 2015 (the "Share Transfer"). Upon completion of the Share Transfer, the Company became the holding company of the Group, and the combined share capital and share premium prior to the Share Transfer, amounting to $8,000 and $1,757,197,000 respectively, were eliminated against the investment in MLCL with a carrying amount of $1,160,785,000. The remaining balance of $596,420,000 was recorded in the other reserve.

(d) Equity-settled share-based transactions

(i) Co-Ownership Plan II (the "Plan II")

On 21 February 2015, the Company adopted the Plan II and granted RSUs to directors and talents of the Group in Hong Kong. The purpose of the Plan II is to attract, retain and motivate skilled and experienced talents of the Group. The RSUs are the contingent rights to receive the Company's shares at the relevant matching ratio in respect of any shares purchased by the talents, subject to certain terms, conditions and undertakings. The share are held on trust by the appointed trustee until their release to the beneficiaries upon the vesting of the RSUs.

On 29 June 2015 and 18 August 2015, 2,723,000 RSUs and 133,000 RSUs were granted to directors and talents of the Group in Hong Kong by the Company under the Plan II respectively. The directors estimated the weighted average fair value of each RSU at the grant date to be $8.50.

On 20 November 2015, 159,000 RSUs were granted to talents of the Group in Hong Kong by the Company under the Plan II. The directors estimated the weighted average fair value of each RSU at the grant date to be $10.28.

On 20 June 2016, 2,081,000 RSUs were granted to directors and Talents of the Group in Hong Kong by the Company under the Plan II. The directors estimated the weighted average fair value of each RSU of the grant date to be $8.10.

On 24 January 2017, 258,000 RSUs were granted to directors and Talents of the Group in Hong Kong by the Company under the Plan II. The directors estimated the weighted average fair value of each RSU of the grant date to be $8.35.

14 Capital, reserves and dividends (continued)

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

(i) Co-Ownership Plan II (the "Plan II") (continued)

On 20 July 2017, 253,000 RSUs were granted to Talents of the Group in Hong Kong by the Company under the Plan II. The directors estimated the weighted average fair value of each RSU of grant date to be $7.20.

On 30 January 2019, 329,000 RSUs were granted to Talents of the Group in Hong Kong by the Company under the Plan II. The directors estimated the weighted average fair value of each RSU of grant date to be $12.08.

On 26 February 2019, 31,000 RSUs were granted to Talents of the Group in Hong Kong by the Company under the Plan II. The directors estimated the weighted average fair value of each RSU of grant date to be $12.16.

The shares are held on trust by the appointed trustee until their release to the beneficiaries upon the vesting of the RSUs. 25%, 25% and 50% of these RSUs will vest on the first, second and third anniversary of the grant date respectively.

A total of 250,588 (2019: 78,932) shares were vested during the six months ended 29 February 2020.

(ii) Co-Ownership Plan III Plus (the "Plan III Plus")

On 4 September 2019, the Company adopted the Plan III Plus and granted RSUs to directors and talents of the Group in Hong Kong. The purpose of the Plan III Plus is 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 RSUs are the contingent rights to receive the Company's shares depending 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, in respect of any shares purchased by the talents, subject to certain terms, conditions and undertakings. 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.

During the period ended 29 February 2020, 20,842,853 shares were purchased on behalf of the talents and are held on trust by the appointed trustee until their release to the beneficiaries upon the vesting of the RSUs. Although the granting of the RSUs has not yet occurred, the service periods are considered having commenced as of 6 December 2019 or 18 December 2019, depending on the dates when the talents were invited to participate the Plan III Plus.

The directors estimated the weighted average fair value of each RSU at the grant date to be $9.04.

(Expressed in Hong Kong dollars unless otherwise indicated)

15 Business combination and acquisition of a subsidiary

a. Business combination during the period ended 29 February 2020

Pursuant to the share purchase agreement dated 23 August 2019, HKBNGL acquired 100% equity interests in Jardine OneSolution Holdings (C.I.) Limited, Adura Hong Kong Limited and Adura Cyber Security Services Pte. Ltd., a company incorporated in the Cayman Islands, Hong Kong and Singapore respectively (together referred as "JOS Group") from JTH (BVI) Limited (the "JOS Acquisition"). The consideration of the JOS Acquisition was settled by cash of US$50,000,000 (equivalent to $391,500,000).

JOS Group is principally engaged in IT-related businesses including provision of IT system integration, IT solutions and IT consultancy services with a focus on the enterprise segment. The JOS Acquisition was completed on 13 December 2019.

The goodwill reflects synergies expected from leveraging the Group's existing enterprise customer base, talents and culture to improve overall profitability by enhancing its service offering, reducing overlapping costs and delivering greater value to customers. None of the goodwill is expected to be deductible for tax purposes.

The fair value of the identifiable assets and liabilities arising from the JOS Acquisition as at 13 December 2019 and the related consideration are currently determined provisionally as at 29 February 2020. At the date of the interim financial report, the necessary valuations and other calculations for the net assets acquired and liabilities assumed have not been finalised and therefore have been provisionally determined based on the latest information available to management. Any adjustments to these provisional values upon finalisation will be recognised within 12 months of the acquisition date. The adjustments will be calculated as if the fair values had been recognised on the acquisition date. Goodwill will also be adjusted to the amount that would have been recognised if the fair value had been used at the acquisition date.

The JOS Acquisition had the following effect on the Group's assets and liabilities on 13 December 2019, the completion date of the JOS Acquisition:

	$'000
Intangible assets	210,603
Property, plant and equipment	45,448
Right-of-use assets	199,704
Deferred tax assets	13,313
Inventories	128,484
Contract assets	42,099
Trade receivables	752,450
Other receivables, deposits and prepayments	158,695
Finance lease receivables	2,596
Tax recoverable	717
Cash and cash equivalents	68,433
Trade payables	(322,508)
Other payables and accrued charges	(272,397)
Provision for reinstatement costs	(14,899)
Contingent consideration	(4,372)
Contract liabilities	(291,818)
Bank loans	(267,464)
Tax payables	(2,615)
Lease liabilities	(237,112)
Deferred tax liabilities	(31,098)
Fair value of net assets acquired	178,259
Non-controlling interests	1,684
	179,943
Goodwill	211,557
Total consideration	391,500
Cash consideration paid	391,500
Cash and cash equivalents acquired	(68,433)
Net cash outflow in respect of the JOS Acquisition during the period ended 29 February 2020	323,067

(Expressed in Hong Kong dollars unless otherwise indicated)

15 Business combination and acquisition of a subsidiary (continued)

a. Business combination during the period ended 29 February 2020 (continued)

Acquisition-related costs

Acquisition-related costs of approximately $6,569,000 and $9,863,000 were included in other operating expenses in the consolidated income statement for the period ended 29 February 2020 and year ended 31 August 2019.

Revenue and profit contribution

The revenue and profit after taxation of $836,204,000 and $16,392,000 respectively included in the consolidated income statement were contributed by JOS Group from the date of the JOS Acquisition to 29 February 2020.

No separate sets of financial information for JOS Group were prepared for the period from 1 September 2019 to the date of the JOS Acquisition. As a result, it is impracticable for the Group to disclose the amounts of revenue and profit or loss after taxation of JOS Group as if the acquisition date for the business combination that occurred during the period had been as of 1 September 2019.

b. Acquisition of a subsidiary during the period ended 28 February 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 the CTL Acquisition is as follows:	
Total consideration	329,219
Deposits paid as at 31 August 2018	(32,829)
Net cash outflow in respect of the CTL Acquisition for the period ended 28 February 2019	296,390

(Expressed in Hong Kong dollars unless otherwise indicated)

16 Vendor loan notes

On 30 April 2019, the Company issued the Vendor loan notes (the "Vendor loan notes") with a nominal amount of $1,940,937,656 as part of the consideration of the acquisition of the entire issued share capital of WTT Holding Corp (the "WTT Acquisition"). The Vendor loan notes are zero coupon convertible notes which may be converted into new ordinary shares to be issued by the Company at the initial conversion price of $11.60 per share pursuant to the terms and conditions of the Vendor loan notes. The Vendor loan notes have no maturity date and the holders of the Vendor loan notes have the right to receive an amount equal to any dividends made by the Company on an as-converted basis. Therefore, the Vendor loan notes are classified as equity instruments and recorded in equity in the consolidated statement of financial position.

17 Fair value measurement of financial instruments

(a) Financial liabilities measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

– Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 29 February 2020 $'000	Fair value measurement as at 29 February 2020 categorised into		
		Level 1 $'000	Level 2 $'000	Level 3 $'000
Recurring fair value measurement				
Financial assets:				
Derivative financial instrument:				
– Currency swap	**1,065**	**–**	**1,065**	**–**
Financial liabilities:				
Derivative financial instrument:				
– Interest-rate swap	**2,376**	**–**	**2,376**	**–**
Contingent consideration	**34,836**	**–**	**–**	**34,836**

(Expressed in Hong Kong dollars unless otherwise indicated)

17 Fair value measurement of financial instruments (continued)

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

(i) Fair value hierarchy (continued)

	Fair value at 31 August 2019 $'000	Fair value measurement as at 31 August 2019 categorised into Level 1 $'000	Level 2 $'000	Level 3 $'000
Recurring fair value measurement				
Financial liabilities:				
Derivative financial instrument:				
– Interest-rate swap	64	–	64	–
Contingent consideration	29,649	–	–	29,649

During the six months ended 29 February 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2019: $Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Valuation techniques and inputs used in Level 2 fair value measurement

The fair values of interest-rate swap and currency swap are the estimated amounts that the Group would receive or pay to terminate the swaps at the end of the reporting period, taking into account current interest rates, currency rates and the current creditworthiness of the swaps counterparties.

(iii) Information about Level 3 fair value measurement

The fair value of the contingent consideration relating to the acquisition of I Consulting Group Limited and its subsidiaries completed in 30 May 2018 are determined considering the expected payment, discounted to present value using a risk-adjusted discount rate of 5% (2019: 5%).

In addition, HK$4,372,000 of contingent consideration was recognised in relation to the JOS Acquisition relating to the acquisition of a workflow business practice. The fair value of this contingent consideration as at the acquisition date is a Level 3 fair value measurement. The fair value as at acquisition date was estimated based on cash flow projections used in financial budgets approved by management covering a five-year period and cash flow projection beyond the five-year period were extrapolated using terminal growth rates averaging 2% a year and discounted using a weighted average cost of capital rate of 12%.

(Expressed in Hong Kong dollars unless otherwise indicated)

17 Fair value measurement of financial instruments (continued)

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

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

	At 29 February 2020 $'000	At 31 August 2019 $'000
Contingent consideration		
At the beginning of the period/year	**29,649**	39,707
Acquisition of subsidiaries	**4,372**	–
Settlement of contingent consideration for the period/year	**–**	(11,600)
Change in fair value during the period/year	**815**	1,542
At the end of the period/year	**34,836**	29,649
Contingent consideration – current portion	**1,404**	1,371
Contingent consideration – long-term portion	**33,432**	28,278
Total contingent consideration	**34,836**	29,649

(b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 29 February 2020 and 31 August 2019.

18 Capital commitments outstanding not provided for in the interim financial report

(a) Capital commitments outstanding at 29 February 2020 not provided for in the interim financial report

At 29 February 2020, the Group had the following capital commitments:

	At 29 February 2020 $'000	At 31 August 2019 $'000
Contracted but not provided for		
– Purchase of property, plant and equipment	**382,416**	190,546
– Redemption of senior notes	**–**	552,131
	382,416	742,677

In addition, the Group was committed at 29 February 2020 to enter into a lease of seven years that is not yet commenced, the lease payments under which amounted to $5,841,000 per annum.

(Expressed in Hong Kong dollars unless otherwise indicated)

18 Capital commitments outstanding not provided for in the interim financial report (continued)

(b) At 31 August 2019, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	Land and buildings $'000	Telecommunications facilities and computer equipment $'000
Within 1 year	106,887	97,820
After 1 year but within 5 years	185,589	12,221
After 5 years	129,254	–
	421,730	110,041

The Group leases a number of land and buildings and telecommunications facilities and computer equipment which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 September 2019 to recognise lease liabilities relating to these leases (see note 2). From 1 September 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in note 2.

19 Contingent liabilities

	At 29 February 2020 $'000	At 31 August 2019 $'000
Bank guarantee in lieu of payment of utility deposits	**11,713**	7,913
Bank guarantee in lieu of performance guarantee	**520,078**	–
	531,791	7,913

At 29 February 2020 and 31 August 2019, the directors did not consider it is probable that a claim will be made against the Group under any guarantees. The Group has assessed the fair value of the above guarantees and does not consider it to be material. It has therefore not been recognised in the consolidated statement of financial position.

Legal contingencies

The Group is a defendant in certain lawsuits as well as the named party in other proceedings arising in the ordinary course of business. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, management believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group.

(Expressed in Hong Kong dollars unless otherwise indicated)

20 Material related party transactions

Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors of the Company, is as follows:

	Six months ended	
	29 February 2020 $'000	28 February 2019 $'000
Short-term employee benefits	**26,982**	20,771
Post-employment benefits	**1,796**	1,388
Equity compensation benefits	**–**	328
	28,778	22,487

21 Comparative figures

The Group has initially applied HKFRS 16 at 1 September 2019. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

Directors' and Chief Executives' Interests in Securities

As at 29 February 2020, the Directors and chief executives of the Company had the following interests and short positions in the shares, underlying shares (in respect of positions held pursuant to equity derivatives), and debentures of the Company and its associated corporations (within the meaning of Part XV of the "Securities and Futures Ordinance" (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein; or (c) were otherwise required to be notified to the Company and the Stock Exchange pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

Long Position

Ordinary shares of $0.0001 each in the Company

Name of Director		Number of shares held	Percentage of the issued share capital of the Company
Mr. Bradley Jay HORWITZ	(Note 1)	450,000	0.03%
Mr. Chu Kwong YEUNG	(Note 2)	25,934,429	1.98%
Mr. Ni Quiaque LAI	(Note 3)	31,553,129	2.41%
Mr. Teck Chien KONG	(Note 4)	228,627,451	17.43%
Mr. Stanley CHOW	(Note 5)	110,000	0.01%

Notes:

1. *Mr. Bradley Jay HORWITZ held 450,000 ordinary shares in the Company.*
2. *Mr. Chu Kwong YEUNG held 25,934,429 ordinary shares in the Company, in which 848,002 ordinary shares were held by the plan trustee under Co-Ownership Plan III Plus.*
3. *Mr. Ni Quiaque LAI held 31,553,129 ordinary shares in the Company, in which 556,007 ordinary shares were held by the plan trustee under Co-Ownership Plan III Plus.*
4. *Mr. Teck Chien KONG, through corporations directly and indirectly controlled by him, namely MBK Partners JC GP, Inc., MBK Partners JC GP, L.P., MBK Partners JC, L.P., Twin Holding Ltd and Twin Telecommunication Ltd held 228,627,451 ordinary shares in the Company, in which 83,661,106 ordinary shares were under convertible instruments, and was accordingly deemed to be interested in the shares held by the aforesaid companies.*
5. *Mr. Stanley CHOW held 110,000 ordinary shares in the Company jointly with his spouse, Ms. Frances WOO.*

Other than the interests disclosed above, none of the Directors nor the chief executives nor their associates had any interests or short positions in any shares, underlying shares (in respect of positions held pursuant to equity derivatives) or debentures of the Company or any of its associated corporations as at 29 February 2020.

Restricted Share Unit Schemes

To attract, retain and motivate skilled and experienced Talents, the Company adopted three Co-Ownership plans, namely Co-Ownership Plan II, Co-Ownership Plan III and Co-Ownership Plan III Plus on 21 February 2015, 27 December 2017 and 4 September 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 (approximately 25% of the Group's total Talent base), spanning the Group's operations including but not limited to Hong Kong and China.

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 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 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.

On Talents' 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 1H2020 are as follows:

Participants	Date of grant	Number of RSUs								
								To be vested on 24 January/30 January/26 February/20 July (As at 29 February 2020)		
		Granted	As at 1 September 2019	Granted during the period	Forfeited during the period	Vested during the period	As at 29 February 2020	2020	2021	2022
Other participants	24 January 2017	400,472	148,839	–	2,476	146,363	–	–	–	–
Other participants	20 July 2017	252,635	111,215	–	–	–	111,215	111,215	–	–
Other participants	30 January 2019	329,330	292,092	–	1,489	72,634	217,969	–	72,634	145,335
Other participants	26 February 2019	126,410	126,410	–	–	31,591	94,819	–	31,591	63,228
Total		1,108,847	678,556	–	3,965	250,588	424,003	111,215	104,225	208,563

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 27 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 reasons of (i) the occurrence of an M&A event (i.e. Metropolitan Light Company Limited, 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")) 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 4 September 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. On 27 February 2020, the Executive Directors of the Company donated 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: "Make our Home a Better Place to Live".

On 27 February 2020, the plan trustee completed the purchases of 20,842,853 shares of the Company for and on behalf of the participants of the Co-Ownership Plan III Plus in the first invitation period at an average price of $14.15 per share (the "2020 1st Batch Purchase"). Please refer to the announcement of the Company dated 27 February 2020 for further details.

Details of the share purchase movements under the Co-Ownership Plan III Plus as at 29 February 2020 are as follows:

Participants	Number of shares purchased during 1H2020	Number of shares purchased to be forfeited during 1H2020 (i.e. purchased shares returned to Bad Leavers*)	Number of shares under Co-Ownership Plan III Plus as at 29 February 2020	Approximate percentage of the issued share capital of the Company as at 29 February 2020	Approximate percentage of shares purchased under the Scheme Mandate Limit utilised
2020 1st Batch Purchase					
Executive Directors of the Company:					
– Mr. Chu Kwong YEUNG	848,002	–	848,002	0.065%	2.155%
– Mr. Ni Quiaque LAI	556,007	–	556,007	0.042%	1.413%
Directors of the Company's subsidiaries	1,227,976	–	1,227,976	0.094%	3.121%
Other participants	18,210,868	105,646	18,105,222	1.380%	46.013%
Total	20,842,853	105,646	20,737,207	1.581%	52.702%

** Please refer to the circular of the Company dated 29 July 2019 for the definition of Bad Leavers.*

Arrangements to Purchase Shares or Debentures

Save as disclosed in the "Restricted Share Unit Schemes" above, at no time during 1H2020 was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

Interests of Substantial Shareholders

As at 29 February 2020, to the best knowledge of the Directors and chief executives of the Company, the following persons (other than any Directors or chief executives of the Company) were substantial shareholders, had notified the Company of their relevant interests in shares and underlying shares representing 5% or more of the issued share capital of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept under Section 336 of Part XV of the SFO:

Long Position

Ordinary shares of $0.0001 each in the Company

Name of shareholder	Note	Number of ordinary shares or underlying shares Long position (L) Short position (S) Lending pool (P)	Percentage of the issued voting shares of the Company
Canada Pension Plan Investment Board	(a)	182,405,000 (L)	13.91%
GIC Private Limited	(b)	87,284,797 (L)	6.65%
JPMorgan Chase & Co.	(c)	110,099,141 (L) 5,490,500 (S) 104,454,141(P)	8.39% 0.41% 7.96%
The Capital Group Companies, Inc.	(d)	118,153,500 (L)	9.01%
David BONDERMAN	(e)	228,627,451 (L)	17.43%
James George COULTER	(f)	228,627,451 (L)	17.43%
Michael ByungJu KIM	(g)	228,627,451 (L)	17.43%
Teck Chien KONG	(h)	228,627,451 (L)	17.43%

Notes:

(a) Canada Pension Plan Investment Board is the beneficial owner of 182,405,000 ordinary shares of the Company.

(b) 87,284,797 ordinary shares are held by GIC Private Limited in the capacity of investment manager.

(c) 110,099,141 ordinary shares are in long position held by JPMorgan Chase & Co. as to (i) 5,576,000 ordinary shares in the capacity as interest of controlled corporations, (ii) 69,000 ordinary shares in the capacity as person having a security interest in shares, and (iii) 104,454,141 ordinary shares in the capacity as approved lending agent.

5,490,500 ordinary shares are in short position held by JPMorgan Chase & Co. in the capacity as interest of controlled corporations.

(d) The Capital Group Companies, Inc. through its subsidiaries, namely Capital Bank and Trust Company, Capital International, Inc., Capital International Limited, Capital International Sarl, and Capital Research and Management Company held 967,500 ordinary shares, 4,285,000 ordinary shares, 494,500 ordinary shares, 6,781,500 ordinary shares and 105,625,000 ordinary shares in the Company respectively, and was accordingly deemed to be interested in the respective shares held by the aforesaid companies.

(e) *Mr. David BONDERMAN, through corporations directly and indirectly controlled by him, namely TPG Asia Advisors VI, Inc. and TPG Wireman, L.P., held 228,627,451 ordinary shares in the Company, in which 83,661,106 ordinary shares were under convertible instruments, and was accordingly deemed to be interested in the shares held by the aforesaid companies.*

(f) *Mr. James George COULTER, through corporations directly and indirectly controlled by him, namely TPG Asia Advisors VI, Inc. and TPG Wireman, L.P., held 228,627,451 ordinary shares in the Company, in which 83,661,106 ordinary shares were under convertible instruments, and was accordingly deemed to be interested in the shares held by the aforesaid companies.*

(g) *Mr. Michael ByungJu KIM, through corporations directly and indirectly controlled by him, namely MBK GP III, Inc., MBK Partners GP III, L.P., MBK Partners Fund III, L.P., MBK Partners JC, L.P., Twin Holding Ltd and Twin Telecommunication Ltd held 228,627,451 ordinary shares in the Company, in which 83,661,106 ordinary shares were under convertible instruments, and was accordingly deemed to be interested in the shares held by the aforesaid companies.*

(h) *Mr. Teck Chien KONG, through corporations directly and indirectly controlled by him, namely MBK Partners JC GP, Inc., MBK Partners JC GP, L.P., MBK Partners JC, L.P., Twin Holding Ltd and Twin Telecommunication Ltd held 228,627,451 ordinary shares in the Company, in which 83,661,106 ordinary shares were under convertible instruments, and was accordingly deemed to be interested in the shares held by the aforesaid companies.*

Other than the interests disclosed above, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares (in respect of positions held pursuant to equity derivatives) of the Company as at 29 February 2020.

Purchase, Sale or Redemption of the Company's Listed Securities

During 1H2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Interim Dividend

The Board has resolved to declare an interim dividend of 37 cents (28 February 2019: 34 cents) per share for 1H2020 to the shareholders whose names appear on the register of members of the Company on Monday, 18 May 2020. The interim dividend will be payable in cash on Tuesday, 26 May 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 Company has recommended to pay above this range at 124% (including distribution to Vendor loan notes) for this interim period in order to normalize the one-off premium paid on senior notes redemption and the annual tax payments in 1H2020 over the whole financial year.

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 $61,909,218 based on the 37 cents interim dividend per ordinary share declared by the Company for the six months ended on 29 February 2020, 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 interim dividend. Such cash amount will be paid by the Company to the holders of Vendor loan notes on 26 May 2020, being the date on which the 2020 interim dividend will be paid by the Company.

Review of Interim Financial Information

The Audit Committee has reviewed with the management and the external auditor the unaudited interim results of the Group for 1H2020, the accounting principles and practices adopted by the Group, as well as discussion on auditing, internal control, risk management and financial reporting matters of the Group.

The unaudited interim financial report of the Group for 1H2020 has been reviewed by the Company's external auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the HKICPA and reviewed by the Audit Committee of the Company.

Update on Director's Information Under Rule 13.51B(1) of the Listing Rules

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of the Directors of the Company since the publication of the Company's 2019 annual report is set out below:

Ms. Deborah Keiko ORIDA, the Non-executive Director of the Company, has been appointed as the Independent Non-executive Director of IHS Markit, a company incorporated in Bermuda, on 17 October 2019.

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 Listing Rules on the Stock Exchange throughout 1H2020 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 ("Mr. 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 set out in Appendix 10 to the Listing Rules as its code of conduct for dealings in securities of the Company by Directors. Having made specific enquiries with all Directors, they confirmed that they complied with the Model Code throughout 1H2020.

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

Hong Kong, 22 April 2020

Chairman and Independent Non-executive Director

Mr. Bradley Jay HORWITZ [2,4]

Executive Directors

Mr. Chu Kwong YEUNG [3,6]
Mr. Ni Quiaque LAI

Non-executive Directors

Ms. Deborah Keiko ORIDA [4]
Mr. Zubin Jamshed IRANI [2,6]
Mr. Teck Chien KONG [4]

Independent Non-executive Directors

Mr. Stanley CHOW [2,4,5]
Mr. Yee Kwan Quinn LAW, SBS, JP [1,4,6]

1 Chairman of Audit Committee
2 Member of Audit Committee
3 Chairman of Nomination Committee
4 Member of Nomination Committee
5 Chairman of Remuneration Committee
6 Member of Remuneration Committee

Company Secretary

Mr. Yue Kit Andrew WONG

Authorised Representatives

Mr. Ni Quiaque LAI
Mr. Yue Kit Andrew WONG

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KPMG

Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
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Hong Kong Branch Share Registrar and Transfer Office

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Hong Kong

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Company's Website

www.hkbnltd.net

Stock Code

1310

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