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

Interim Report 2021

Changing the Game

Changing the Game

As businesses now recognise the exigent value of change amid the fragility exposed by COVID, HKBN has taken a leading role to innovate, transform and drive customer resilience into the future.

Always ready to adapt, HKBN champions long-term value creation. We are embracing our role to guide businesses through all their technology choices. For consumers, we're unlocking the power of partnerships and shared resources to change the game of retail shopping.

In crisis, there is opportunity AND responsibility. Leading through purpose, we've continued to inspire – via committed action before and during COVID – the business sector to take greater responsibility for our society's shared future. Together, let's grow through change.

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.

Your Transformation Journey Starts Here

Contents

Dear fellow HKBN Shareholders,

Looking back at the COVID-19 situation so far, we are most proud of how we have treated our Talents. Since the start of COVID-19, we have received $210 million in government subsidies from the regions we operate in and have substantially passed all of this to our Talents. Even inclusive of this government subsidy pass-through, we still managed to deliver industry leading growth in revenue, EBITDA and DPS of 40%, 2% and 5% respectively. In being Talent-obsessed, i.e. looking after our Talents in tough times, we believe they will go out of their way to position our HKBN for the post COVID-19 rebound. Had we taken the regional government subsidies and passed all of it on to our shareholders instead, this would have represented DPS of 14 cents.

William Yeung
Co-Owner and Executive Vice-chairman

NiQ Lai
Co-Owner and Group CEO

In the enterprise market, via our series of acquisitions, including the two most transformative of integrations of WTT, for extended telecom reach, and of JOS, for add-on system integration capabilities, our most impactful change is the transition from specialist sales to single-point-of-contact relationship management. Our unique relationship management approach to the Information and Communications Technology (ICT) industry is designed from a customer-IN perspective, to help our customers, i.e. typically CIOs and CEOs, solve their business problems, rather than just sell them a specific service. Relationship management elevates our position from sales to problem solver, hence it opens the C-suite doors to us, versus merely dealing with the procurement office in the past. HKBN's Legal Unfair Competitive Advantage (LUCA) today, is that we now have a full tool box rather just a single tool; in the past we were just a telecom carrier, so suffered the "*to a hammer, everything looks like a nail*" syndrome.

In the residential market, by launching our e-commerce platform HOME+ together with like-minded partners, we are transforming from quad-play per household to infinite-play per person, tripling our reach from 1 million households to 3 million people. The value that we bring to the residential market is our reach and ability to bring different partners together into one bill for each customer.

We are in the process of transforming into a true ICT partner to our customers, making competition with the fragmented standalone telecom carriers, system integrators, etc. irrelevant. HKBN's business profile today is unrecognisable from 5 years ago, and in another 5 years' time, we would have changed so much to be unrecognisable again from today.

Sincerely yours,

William Yeung
Co-Owner and Executive Vice-chairman

NiQ Lai
Co-Owner and Group Chief Executive Officer

Table 1: Financial highlights

	For the six months ended		
	28 February 2021	29 February 2020	Change YoY
Key financials ($'000)			
Revenue	**6,229,584**	4,457,282	+40%
– Enterprise Solutions	**2,615,595**	2,275,641	+15%
– Enterprise Solutions related product	**1,248,523**	636,087	+96%
– Residential Solutions	**1,224,434**	1,251,575	-2%
– Other product	**1,141,032**	293,979	>100%
Profit for the period	**48,562**	131,584	-63%
Adjusted Net Profit [1,2]	**385,016**	345,296	+12%
EBITDA [1,3]	**1,311,817**	1,283,359	+2%
Service revenue	**3,840,029**	3,527,216	+9%
Service EBITDA [1,3]	**1,077,828**	1,171,041	-8%
Service EBITDA margin [1,4]	**28.1%**	33.2%	-5.1pp
Adjusted Free Cash Flow [1,5]	**391,457**	440,175	-11%
Core Adjusted Free Cash Flow [1,5]	**505,233**	471,632	+7%
Reconciliation of Adjusted Net Profit [1,2]			
Profit for the period	**48,562**	131,584	-63%
Amortisation of intangible assets	**241,497**	300,641	-20%
Deferred tax arising from amortisation of intangible assets	**(39,000)**	(48,993)	-20%
Loss on extinguishment of senior notes	**145,463**	43,373	>100%
Deferred tax recognised on unused tax losses	**(11,506)**	(87,878)	-87%
Transaction costs in connection with business combination	**-**	6,569	-100%
Adjusted Net Profit	**385,016**	345,296	+12%
Reconciliation of EBITDA, Adjusted Free Cash Flow & Core Adjusted Free Cash Flow [1,3,5]			
Profit for the period	**48,562**	131,584	-63%
Finance costs	**325,496**	286,258	+14%
Interest income	**(1,271)**	(1,532)	-17%
Income tax charge/(credit)	**41,976**	(51,630)	>100%
Depreciation	**507,518**	466,265	+9%
Amortisation of intangible assets	**241,497**	300,641	-20%
Amortisation of customer acquisition and retention costs	**148,039**	145,204	+2%
Transaction costs in connection with business combination	**-**	6,569	-100%
EBITDA	**1,311,817**	1,283,359	+2%
Capital expenditure	**(325,604)**	(249,433)	+31%
Net interest paid	**(219,309)**	(200,200)	+10%
Other non-cash items	**(4,173)**	(729)	>100%
Income tax paid	**(223,375)**	(156,582)	+43%
Customer acquisition and retention costs	**(132,914)**	(131,386)	+1%
Premium paid on senior notes redemption	**(113,776)**	(31,457)	>100%
Lease payments in relation to right-of-use assets	**(152,693)**	(86,782)	+76%
Changes in working capital	**251,484**	13,385	>100%
Adjusted Free Cash Flow	**391,457**	440,175	-11%
Premium paid on senior notes redemption	**113,776**	31,457	>100%
Core Adjusted Free Cash Flow	**505,233**	471,632	+7%

Table 2: Operational highlights

	For the six months ended			
	28 February 2021	31 August 2020	29 February 2020	Change YoY
Enterprise business				
Commercial building coverage	**7,418**	7,374	7,295	+2%
Subscriptions ('000)				
– Broadband	**118**	117	116	+2%
– Voice	**434**	443	453	-4%
Market share [6]				
– Broadband	**36.7%**	36.6%	37.6%	-0.9pp
– Voice	**25.2%**	25.3%	25.6%	-0.4pp
Enterprise customers ('000) [12]	**105**	105	104	+1%
Broadband churn rate [9]	**1.5%**	1.4%	1.2%	+0.3pp
Enterprise ARPU [10]	**$3,028**	$3,191	$2,775	+9%
Residential business				
Fixed telecommunications network services business				
Residential homes passed ('000)	**2,438**	2,415	2,377	+3%
Subscriptions ('000)				
– Broadband	**886**	886	882	+0%
– Voice	**485**	498	501	-3%
Market share [6]				
– Broadband	**34.4%**	35.0%	35.5%	-1.1pp
– Voice	**22.2%**	22.4%	22.2%	-0pp
Broadband churn rate [7]	**0.9%**	0.9%	0.8%	+0.1pp
Residential ARPU (Without "TTT") [8]	**$191**	$190	$190	+1%
Residential ARPU (With "TTT") [8]	**$189**	$183	$190	-1%
Mobile business				
Subscriptions ('000)	**269**	275	272	-1%
Mobile ARPU [11]	**$108**	$107	$115	-6%
Residential customers ('000)	**1,011**	1,019	1,017	-1%
Total full-time permanent Talents	**5,683**	5,929	5,861	-3%

Notes:

(1) EBITDA, service EBITDA, service EBITDA margin, Adjusted Free Cash Flow, Core 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 loss of 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 and less interest income. 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 and Co-Ownership Plan II related non-cash items. Core Adjusted Free Cash Flow means Adjusted Free Cash Flow excluding premium paid on senior notes redemption.

(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 2020 market data.

(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. "TTT" represents the campaign namely ToughTimesTogether, in which the Group offered one-month service fee waiver to its customers for the purpose of relieving the household financial burden caused by COVID-19.

(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, Enterprise Solutions related product 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 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.

(11) Mobile 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, which include all services revenue (excluding IDD and value added services), by the number of average residential mobile subscriptions and further dividing by the number of months in the relevant period. Average residential mobile 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 Mobile ARPU may differ from the industry definition of ARPU due to our tracking of revenue generated from all services subscribed by residential mobile subscribers. 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) Enterprise customers means total number of enterprise customers excluding IDD, product resell and mobile customers.

Business Review

Despite the prolonged COVID-19 pandemic, the Group still managed to deliver solid operational and financial growth results for the six months ended 28 February 2021 ("1H2021"). Through a series of mergers and acquisitions in 2019 and integrations afterward, the Group has evolved from a traditional telecom company in Hong Kong into a leading information and communications technology (ICT) provider across Asia. Our residential business has continued to show resilience with higher ARPU with low monthly churn rate. As a result, Group revenue and EBITDA, increased year-on-year by 40% and 2% to $6,230 million and $1,312 million while Core Adjusted Free Cash Flow ("AFF") increased year-on-year by 7% to $505 million.

- Enterprise Solutions revenue increased by 15% year-on-year to $2,616 million after consolidating six months of operating results of HKBN JOS* in the current period. Due to the Group's new competitiveness, despite the prolonged COVID-19 pandemic, our business delivered growth in this difficult time with a stable number of enterprise customers at 105,000 by raising our enterprise ARPU from $2,775/month in 1H2020 to $3,028/month in 1H2021.

  Enterprise Solutions related product revenue increased year-on-year by 96% to $1,249 million, mainly contributed by six months of operating results of HKBN JOS in the current period.

  COVID-19 has posed significant challenges to small and medium enterprises, with many facing difficulties to survive this pandemic, which could be reflected in an increase in broadband churn rate and pressure on enterprise ARPU. To weather the storm with our enterprise customers and minimise the financial impact on the Group, we offered innovative solutions such as FixIT outsourcing IT service, remote cloud-based HR applications and e-Security to the market. We see these difficult times as an opportunity to assist the business transformation of the enterprise customers, beyond merely selling connectivity services.

- Residential Solutions revenue slightly dropped by 2% year-on-year to $1,224 million, mainly contributed by the residual impact of the monthly fee waiver for COVID-19 relief in March 2020 and a drop in mobile services revenue. The COVID-19 impact has posed pressure on ARPU increment. Having said that, we see lower customer switching activity and higher upsell opportunities on our OTT and other services. Overall, Residential Solutions continued to show resilience during economic uncertainties.

  The Group also sought to enhance our customers' experiences 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.

- Other product revenue increased by 288% to $1,141 million, mainly represented by the sales of smartphone products with enhanced features.

Network costs and costs of sales increased by 76% year-on-year to $3,926 million mainly due to consolidating six months of operating results of HKBN JOS and organic business growth during the period. Cost of inventories increased by 163% to $2,154 million mainly due to the six months operating results of HKBN JOS, and the aforementioned increased sales of smartphone products. Network and other costs excluding the cost of inventories increased by 26% year-on-year from $1,409 million to $1,772 million, which was mainly caused by the increase in IDD cost.

Other operating expenses slightly increased by 1% year-on-year from $1,882 million to $1,892 million, which was the combined effects of (i) increase in Talent costs by $8 million due to consolidating six months of operating results of HKBN JOS; (ii) increase in recognition of loss allowance in trade receivables and contract assets by $35 million caused by increase of expected credit loss rate adopted by the Group due to struggling economic conditions; and (iii) increase in subscription and license fees by $17 million, partly offset by a decrease in advertising and marketing expenses by $41 million. During the period, we have applied for various employment relief subsidies offered by governments in the regions we operate in and have substantially passed through these subsidies to our eligible Talents.

* HKBN JOS represents HKBN JOS Holdings (C.I.) Limited and its subsidiaries, Adura Hong Kong Limited and ADURA CYBER SECURITY SERVICES PTE. LTD..

Finance costs increased by 14% year-on-year from $286 million to $325 million. It was mainly caused by the increase in loss on extinguishment of senior notes by $102 million, partly offset by the decrease of senior notes interest by $77 million, which are the impacts of the full early redemption of the senior notes in November 2020 versus their natural expiry of November 2022. The average finance costs calculated as the interest and coupon charges over the average borrowing balance was 3.1% (1H2020: 4.6%).

Income tax changed from tax credit of $52 million to tax charge of $42 million which was mainly due to the decrease in deferred tax recognised on unused tax loss by $76 million.

As the result of the aforementioned factors, profit attributable to equity shareholders decreased by 63% to $49 million.

Adjusted Net Profit, excluding the impact of amortisation of intangible assets (net of deferred tax credit), and non-recurring items, increased by 12% year-on-year to $385 million. This was mainly contributed by the combined operating performance of the enlarged Group.

Reported EBITDA increased by 2% year-on-year from $1,283 million to $1,312 million, mainly contributed by smooth integrations with WTT* and HKBN JOS.

Service EBITDA, which excluded the gross profits on Enterprise Solutions related products and other products, dropped by 8% year-on-year from $1,171 million to $1,078 million. It was mainly caused by the decrease in service gross profits by $51 million, in addition to the increase in recognition of loss allowance in trade receivables and contract assets by $35 million and increase in subscription and license fees by $17 million. Service EBITDA margin also decreased by 5.1 percentage points from 33.2% to 28.1%, mainly caused by consolidating six months of operating results of HKBN JOS, which had a much lower margin contribution, in addition to the aforementioned increase of other operating expenses.

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

AFF dropped by 11% year-on-year to $391 million mainly due to the premium paid on senior notes redemption of $114 million. Core AFF, which is excluding this premium paid, increased by 7% year-on-year to $505 million, mainly due to better working capital management.

Outlook

The integrations with WTT and HKBN JOS have greatly enhanced the combined Group's capabilities, in terms of extended customer reach, far wider service offerings, thereby empowering the Group to differentiate our offerings in the enterprise space. 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 and our monthly billing relationships by upselling more services by collaborating with new partnerships through our well established digital platforms. We will drive sustainable growth in revenue, EBITDA and AFF through the following initiatives:

- Continue to foster Co-Ownership culture to align risks and rewards of our Talents with our key stakeholders;

- Continue to invest in a series of telecom and technology solutions and initiatives such as Barter & Bundle, Transformation as a Services (TaaS), digital platforms and e-commerce to further penetrate the enterprise and residential markets, in turn, sharing a larger wallet of spending. Since the official launch in November 2020, HOME+ managed to achieve a solid result after around four months of operations. We are now collaborating with more than 500 merchants & brands and offering around 10,000 SKUs to our customers. Average daily sales increased from around 100 orders/day in November 2020 to around 700 orders/day in February 2021. During the period, we achieved highest daily sales rate of around 2,000 orders/day. We believe that HOME+ will be the key component of our infinite-play services to drive ARPU growth.

HOME+ is a joint venture investment and the financial impact to the Group's operating results was minimal during 1H2021. As at 28 February 2021, the Group had a capital commitment of $40 million in HOME+ related joint venture;

- Transform our enterprise business from pure sales of products & services to relationship management, thinking and acting from our customers' perspective and solve their business problems;

- Expand our quad-play bundle plans to infinite-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 bank borrowings and deleverage to around 3.5x net debt to EBITDA ratio to enjoy a better interest rate grid of existing banking facilities.

Liquidity and Capital Resources

The Group has entered into facility agreements with various international banks for a term loan of $5,500 million and $5,000 million for a period of five years on 13 November 2020 and 31 March 2021, respectively. These facilities were used to refinance the Group's senior notes and other indebtedness and for working capital purpose. These facilities bear interest at HIBOR plus 1.5% under current Group's net debt to EBITDA ratio as computed in accordance with these facilities, which was approximately 4.4x as at 28 February 2021.

The average weighted maturity of the Group's borrowings shall increase from 3.3 years as of 28 February 2021 (31 August 2020: 2.3 years) to 4.6 years after the completion of the refinancing.

As at 28 February 2021, the Group had total cash and cash equivalents of $1,232 million (31 August 2020: $676 million) and gross debt of $11,993 million (31 August 2020: $10,487 million, excluding lease liabilities of $680 million), which led to a net debt position of $10,761 million (31 August 2020: $9,811 million). Lease liabilities of $576 million was included as debt as at 28 February 2021 in accordance with the aforementioned facilities. The Group's gearing ratio, which was expressed as a ratio of the gross debt over total equity, was 2.0x as at 28 February 2021 (31 August 2020: 1.6x).

Cash and cash equivalents consisted of cash at bank and in hand. There was no pledged bank deposit as at 28 February 2021 and 31 August 2020. As at 28 February 2021, the Group had an undrawn revolving credit facilities of $1,830 million (31 August 2020: $1,840 million).

Under the liquidity and capital resources condition as at 28 February 2021, the Group can fund its capital expenditures and working capital requirements for the period with internal resources and the available banking facilities.

Hedging

The Group's policy is to partially hedge the 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 Group 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 a currency forward to buy USD at 7.778 in the principal amount of US$621 million with an international financial institution that matured on 30 November 2020. Benefiting from hedging arrangement, the Group substantially fixed the USD/HKD exchange rate until maturity of the instrument.

The Group also entered into an interest-rate swap arrangement in the principal amount of $3,900 million with an international financial institution for a term of 2.6 years from 30 October 2020 to 31 May 2023. Benefiting from the hedging arrangement, the Group fixed the HIBOR interest rate exposure at 0.399% 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 fair value through profit or loss and measured at fair value.

Charge on Group Assets

As at 28 February 2021, the Group pledged assets to secure the other borrowings of $17 million (31 August 2020: $20 million).

Contingent Liabilities

As at 28 February 2021, the Group had total contingent liabilities of $251 million (31 August 2020: $140 million) in respect of bank guarantees provided to suppliers and customers and utility vendors in lieu of payment of utility deposits. The increase of $111 million was mainly due to increased of performance guarantee issued to the Group's suppliers and customers.

Exchange Rates

All 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 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 HKD and 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.

Significant Investments, Acquisitions and Disposals

During 1H2021, the Group did not make any significant investments, acquisitions or disposals in relation to its subsidiaries and associated companies.

Talent Remuneration

As at 28 February 2021, the Group had 5,683 permanent full-time Talents (31 August 2020: 5,929 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.

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. Whether it's providing residential and enterprise customers 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 Home a Better Place to Live**.

Following HKBN's acquisition of JOS in December 2019, we now operate in regions across Asia that include Hong Kong, Macau, mainland China, Singapore and Malaysia. And in line with this expansion, we continue our 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 for our five key stakeholders of Customers, Talents, Suppliers, Community and the Environment.

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, Macau, mainland China, Singapore and Malaysia, 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

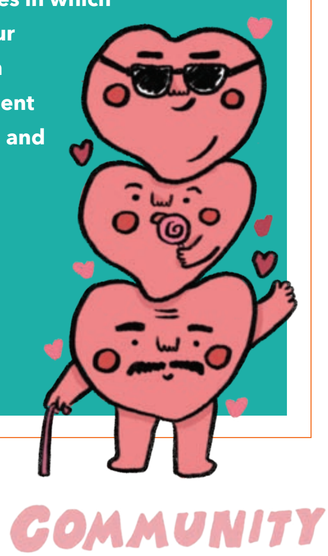
The relationships which exist between HKBN and our business partners and suppliers are built on mutual trust, respect, fairness and rigorous compliance of the respective laws and regulations. Paramount is the concept of win-win partnerships. To this end, we want all our partners and suppliers to work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

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.

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.



Go Beyond Compliance

Throughout our journey to achieve purpose-driven results in our five key stakeholder groups, we strive to work beyond mere compliance with laws and regulations. At all times, our aim is to rigorously ensure that effective corporate governance policies, monitoring systems and improvement mechanisms are in place to uphold integrity across our business.

Hang Seng Corporate Sustainability Index Series Member 2020-2021

△ For the fourth year running, we were selected as a constituent member of the Hang Seng Corporate Sustainability Benchmark Index.

The pace of change is now faster than ever. To stay ahead, we're leveraging our expertise with game-changing ideas that can improve lives and experiences, as well as redefine how our enterprise customers expand and move forward into the future.

From remote work access, managed security and IT services to collaboration tools and, of course, the digital transformation journey, our one-stop telecom and technology capabilities – now complete with the integration of HKBN JOS – put us in the best position to help business customers evolve and become operationally resilient. In short, we are not here to merely sell services to our enterprise customers, rather we are here to help them run their business better.

In the residential market, through our new e-commerce platform, HOME+, together with opportunities built from our strategic focus on partnerships, we are transforming from quad-play per household to infinite-play per person, tripling our reach from one million households to three million people.

Innovation for Customers

As a leading telecom and technology solutions provider, our ability to innovate ensures that our business can attract more new customers who 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, the latest technologies, and to leverage the power of partnerships – all to deliver greater value for customers.

The following are some of our innovative new solutions, services and offerings introduced during the reporting period:

5G Mobile Service

With the arrival of 5G, consumers – in both the residential and enterprise market – can now benefit from all the entertainment, quality of life, and business application possibilities unlocked by ultra-low latency, high-speed mobile data. In partnership with 3 Hong Kong, our new 5G plans further strengthen our mobile portfolio, and enable our customers to enjoy unprecedented download speeds up to ten times faster than 4G service, at highly competitive prices.

△ 5G service ensures that our customer base can enjoy the latest mobile technology and the infinite possibilities it brings.

UV-C Air Disinfection Devices

Understanding the special challenges that have emerged from COVID-19 and the government's latest requirements for ventilation or air disinfection in catering premises, we teamed up with Signify (formerly Philips Lighting) and AURABEAT to help businesses, particularly restaurants and food services providers, intelligently disinfect the airflow within their premises with UV-C technology. With our cost-effective one-stop solutions, catering businesses can better protect customers and staff against COVID, while meeting government requirements to continue their operations.

△ By acting promptly to provide customers with air purification solutions, we're living up to our promise to co-grow with local businesses in the new normal.

Partnership with Microsoft to Support SMEs

Through a strategic collaboration with Microsoft Hong Kong, we're embracing our position as one of the region's leading telecom and technology solutions providers. With our in-house team of around 100 Microsoft certified and internationally accredited engineers, the largest in Hong Kong, we see a unique window of opportunity in deploying and implementing Microsoft's suite of applications, including Microsoft 365, the Azure cloud platform, and Business Central, an all-in-one business management solution, to support accelerated enterprise customer demand, especially SMEs, for digital transformation and improved work efficiency under the new normal.

Around
100
Microsoft Accredited Engineers are ready to support Hong Kong companies

e-Security

With businesses growing more digitally connected every day, managing security and the risk of cyberthreats becomes ever more critical. To help SMEs reduce their e-security expenditures without compromising protection, our partnership with PwC, the world's leading cybersecurity solutions provider, provides a complete range of security services that include vulnerability assessment, phishing simulation, 24x7 Security Operations Centre (SOC) threat monitoring, 24x7 remediation management, next-gen Managed Detection and Response (MDR) services, and more. Through scale, SMEs can enjoy these services on a monthly subscription at a fraction of standard costs.

FixIT

Not all businesses can afford their own team of in-house IT specialists. Recognising this, we introduced FixIT, a pioneering support service that works like Uber. Instead of rides, customers get their IT problems – ranging from software, hardware and Wi-Fi network to data centre, end-point security and even inventory support – quickly solved. Powered by one of the region's largest team of Microsoft-certified and internationally accredited experts, FixIT comes in two flexible and predictable pricing options: FixIT Token, offering on-demand IT support through pre-paid tokens; and FixIT Care, a subscription-based service that features regular monthly on-site check-ups.

Scan the QR code to learn more about FixIT

Infinite-play for Customers

As part of our strategy to diversify and take advantage of our recurring billing relationships with 1-in-3 households in Hong Kong, we've embraced opportunities to bundle new services and offerings that go beyond our Residential Solutions quad-play of broadband, home telephone, mobile services and OTT. Notably, we leveraged a number of strategic partnerships to give our customers and their family members a broader selection of infinite-play choices – and greater value for money.

HKBN recurring billing relationship

1in3

Hong Kong families

HKBN Home Smart Solution Ecosystem

As consumers embrace the convenience of smart home living, our HKBN Home smart solution breaks new ground by making it extremely simple and easy for anyone to setup and manage different IoT smart devices – via our HKBN Home mobile app. Eschewing the prerequisite for expensive home upgrades or the need to replace existing appliances, HKBN Home smart solution delivers home automation in an affordable way for mass market appeal.

During the reporting period, we continued to enhance our smart home ecosystem through compelling new partnerships with leading manufacturers like Philips Hue, Momax and others. These opportunities are helping to further expand the functional scope of our smart home ecosystem for seamless compatibility with products that range from home lighting, robot vacuums, appliances and smart curtains to security systems.

Our Product Development & Management – Residential Solutions team (from left to right: Karen Ho, Rex Hui, Alex Chow, Shirley Lai, Alan Ko, Yushiko Li and Him Lau) is tasked to enrich our smart home ecosystem with an ever expanding range of products.

HKBN PROTECT

With virtually everything we do now being done online – from working, learning to shopping and even banking – e-security and personal privacy is more critical than ever. Jointly created by HKBN and global-leading network security experts F-Secure and Trend Micro, HKBN PROTECT provides multifaceted cybersecurity, ranging from protection against cyberthreats and identity leaks to the privacy of encrypted VPN, to give our residential customers enterprise-grade security for the whole family, at home and on-the-go.

JOOX Music

With JOOX, we're giving music lovers everything they desire: the power to stream or download tens of millions of local and international songs, albums, radio, videos and curated playlists in lossless audiophile quality on their favourite devices. Subscribers can also enjoy live broadcasts from top artists or sing like a star with built-in karaoke.

KARA Smart Fitness Mirror

Bringing a fitness studio into the comfort of home, we partnered with global digital health and fitness company OliveX to make the KARA Smart Fitness Mirror available for our customers. This interactive AI-powered fitness device comes with a library of over 100 workout classes for cardio, core barre, boxing, yoga, Pilates, stretching, dance, meditation – plus classes led by local Cantonese speaking celebrity coaches such as Coffee Lam – helping users customise workouts best suited to their comfort level.

△ In collaboration with celebrity yoga instructor Coffee Lam, we are delivering exclusive video content to our KARA Smart Fitness Mirror customers.

e-Commerce Expansion with HOME+

The Opportunity

Expensive shop rental prices. Steep labour costs. These are all factors that make the costs of doing retail business in Hong Kong among highest in the world. Meanwhile, consumers are increasingly shifting online for their shopping needs, a trend that has been super-accelerated by the circumstances of 2020.

As a company that has reaped success by disrupting the market, we saw an opportunity to diversify and grow our revenue stream with an e-commerce expansion that could shake up Hong Kong's retail industry. Our strategy leverages HKBN's massive customer reach in Hong Kong of 1-in-3 residential households and 1-in-2 active businesses along with our in-house digital expertise.

In November 2020, we launched HOME+, an innovative "shared economy" e-shopping platform, in collaboration with partners such as Dah Chong Hong, a trading and distribution leader in Greater China, and Kerry Logistics, a leading international logistics company. Built on a partnership model of resource sharing, HOME+ leverages the strengths and resources of respective partners, and gives merchants the chance to sell their products easier, cheaper and with enhanced reach – all to the benefit of consumers. Plus, our commitment of Purpose also differentiates HOME+ for shoppers who desire more out of their purchases with a wider selection of social impact products from small businesses and social enterprises.

Since inception, HOME+ has grown rapidly and continues this momentum of expansion. As at the end of the reporting period, our e-shopping platform features around 10,000 products, covering a diverse range of wholesome foods, appliances, health supplements, personal care products and much more, from over 500 quality merchants/ brands.

> *In spite of the e-commerce growth spurred by COVID, e-shopping currently generates only a small fraction of Hong Kong's retail business – meaning there remains a blue ocean of new market space that HOME+ can tap into. By adopting an agile asset-light operational model that outsources inventory storage and logistics, we've streamlined focus on our core strengths: industry-leading digital capabilities, and an extensive customer network that spans over one million residential customers, or 1-in-3 households in Hong Kong.*
>
> **William Yeung, HKBN Co-Owner & Executive Vice-chairman and HOME+ Executive Chairman**

e-shopping with a difference

Zero slotting or annual fees

Standing out against other e-shopping channels, our HOME+ model adopts revenue share rather than charge merchants fixed slotting or annual fees. By removing "entry fees" from the retail equation, HOME+ levels the playing field, enabling more businesses to bring their products to market at a much lower cost. And, taking things a step further, HOME+ also actively invests in cross-media promotions – at no cost to partner merchants – to connect featured brands with a broader spectrum of consumers.

Flexibility... delivery or pick-up

When shopping on HOME+, flexibility is the name of the game. Once an order is made, customers can have their items delivered to the home or the office (handled by our partner Kerry Logistics), or for pick-up by themselves at one of around 80 locations across Hong Kong, including retail shops of our merchant partners Dah Chong Hong, Hung Fook Tong, Eu Yang Sang, and at the Hong Kong Society for Rehabilitation. Taking on e-shopping's Achilles heel, i.e. days of waiting for packages, HOME+ now offers a 100-minute "Instant Delivery" service. On orders made from a selection of over 600 dedicated products, HOME+ guarantees delivery within 100 minutes – otherwise we'll reimburse cash points for every minute of delay. Now that's game-changing!

"Instant Delivery" service takes online shopping to the next level with 100-minute guaranteed delivery for orders made from a wide selection of products.

Doing good with small businesses and social enterprises

Good business and doing good are not mutually exclusive. A stand-out feature of HOME+ is how much our platform embraces social impact shopping – from meat-free alternatives to fair trade foods and eco-friendly household goods – and, by way of our zero slotting fee policy, empowers more social enterprises and small businesses to sell their products to the mass market.

HOME+'s ongoing "Buy One, Give One" Charity Goody Bag programme, launched in collaboration with Kerry Logistics and St. James' Settlement People's Food Bank, matches each bag (packed with premium products, sauces and staples like rice and oil) sold to customers with a donation to the needy.

> *Partnerships are what sets HOME+ apart from other e-shopping platforms. Via revenue share rather than fixed overheads, we are dismantling the cost barrier for all businesses to enter e-commerce. Merchants are also empowered to share resources under our unique 'cross-branding' strategy to expand their reach and reduce the overall costs of marketing their products. A win-win-win for merchants, customers, and HOME+.*
>
> **June Lam, HKBN Co-Owner and HOME+ CEO**

Scan the QR code for a short video to discover more about HOME+.

Beyond-HK Innovation at a Glance

Ever since completing our integration with HKBN JOS, a key objective has been to leverage HKBN JOS's unique strengths as a technology specialist and redefine how we can better address enterprise needs, particularly of those operating in mainland China, Macau, Singapore and Malaysia. With our ambition to be the region's leading telecom and technology solutions provider, we've made strong progress during the reporting period by working as one silo-less technology team to help more customers overcome a broader range of new challenges.

All-new Network Operation Centre (NOC)

Mindful of just how critical network and communications infrastructure can be for today's businesses, we built a regional NOC in Malaysia to provide customers with the technical support they need. Through the benefit of 24/7 dedicated service and support, our NOC delivers hardware, systems and network monitoring, remote fault rectification and more to minimise potential operational downtime – and save customers the costly expense of hiring their own experts in-house.

JOS+ Customer Portal

To deepen our relationships with customers in Singapore, we launched JOS+ ITaaS (IT-as-a-Service). This subscription-based service gives us a range of opportunities to cross-sell essential IT services. And to further enhance engagement, we also launched the JOS+ Customer Portal. This all-new integrated platform gives customers digital access to their managed services, periodic rewards, billing, plus make service requests or get support from us, faster and effortless.

New Opportunities in Mainland China

As the mainland China market continues its momentum of rapid growth, enterprise demand for new and more efficient technology solutions is strong. To harness the opportunities, during the reporting period, we focused on the following new initiatives:

- We built a dedicated business development team focused on helping customers develop robotic process automation (RPA) to enhance operational efficiency
- Built partnerships with major security providers to offer total e-security solutions for our enterprise customers
- We teamed up with Microsoft China to maximise our cloud service and migration capabilities
- We launched our FixIT service to meet accelerating IT support demand from mainland China's diverse SME market (for more details about FixIT, please refer to page 14 of this report)

△ At the China Data Center Expo 2020 in Shanghai, our Enterprise Solutions team showcased the latest data centre and cloud computing solutions.

Robots as a Service

In the post-pandemic new normal, we have developed numerous technology solutions to help businesses and institutions serve the needs of their clients. Through our Macau team, we introduced Robots as a Service, offering automated robot technology for a wide range of use-case applications that include mobile sterilisation specialists in hospitals, navigation assistants in busy shopping malls and public spaces, as well as temperature check inspectors for businesses.

Service Reliability

Network reliability is a crucial attribute that helps to reinforce customer trust in our services. Standard procedures and escalation guidelines are in place to ensure rigorous monitoring of network performance across different service platforms.

Network Performance*

To ensure that our fibre network service is outstanding and reliable, our Network Operation Centre ("NOC") in Hong Kong works around-the-clock to monitor and oversee our performance. As at the end of February 2021, availability of our core network for Residential Solutions ("RS") customers was at 100%, exceeding our target of 99.999%; availability of our access network was at 99.9942%, exceeding our target of 99.99%. As at the end of February 2021, availability of our core network for Enterprise Solutions ("ES") customers was at 100%, beating our target of 99.99995%; availability of our access network was at 99.997%, exceeding our target of 99.99962%.

△ Our network team Talents work around the clock to ensure our customers enjoy industry-leading network performance and reliability.

On the rare occasion when unforeseen network outages occur, customers expect a quick resumption of service. As at the end of February 2021, 92% of our RS customers' services can be restored within six hours and 82% can be restored within four hours, slightly lower than our interim targets of 95% and 85% respectively. For ES customers, as at the end of February 2021, the average restoration time was 148 minutes.

* Excludes interruptions caused by circumstances beyond HKBN's control.

Expanded Network Coverage

To increase the availability of our services to more households and companies, we continued to expand our fibre network coverage. In 1H2021, our fibre coverage was further extended to over 22,000 additional homes, around 33% of which were in rural areas, including villages not previously served by high-speed fibre broadband service. Likewise, 52 commercial buildings were added to the coverage of our fibre network. As at the end of the reporting period, our fibre network reached 2.438 million homes and 7,418 commercial buildings and facilities in Hong Kong.

Our fibre network covers over **2.4 million homes** and over **7,400 commercial buildings and facilities** in Hong Kong

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 reporting period, we set up a protocol to proactively replace problematic devices and avoid unexpected service outages. Problem devices, once identified, will be sent to our vendor for inspection and repair.

Customer Privacy

Our customers trust us with their personal data, and we uphold data privacy protection as a top priority. We have a stringent privacy policy governing how we collect, use and manage customer information. As a rule, we do not store full credit card numbers; only 10 digits (out of the full 16 digits) for credit card numbers belonging to our customers are stored and we practice "tokenisation" to limit the exchange of sensitive data when processing credit card payments. 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:

- Five phishing assessments were conducted to enhance our Talents' security awareness
- Upgraded our computer systems and infrastructure with the latest security technologies to safeguard against cyberattacks within and outside our office environment
- Compiled security guidelines regarding our use of IoT devices and cloud services
- Created a dedicated security section on our website to increase customer awareness about online scams and personal data protection

Customer Experiences and Satisfaction

Customers can easily reach us to obtain information or service assistance via a multitude of online and offline channels.

Upon activating their subscribed service, customers can use My HKBN App or our website to conveniently check information such as service contract terms and obligations, pricing, our latest offers, plan terms and conditions, and much more.

Residential Solutions Customer Service

Through our customer service hotline, online platform, email and other channels, customers can get help quickly and easily. In terms of 1H2021 performance*, our enquiry hotline answered 87% of calls within 30 seconds during normal operating hours (9am to 11pm), exceeding our target of 80%. Our online chat customer service answered 94% of enquiries within 30 seconds during normal operating hours (9am to 9pm), beating our target of 80%.

For emails, our target is to respond to 95% of customer enquiries within a 4-hour window during normal operating hours (9am to 9pm). In 1H2021, we exceeded our goals with a 97% performance.

To further enhance the experience and efficiency of our customer service, we deployed an all-new AI chatbot service in November 2020 for handling general enquiries. As at the end of February 2021, the chatbot service achieved an accuracy rating of 87%.

△ Focused on customer empathy, the quality of our award-winning customer service is widely considered amongst the best in our industry.

Enterprise Solutions Customer Service

To better address the needs of Enterprise Solutions customers, we offer a variety of channels and options where assistance and information can be easily accessed. These include dedicated account managers & account servicing relationship executives, our customer service hotline and various other online platforms.

In terms of 1H2021 performance*#, we achieved a combined answer rate of 87%, slightly below our target of 90% for our customer service hotline, online platforms, emails and other channels.

Gauging Customer Feedback

Listening to customers helps us understand what they desire. The following highlights some of the ways we garnered feedback during the interim period to improve what we do*#:

- To better understand how new Residential Solutions customers view our broadband services, we conducted satisfaction surveys and collected feedback for future enhancement. In 1H2021, our broadband survey scored 4.7 out of 6
- After each service installation or maintenance order has been completed, we ask customers to provide their feedback. In 1H2021, the average score received was 5.78 out of 6
- In 1H2021, the overall satisfaction score recorded by our customer service enquiry hotline was 6.58 out of 7. While satisfaction of our live chat enquiry service was 6.5 out of 7. For survey scores of 2 and under, follow-up is automatically taken to rectify or improve the experience
- Enterprise Solutions customers are regularly invited to participate in our e-surveys and comprehensive telephone surveys
- In 1H2021, 857 Enterprise Solutions customers provided feedback on HKBNES products and services. The average score achieved was 7.4 out of 10 for “subscribed products & services” and 7.5 out of 10 for “overall performance of products & services”

Customer Complaints & Compliments

A complaint management system is in place to ensure that our residential 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 the customer feeling satisfied after follow-up actions are taken.

With a target to resolve customer complaints within six working days, as at the end of February 2021, 100%* of Residential Solutions related complaints received got initial resolution within the target response timeline; whilst 82.77%* of complaints received were settled and fully closed within six working days.

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, we received 2,010 individual complimentary notes.

For Enterprise Solutions related complaints, a dedicated Customer Care & Fulfillment ("CCF") team handles cases 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. 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 February 2021, 90%*# of Enterprise Solutions related complaints received initial resolution within the target response time.

* Excludes complaints relating to circumstances beyond HKBN's control.

\# Excludes data from regions outside of Hong Kong due to ongoing alignment of complaint criteria as part of our integration with HKBN JOS.

Fair and Transparent Approach to Marketing

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.

During the reporting period, there was no substantiated case of non-compliance against relevant advertising regulations.

Selling Responsibly

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

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, detailed procedural guidelines and supervision from team leaders as well as our Quality Management team.

During the reporting period, we provided the equivalent of 6,037 hours of product, sales and marketing training for our new and existing Residential Solutions Talents. In addition, we also provided the equivalent of 16,000 hours of product and service workflow training to our Enterprise Solutions Talents.

△ Besides HKBN shops and hotlines, our sales Talents are also available to assist at booths set up at selected locations.

Customer Health & Product Safety

HKBN is committed to providing products and services which comply with 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.

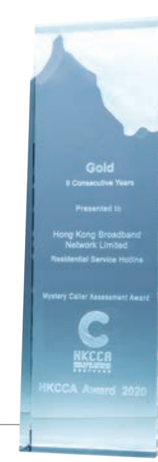
During the reporting period, no substantiated non-compliance court cases or product recalls relating to product health and safety occurred.

Awards & Recognitions

In line with our ambition to be the region's leading telecom and technology solutions provider, we continued to move faster, work smarter, and deliver maximum quality, value and technology excellence for customers. During the interim period, our efforts were recognised with a significant number of awards.

Awards and certifications	Conferred by
DHL/SCMP Hong Kong Business Awards 2020 – Enterprise Award	DHL and South China Morning Post
EDigest Best SME Award – Best SME Partners	Economic Digest
Hong Kong Business' High Flyers Awards 2020 – Best Network, Broadband, Cloud & ICT Services Provider	Hong Kong Business
2020 Salesforce Partner Innovation Award for Communications	Salesforce
IDC Digital Transformation Awards 2020 DX Leader Award for Hong Kong	IDC
2020 Microsoft Hong Kong Partner of the Year	Microsoft
Principal Partner Data Center Virtualization 2021	VMware
Partner Award 2020H1 Top Performance on Cloud Solutions Delivery	Veeam
• HPE Outstanding Business Platinum Partner on Storage FY20 • HPE Value Solution Best Architect 2020 • HPE GreenLake Champion 2020 • HPE FY20 Value Partner Award	Hewlett Packard Enterprise
Aruba Top Partner UXI Award 2020	Aruba
• Lenovo Top SMB Partner Award • Lenovo Top REL Partner Award	Lenovo
Sangfor Gold Partner	Sangfor
Huawei Gold Partner	Huawei
SBR-info Gold Reseller Partner	SBR Information
Advanced Certified Partner	H3C

Awards and certifications	Conferred by
Citrix Top ASEAN Partner Award 2020	Citrix
Trend Micro 2020 Partner Award (Macau)	Trend Micro
01 Gold Medal Awards – Outstanding Home Broadband Service Award	HK01
• Mystery Caller Assessment Award – Residential Service Hotline (Gold Winner for 8 consecutive years) • Mystery Caller Assessment Award – Residential VIP Hotline (Gold Winner for 6 consecutive years) • Mystery Caller Assessment Award – Residential Online Customer Service (Gold Winner for 3 consecutive years) • Mystery Caller Assessment Award – Number Porting Hotline (Gold Winner for 3 consecutive years)	Hong Kong Call Centre Association
Service Quality Management: Provision of Customer Service Hotline Services (since 2016) and Live Chat Services (since 2019)	Hong Kong Quality Assurance Agency



At HKBN, our success is powered by more than 5,600 elite Talents united as one silo-less team across five regions. Our hunger for growth and market disruption makes us the place for elite Talents to develop, to innovate, and to achieve Purpose. Mindful of challenges such as COVID-19, prolonged economic downturn and ever-greater customer expectations, our Talents are leveraging their dynamic expertise to lead the way for improved outcomes.

So, as our Talents focus on driving customer change – from the future of work to the incredible possibilities of 5G – we remain obsessed about providing our Talent-force with everything they need to thrive.

Total Rewards

While financial remuneration is important, HKBN Talents also benefit from a broad range of enticements under a "Total Rewards" culture that are unique to our company:

- Through our Core Purpose to "Make our Home a Better Place to Live", our Talents are helping to pioneer betterment for the societies in which we operate

- By championing objectivity and transparency in our pay structure, Talents understand their contributions will be fairly rewarded

- Our Co-Ownership culture gives Talents a unique skin-in-the-game opportunity to prosper as part owners of the company they serve

- By upholding LIFE-work priority, we treat Talents with respect and offer them benefits and flexibility that put their personal wellbeing and family first

All combined, these elements ensure that HKBN Talents come to work thoroughly engaged with a sense of pride and passion to perform. This holistic Total Rewards dynamic is fundamental to our strategy of attracting, cultivating, incentivising and retaining the best Talents for success.

Pay for Performance

By using a pay-for-performance approach, our Talents are objectively assessed and rewarded based on two main factors: WHAT has been achieved (KPIs) and HOW it was achieved (Core Value or Leadership Attributes). "Core Value" and "Leadership Attributes" define the expected knowledge, skills and behaviours which serve to catalyse outstanding performance, and are used as the benchmarks to measure how each Talent has effectively performed in his/her position.

Our performance reviews comprise self-assessment, supervisory evaluation, review meetings and companywide performance calibration at the department or senior management level. The rated results serve as a reference and criterion from which annual salary reviews, discretionary bonus allocations and promotion nominations are based upon.

As always, we reward high performers with better year-end bonuses, salary increments and potential job promotion opportunities. At the same time, annual salary increments and/or bonus will NOT be given to the 5% of our bottommost performers, while a lower-than-average salary increment and bonus will be granted to those rated as under-performers. To effectively maintain excellence, we invite our bottommost 5% to undergo a Performance Improvement Plan ("PIP") which can range up to six months in length. When no performance improvement is shown, Talents are then asked to leave the company.

In appreciation of our FY20 performance, we provided an average of one month of year-end bonuses. For annual salary review effective 1 January 2021, an average 1% increment was awarded to Talents in Hong Kong and Macau, while the average increment was 3% for our Talents in mainland China, and 2% for Talents in Singapore and Malaysia. 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 104 Talents earned A+ ratings

- With effect from 1 January 2021, we promoted 404 Talents 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 for the future

- 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 to help supervisor-level Talents understand the qualities we seek

404 Talents

promoted for their excellent performance and contributions

Co-Ownership

Co-Ownership is our key Legal Unfair Competitive Advantage ("LUCA") which defines HKBN's unique strengths. Unlike the more traditional approach of giving stock options to a very limited group of senior executives, our Co-Ownership is open to all supervisor-and-above level Talents, spanning operations across Hong Kong, Macau, mainland China, Singapore and Malaysia, approximately 1/4 of our Group.

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 from our Beyond-HK business (mainland China, Macau, Singapore and Malaysia) 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 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 CO3+ 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+ plan 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 required before we grant the bonus shares; this 4-year period allows Talents to focus on long-term value creation beyond the immediate market challenges. In June and December 2020, we opened invitations for CO3+ to newly joined or newly promoted supervisor-and-above-level Talents.

Mirroring our Purpose-driven objective to create sustainable community impact wherever we operate, a majority of the 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.

△ Fully aligned to create long-term value for stakeholders, our 900+ Co-Owners have all invested their savings into HKBN shares, giving real meaning to the phrase "my company".

Beyond HK pain/GAIN Co-Ownership

Shortly after acquiring JOS, we challenged our "Beyond-HK" management team (as part of integrating mainland China, Macau, Singapore and Malaysia) to drastically improve their AFF contribution to our Group. In March and June 2020, through our Beyond-HK pain/GAIN Co-Ownership programme, 79 supervisor-and-above level Talents from mainland China, Macau, Singapore and Malaysia invested between two 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 four different regions.

In total, we now have 938 Co-Owners from our CO1, CO2, CO3+ and Beyond-HK pain/GAIN plans, representing a powerful commitment from our supervisory-and-above-level Talents to drive our success.

Co-Ownership Participation Rate*

* As at the end of the interim period

Embracing Post-COVID Change

Under the post-pandemic new normal, many challenges have emerged. Whilst some may view such challenges with trepidation – dreading the uncertainty of change – we at HKBN, instead, see this as a mindset issue. True to our culture and DNA, we have always embraced change as a way to evolve and transform how we do things – turning challenge into opportunity.

Throughout COVID, with restrictions limiting our face-to-face meetings, we could not hold townhall meetings for all Talents like we did every six months pre-COVID. Neither could we hold our monthly management meetings where supervisory-and-above-level Talents met face to face for business updates. Embracing such changes, we turned our monthly management meetings into virtual ones, which give us greater flexibility to engage far more Talents in different geographical regions, and with deeper leadership strategy sharing that go beyond operational updates. Similarly, we replaced our once-a-month Management Committee meeting and dinner with virtual weekly updates. These virtual meet-ups provide our leadership team with a closer look at what our different business units are doing, on a week by week basis.

Rather than fear the inevitable change, we're embracing it to create better Talents and a better company.

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 companies are still grappling with work-life balance, we uphold LIFE-work priority. As a principle, we maintain that personal wellbeing and family should always come first – when Talents can spend quality time with friends and family, we believe they arrive more motivated to perform.

COVID-19 Response

In light of the COVID threat, we continued to exercise 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've also prioritised 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 were rolled out to mitigate the risk of cross-infection.

△ To protect our frontline Talents and contractors, personal protective equipment such as goggles, face masks, gloves and shoe covers are provided.

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

As a precaution, Talents at risk of contracting COVID-19 are required to undergo self-quarantine at home for 14 days, with full pay leave compensation provided. For the safety of our Talents, we also implemented the following:

- Health-related advice and guidelines for in-office and outdoor work
- Workplace environments are regularly disinfected, cleaned and applied with antiviral coating by professional services providers
- Initiated different channels for Talents to take the COVID-19 test, including government channels, private laboratories, and self-test kits
- Quarantine Leave provided to frontline Talents affected by mandatory quarantine, with full pay of their wage compensated to mitigate possible income loss

Flexible Work Arrangements

Adapting to a changing world of work under COVID-19, we are empowering Talents to choose when, where, and how they work. During the interim period, we began a new Hybrid Work Mode, giving Talents the flexibility to work at office for team collaborations, and work from home at least one day per week when possible.

Talent Wellness

To encourage our Talents to live healthier, active and more rewarding lives, we've continued organising an expansive range of wellness activities, events and talks – many virtually due to social distancing needs. From workshops aimed at enhancing our Talents' financial/investment knowledge, sports challenges that build character, to virtual parties fostering team spirit, our focus has been in four core areas: physical health, mental health, financial health and social health. The following are some of the events we organised during the interim period:

- **S³•360 2020 HKBN Sport Day,** a yearly event held in Guangzhou to help Talents step beyond their comfort zone through "Speed", "Smart", and Spirit" team challenges

△ 98 Guangzhou Talents challenged themselves and fostered team morale via different outdoor activities at the S³·360 2020 HKBN Sports Day.

- **Talent's 3-in-1 PowerUp Online Workshops,** a series of virtual classes to help Talents level up their health, wealth and career prospects

- **POWER+,** a free counselling service to help Talents tackle the challenges of stress, relationships at work, and personal development

- **Onederful HKBN – Vappy Party 2020,** our first virtual end-of-the-year party was joined by over 5,800 Talents online, where we handed out 408 lucky draw prizes and recognised 292 Talents for their many years of service

△ During our first virtual Vappy Party,Talents at our regional offices took on challenges and competed remotely for prizes.

Talent Development

Investing in life-long development remains a crucial example of how we're 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, tech and digital environment.

As we continued to adapt our learning and development initiatives to virtual settings, we're also actively engaging external parties and industry leaders in new modes of knowledge "crowd-sharing" – both for the professional enrichment of our Talents, and for external stakeholders who stand to benefit not just as passive listeners, but as active providers of knowledge.

HKBN Inspires

Recognising that sharing is one of the best ways to learn, in November 2020 we launched HKBN Inspires, a "crowd share" learning platform that offers Talents a curated programme of learning events, from webinars by industry leaders to new perspectives on the latest topics and trends. Selected events have also been open to friends, partners and stakeholders, as a strategy to widen our engagement through the power of ideas. Since launch, 55 learning sessions have been delivered via HKBN Inspires.

△ At one of HKBN Inspires' highlight events, our Co-Owner and Chief Talent & Purpose Officer CY Chan (Centre) joined a representative of local NGO Mother's Choice to promote adoption-friendly workplaces.

55

learning sessions delivered via HKBN Inspires platform

WisCafé

To meet the learning and development needs of our expanded operations in Hong Kong, Macau, mainland China, Singapore and Malaysia, we continued to hold events under our digital platform WisCafé, bringing our knowledge, inspiration, best practices and experiences together via one easy to access resource – the ideal way to learn under the "new normal". During the interim period, 13 WisCafé sessions were organised with topics such as machine learning, digital transformation and public speaking covered.

Benchmarking Excellence

In our pursuit of excellence and change, we recognise the importance of learning best practices as well as sharing our own. To enhance how we and other companies can manage and operate better, we put a lot of effort in both benchmarking beyond our industry and helping others grow through proven best practices, know-how and experiences. One substantive way we accomplish this is by engaging leading companies to co-explore and share strategy insights with those at the forefront of their respective fields.

△ Over 20 members of our Management Committee, Management Committee Shadows and leaders of Beyond Hong Kong regions spent half a day in a virtual exchange of best practice management strategies with senior executives from a leading regional company.

Professional Certifications

During the interim period, we launched the Learning Experience Portal by Microsoft, a one-stop platform for Talents and friends of HKBN to upgrade their technical knowhow and get new certifications through self-paced guided learning, instructor-led training, certification exams, and more.

HKBN Vision Alignment

Following our HKBN x JOS integration strategy kickstarted in January 2020, we continued to organise a variety of vision-aligning activities for our Beyond-HK teams. Together, these events serve to unify our culture, emphasising silo-less teamwork across our operations. During the interim period, such events included:

- Finding WHY with CY, a series of six culture sharing sessions led by our Chief Talent & Purpose Officer CY Chan
- A culture workshop from our Zhuhai office in mainland China, attended virtually by HKBN JOS Talents

△ To form a strong, silo-less team, we organised a culture sharing event for 40 HKBN JOS Talents in our Zhuhai office.

Talent Health & Safety

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

At all times, we committed the appropriate resources to implementing and upholding these standards, and worked diligently to comply with all health and safety regulations in jurisdictions where we operate as follows:

- Hong Kong: Occupational Safety and Health Regulation, Cap509A of the laws of Hong Kong, Occupational Safety and Health (Display Screen Equipment) Regulation, Cap509B of the laws of Hong Kong and Construction Sites (Safety) Regulation, Cap59I of the laws of Hong Kong
- Beyond Hong Kong: Comply with local regulations related to safety issues

Safety as a Priority

Despite COVID, during the interim period we continued to deliver virtual safety training sessions, in accordance to government requirements, for our Talents and sub-contractors. These trainings included a range of Occupational Safety & Health training exercises such as Basic Safety Training, Working at Height, and Manual Handling Training.

To reinforce safety and health management at the workplace and at network installation sites, we conducted 14 risk assessments and four safety inspections during the reporting period, and all identified hazards were promptly rectified.

For better communication on contingency issues at the office, this year we introduced a Contingency Playbook Automation service to help Talents handle emergencies much easier and faster.

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

- Fire Safety Ambassador Training
- Occupational Safety and Health Management Annual Briefing
- Dog Safety Training
- Working at Height
- Manual Handling Training
- Basic Safety Training

△ Mindful of the many circumstances our frontline Talents face daily, we organised training sessions to help them deal with stray and household dogs.

Awards and Recognitions

Awards	Conferred by
HR Magazine Awards 2020 • Best learning & development programme: Silver Award • Best work-life integration: Silver Award • Best COVID-19 HR Initiative: Bronze Award • Best recruitment campaign: Bronze Award	HR Magazine
China Preferred Employer of the Year 2020	Zhaopin.com

△ True excellence takes work and much more amidst the challenges of 2020 – which is why we're especially proud to receive four wins in the HR Magazine Awards 2020.

Our business is better because we maintain fair and honest relationships with partners and suppliers. Rather than profit off one another, our goal is to work and prosper together. Above all, the primary objective of our sourcing activities seeks to ensure continuity of our product and service supply, which we accomplish by maintaining effective partner and supplier relationships in a fair, open, transparent, and mutually beneficial manner.

Win-win-win Partnerships

Rather crucially, we embrace innovative ideas whenever they can best serve the interest of our company and those of our suppliers. Through a process that favours flexibility, we've been working with different business partners not to necessarily only seek better prices, but rather better deals based on mutual strategic needs.

Following COVID, in response to the changing economic landscape, we recognised the pertinence of our flexibility and promoted a "Barter & Bundle" scheme to embrace win-win-win opportunities on a massive scale – inviting enterprises to exchange their products or services as partial payment for our ICT solutions. This approach enables enterprises to save on expenditures, whilst we attract more new business customers with greater deal-making flexibility. In turn, the goods and services we receive are typically provided to HKBN customers as value-added offers, rewards and even freebies.

As part of our strategy to deepen customer engagement, partnerships with a growing number of companies, brands and solutions providers will continue to play a key role. For residential customers, our focus on infinite-play means we will deliver more value-added options, via partnerships, on top of our connectivity service bundles. For enterprise customers, new partnerships with best-in-class business solutions providers will help expand our end-to-end capabilities to serve enterprise demand for innovation and quality.

Supplier Management and 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 to customers.

Our supplier management framework introduced in 2015 provides us with a systematic approach to review, track and improve – ensuring supplier performance are on track and that risks are proactively mitigated. Key factors considered include assessments made on impacts to customers, operations, legal and regulatory, ESG, sustainability, and reputation. When it comes to supplier evaluation, we require a minimum 10% weighting on sustainability.

△ Performing due diligence, Philip Leung, our Co-Owner and Manager – Procurement (3rd from right), visited a supplier's warehouse in Hong Kong to inspect the quality of their products.

As part of the Supplier Management Assessment, we measure our supplier performance against pre-concurred Service Level Agreements (SLA), and pay special attention to areas that are critical to our stakeholders and business units. As at the end of the interim period, our Group sourced products and services from 1,628 suppliers, of which 92% are local to the regions where we operate.

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

- In December 2020, we rolled out a fully digital procurement page on our intranet to improve submission workflow for different business units, as well as enable our procurement team to generate reports to better identify risks associated with a specific project
- In January 2021, we revamped our supplier questionnaire to better detect risks earlier, particularly concerning ESG-related issues
- We enriched our supplier segmentation capabilities for a more holistic view of vendor performance, and a more thorough understanding of how supplier offerings are impacting our end customers
- In September 2020, we augmented our data privacy and security requirements with changes reflected in our standard Purchase Order terms

Supplier Code of Conduct

A Supplier Code of Conduct ("SCoC") concerning corporate governance, environmental protection, health and safety standards, and fair labour conditions has been in place since 2018. In October 2020, (as part of our integration of HKBN JOS operations) we shared our SCoC requirements with all suppliers providing goods and services to our regional offices in mainland China, Macau, Singapore and Malaysia.

Since December 2020, we have implemented and aligned our SCoC practices across all regions where HKBN operates. To ensure that suppliers understand our SCoC, we require each supplier endorse our SCoC during the supplier onboarding process, and we also include relevant SCoC clauses in our standard agreements. 80% of our suppliers have either accepted our SCoC terms or have their own code of conduct which espouses similar requirements from their respective suppliers, partners and subcontractors.

Wherever we operate, in everything we do, and in every decision we take, "Make our Home a Better Place to Live" is ubiquitous.

As a leading one-stop telecom and technology solutions provider driven by Purpose, we believe in creating a better and fairer digital future for everyone, and we are committed to making technology more accessible and digitally inclusive within local communities. Through referencing international benchmarks for digital inclusion, our strategy is focused on three key priorities: improving access to technology (Access), enhancing people's digital skills (Skills), and fostering safer use of technology by mitigating the risks and harm to marginalised groups and social profit organisations (Use).

ACCESS SKILLS USE

On the journey towards a better future, we promote digital inclusion through two core pillars:

(1) Creating Shared Value (CSV) initiatives that benefit both our business and our communities

(2) Volunteering and Community Initiatives that address the community's most pressing technology needs

Apart from promoting digital inclusion, we also aim to address other societal needs by leveraging our corporate resources and Talent expertise to boost betterment for those we help.

Creating Shared Value

Volunteering and Community Initiatives

Driving Digital Inclusion with CSV

WE+@HOME+ ACCESS SKILLS

Together with other partners, we created an all-new e-commerce platform HOME+, enabling merchants of all sizes, including social enterprises and NGOs, to connect with consumers and sell their products online without slotting fees or annual fees.

Adding an element of social-impact shopping, we worked with Social Venture Hong Kong (SVHK) to launch the WE+ marketplace as a featured part of HOME+. WE+ greatly lowers the barriers for small businesses and Social Profit Organisations ("SPOs"), with free marketing support, to leverage e-commerce to generate revenue for their social goals. Through a promise of doing good, the WE+ marketplace gives customers a chance to shop and be change-makers, simultaneously delivering win-win-win impact for small and social enterprise merchants, the communities they benefit, and our HOME+ business.

For more details about HOME+, please refer to pages 16–17 of this report.

WE+ marketplace offers customers a diverse range of social-impact goods.

> "As an enterprise with a social mission, we aim to build a better living environment for our community. Here I met many like-minded merchants, such as a coffee business that advocates fair trade, bedding product manufacturers which support women's employment in the local community, and a daily commodities merchant that promotes environmentalism. With every dollar spent on WE+, we can live impactful lifestyles and generate a bigger impact on the world."
>
> *Angel, Founder of OneMoreDish*

Digital Transformation of Social Profit Organisations ACCESS SKILLS USE

The COVID pandemic has changed the way most of us work, bringing numerous new challenges for companies, especially SPOs, as they lack adequate IT support or resources to deal with the unexpected changes. To help SPOs better adjust to the new normal, we are providing an extensive range of IT solutions at more affordable prices. Our ambition aims to help them digitally transform with ease, so that more SPOs can focus their resources on generating social impact in local communities.

Our range of IT services for SPOs include:

- Free consultations from our Enterprise Solutions team to assess their technical hiccups and pain points
- Cyber security solutions to mitigate digital risks and harms, such as backend system scanning and phishing email education for staff. This will improve SPOs abilities to manage their beneficiaries' personal data in a safe and efficient way
- Our FixIT service to ease SPOs IT workload and increase their overall digital efficiency

> "HKBN is providing FixIT Token-based IT support service to empower our service arm. They also share their best practice of security management with us. With their professional support, phishing assessment has been adopted across our organisation to enhance security practices."
>
> *Terry Lau, IT Manager of St. James' Settlement*

Driving Digital Inclusion with Volunteering & Community Initiatives

Digital Academy for Students SKILLS

With the COVID pandemic still affecting Hong Kong in September 2020, a time when students would normally go back to school, schools were forced to stay closed and relegate their teaching activities online. Mindful that underprivileged families would suffer the most because of the digital divide gap, we organised a two-week digital academy in early September to immerse and prepare underprivileged primary school students for learning in a digital online environment. Our HKBN volunteers served as lecturers to teach basic digital skills, laying the foundation for students to manage daily learning routines and equip their digital skillsets for the future.

Digital Skills Development for the Elderly ACCESS SKILLS

To make digital technology more accessible for the elderly, our team of volunteers joined hands with Evangelical Lutheran Church Social Service Hong Kong (ELCHK) in January 2021 to initiate a three-month "Internet Friends" project. The project focused on teaching senior citizens fundamental tech skills to help them stay connected with friends and families.

Enabled with smartphones lent by HKBN, the elderly beneficiaries attended online classes led by our volunteers who taught them things like how to make video calls and use social media, along with raising their awareness on cyber wellness.

Addressing Other Societal Needs

Thanksgiving Music Party for Children with Special Needs

Mindful that children with special needs often lack the opportunities for self-expression and social integration, in February 2021, we partnered with YMCA Guangzhou to organise a Thanksgiving Music Party at our Guangzhou office. Children with special needs and their families joined hands to perform an Hanfu show, and sing and dance in front of friends, families and Talent volunteers, which helped to enhance their self-confidence and build new friendships. Apart from event coordination, our Talent volunteers also participated as special performers to make the occasion truly memorable for everyone in attendance.

△ Music connects, inspires and empowers – and we're grateful to have our Guangzhou office space and Talents host this meaningful event for the community.

HOME+ Charity Goody Bag Programme

During COVID-19, the simple act of grocery shopping became an unexpected challenge for the elderly and underprivileged families. To utilise the HOME+ platform and its home delivery service for doing good, HOME+ launched a Charity Goody Bag Programme with Kerry Logistics and St. James' Settlement People's Food Bank. Starting from January 2021, for every Goody Bag (each containing an assortment of premium foods, staples and sauces) purchased through HOME+, a matching bag will be donated to the elderly and underprivileged families. As at the end of the interim period, the charity programme has benefitted 371 families.

As queuing at food banks was discouraged during COVID, we arranged door-to-door delivery of Charity Goody Bags for the programme's beneficiaries.

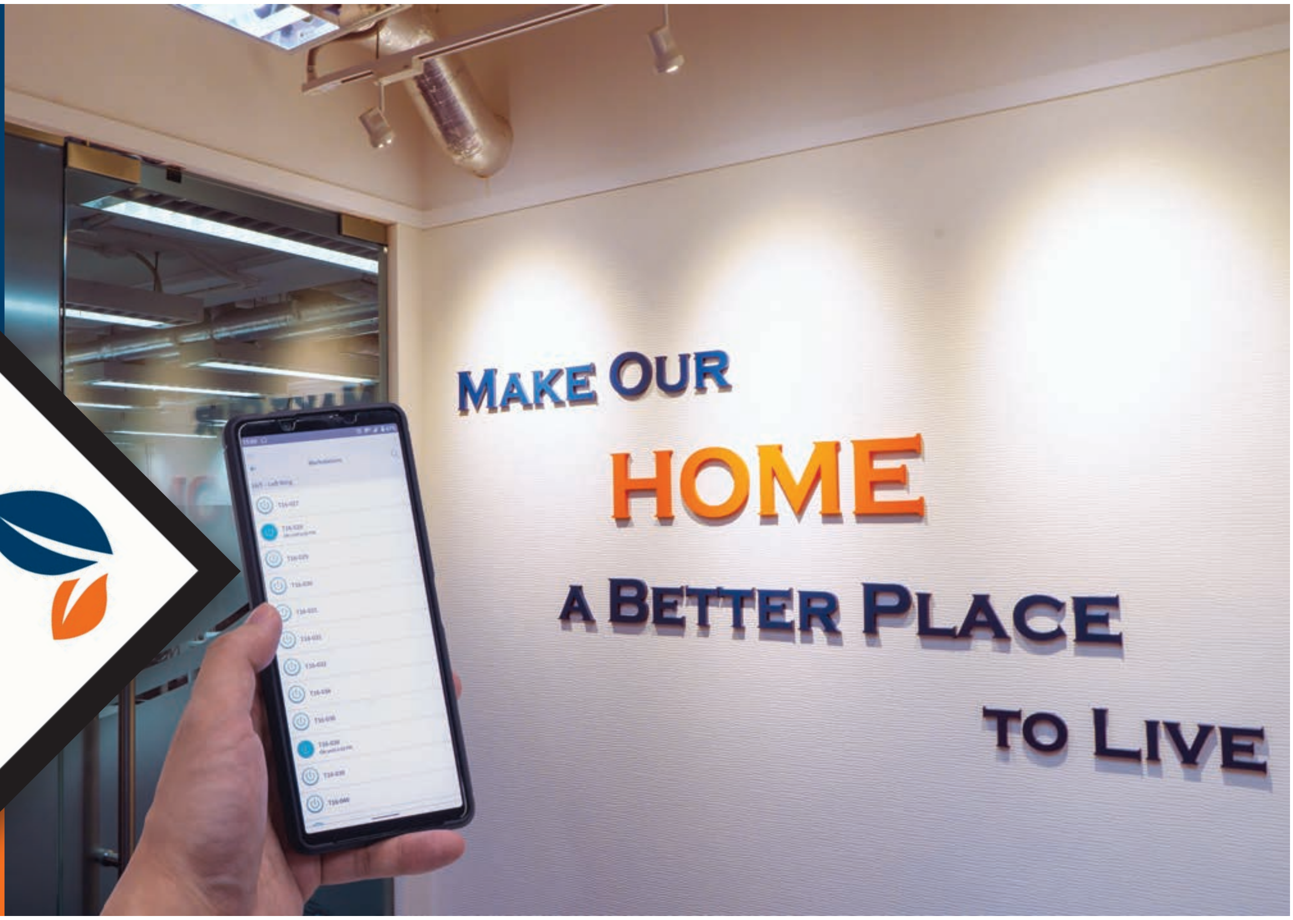
HOME+ Charity Goody Bag Programme has benefitted

371 families

> "The home delivery of Goody Bags has greatly reduced my burden of hauling the heavy necessities from the community centre or market. As I seldom go out for shopping during these difficult times, I am very thankful to receive such a variety of foodstuffs in the Goody Bag, which supplement my daily needs."
>
> *Mrs. Heung, Programme Beneficiary*

Awards and Recognitions

Awards and certifications	Conferred by
Caring Company Scheme – 15 Years Plus Caring Company	The Hong Kong Council of Social Service
Social Enterprise Supporter Plus Award 2020	Tithe Ethical Consumption Movement



HKBN is committed to protecting the planet for our future generations. As a technology-driven business, we believe that conventional approaches to energy, carbon and waste reduction can only go so far. A smarter approach that puts innovative technology and better workflow changes into practice can improve HKBN's long-term environmental impact.

During the reporting period, we have focused our eco-strategy in two key areas, namely improved energy consumption and minimising waste generation via solutions that will help us mitigate the impact from our growing business and rising customer demand.

Energy Efficiency

Something from Nothing

Since 2016, we have partnered with a consultant to transform our energy efficiency through a ground-breaking collaboration project which required no capital investment from HKBN, despite numerous energy efficiency upgrades implemented at our offices, warehouse and data centre operations. Investments for all incurred retrofitting has been fully funded by our consultant, who shares a fraction of our energy cost savings as compensation.

As at the end of the interim period, the accumulated energy we saved over the past five years totalled 6,552,070 kWh in electricity and $6 million CAPEX saved in facilities replacement. With such tremendous results – both for the environment and our business – we are excited to continue scaling up the Something from Nothing project across as many areas of our operations as possible.

6,552,070 kWh
electricity saved through our Something From Nothing project in Hong Kong over the past five years

Something from Nothing retrofitting projects like this one at our office in Kowloon Bay, Hong Kong, continue to deliver significant energy savings.

Estimated energy savings from new Something from Nothing initiatives in FY21

Something from Nothing's planned upgrades for this year	Completion timeline	Estimated annual energy savings (kWh)
Replace existing T5 fluorescent tubes with T5 LED at warehouse	By April 2021	61,713
Replace existing T5 fluorescent tubes with T5 LED at data centre	By March 2021	453,214

Smart Energy-efficient Devices

To help minimise energy consumption in the future, we adopted a heatmap analysis as a pilot programme in one of our office premises. We believe this can optimise office thermal comfort and equipment operations based on actual usage as we strive to maintain a workplace temperature of 25.5 degrees Celsius. In addition, we also expanded our smart lighting control system to our new office in Guangzhou. Like in Hong Kong, our new lighting control system fully utilises timers to minimise unnecessary electricity usage, and is expected to save about 10% in lighting-related energy.

Switching Off Idle Network Equipment

Since 2016, we have been consolidating our network facilities in Hong Kong. In the past year alone, we switched off around 600 units of idle equipment in switch rooms, garnering annual energy savings of 936,000 kWh. For FY21, we're currently on target to shut down 210 additional idle equipment units in our former WTT switch rooms and telephone system for a forecasted 403,000 kWh in annual energy savings.

Energy Analysis Beyond Hong Kong

Following our acquisition of JOS in late 2019, we began a process to review and analyse our environmental performance and energy utilisation across our operations in mainland China, Macau, Singapore and Malaysia. To achieve improved eco-performance outside of Hong Kong, we intend to replicate and scale our proven energy initiatives, like the Something from Nothing project and various smart energy solutions.

Energy-Efficient Thin Client Computers

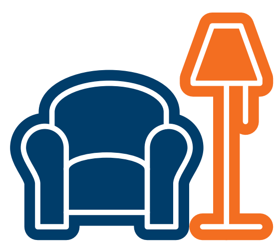
To save both desk space and reduce energy consumption, since FY19 we've gradually replaced computer hardware with thin client-based computers. As at the end of the interim period, we changed a total of 833 host computers to thin clients, which has reduced our computer-related power footprint in Guangzhou by 90%.

△ Adopting thin client computers helps Talents save desk space as well as power consumption.

Waste Reduction

Resource Sharing with the Community

Throughout the year, we continued to make sensible choices by taking an eco-conscious route – favouring any chance to share and repurpose old equipment. Besides sourcing second-hand office furniture during renovations, we also shared our old office furniture and items such as file cabinets, chairs and tables with NGOs and even our Talents. As a result, we expect at least 2,000 kg idle furniture will be diverted from going to landfills this year.



At least
2,000 kg
idle furniture expected to be diverted from landfills this year

Be a Green Master!

Meaningful waste reduction starts with a change in thinking from our Talents. This year, we collaborated with NGOs Me2You and OOLA to encourage and provide our Talents with more ways to recycle old items, instead of simply throwing out unwanted stuff. Through this programme, our Talents got to experience the joys of transforming second-hand items into new products, whilst doing good for the planet.

△ Besides recycling used items, our Guangzhou Talents also took part in gardening activities with their children.

Awards and Recognitions

Awards and Certifications	Conferred by
Sustainable Business Award 2020	World Green Organization
BEC Low Carbon Charter	Business Environment Council

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 42 to 72 which comprises the consolidated statement of financial position of HKBN Ltd. (the "Company") as of 28 February 2021 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 28 February 2021 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

21 April 2021

Consolidated Income Statement

For the six months ended 28 February 2021 — unaudited (Expressed in Hong Kong dollars)

		Six months ended	
	Note	28 February 2021 $'000	29 February 2020 $'000
Revenue	3	**6,229,584**	4,457,282
Other net income	4(a)	**5,205**	19,013
Network costs and costs of sales		**(3,926,277)**	(2,226,664)
Other operating expenses	4(b)	**(1,892,206)**	(1,881,850)
Finance costs	4(d)	**(325,496)**	(286,258)
Share of losses of joint ventures		**(272)**	(1,569)
Profit before taxation	4	**90,538**	79,954
Income tax (charge)/credit	5	**(41,976)**	51,630
Profit for the period		**48,562**	131,584
Attributable to:			
Equity shareholders of the Company		**48,562**	132,239
Non-controlling interests		**-**	(655)
Profit for the period		**48,562**	131,584
Earnings per share	6		
Basic		**3.7 cents**	10.1 cents
Diluted		**3.3 cents**	8.9 cents

The notes on pages 49 to 72 form part of this interim financial report. Details of dividend payable to equity shareholders of the Company are set out in note 15.

For the six months ended 28 February 2021 — unaudited (Expressed in Hong Kong dollars)

	Six months ended 28 February 2021 $'000	Six months ended 29 February 2020 $'000
Profit for the period	**48,562**	131,584
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	**9,634**	4,368
Other comprehensive income for the period	**58,196**	135,952
Attributable to:		
Equity shareholders of the Company	**58,196**	136,635
Non-controlling interests	**-**	(683)
Total comprehensive income for the period	**58,196**	135,952

The notes on pages 49 to 72 form part of this interim financial report.

Consolidated Statement of Financial Position

At 28 February 2021 – unaudited (Expressed in Hong Kong dollars)

	Note	At 28 February 2021 $'000	At 31 August 2020 $'000
Non-current assets			
Goodwill		**9,016,507**	9,016,507
Intangible assets		**3,907,695**	4,200,644
Property, plant and equipment	7	**3,960,959**	4,112,260
Investment properties	7	**202,847**	206,800
Right-of-use assets	8	**794,206**	886,709
Customer acquisition and retention costs		**577,105**	595,149
Interest in an associate		**4,790**	4,438
Interest in joint ventures		**9,115**	9,387
Deferred tax assets		**68,924**	91,258
Finance lease receivables		**3,435**	6,534
Other non-current assets		**78,476**	81,012
		18,624,059	19,210,698
Current assets			
Inventories		**133,443**	154,641
Trade receivables	9(a)	**1,253,580**	1,356,935
Other receivables, deposits and prepayments	9(a)	**361,667**	359,458
Finance lease receivables		**2,222**	1,253
Contract assets		**275,287**	303,839
Amounts due from joint ventures		**35,481**	19,600
Tax recoverable		**52,621**	717
Financial assets at fair value through profit or loss	9(b)	**-**	40,517
Cash and cash equivalents	10	**1,231,933**	676,457
		3,346,234	2,913,417
Current liabilities			
Trade payables	11	**1,060,020**	830,805
Other payables and accrued charges – current portion	11	**910,327**	1,240,907
Contract liabilities – current portion		**603,511**	706,827
Deposits received		**80,675**	76,049
Obligations under granting of rights – current portion		**9,024**	9,024
Amounts due to an associate		**4,790**	4,438
Amounts due to joint ventures		**10,750**	10,750
Bank and other borrowings	12	**1,415,580**	1,310,667
Lease liabilities – current portion		**204,886**	234,258
Tax payable		**126,868**	199,521
Other current liabilities		**12,689**	8,704
		4,439,120	4,631,950
Net current liabilities		**(1,092,886)**	(1,718,533)
Total assets less current liabilities		**17,531,173**	17,492,165

At 28 February 2021 — unaudited (Expressed in Hong Kong dollars)

	Note	At 28 February 2021 $'000	At 31 August 2020 $'000
Non-current liabilities			
Other payables and accrued charges – long-term portion	11	**58,664**	87,677
Contract liabilities – long-term portion		**193,824**	219,939
Obligations under granting of rights – long-term portion		**2,259**	6,771
Deferred tax liabilities		**953,307**	1,033,447
Lease liabilities – long-term portion		**371,078**	445,804
Provision for reinstatement costs		**65,666**	67,320
Bank and other borrowings	12	**9,885,552**	5,018,368
Senior notes		**-**	4,101,847
Other non-current liabilities	14	**43,849**	50,493
		11,574,199	11,031,666
NET ASSETS		**5,956,974**	6,460,499
CAPITAL AND RESERVES	15		
Share capital		**132**	132
Reserves		**5,956,842**	6,460,367
Total equity attributable to equity shareholders of the Company		**5,956,974**	6,460,499
Non-controlling interests		**-**	–
TOTAL EQUITY		**5,956,974**	6,460,499

Approved and authorised for issue by the board of directors on 21 April 2021.

Chu Kwong YEUNG) Directors

Ni Quiaque LAI)

The notes on pages 49 to 72 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 28 February 2021 — unaudited (Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company									
	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
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	15(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	15(d)	-	-	-	1,093	-	-	-	1,093	-	1,093
Acquisition of subsidiaries	16	-	-	-	-	-	-	-	-	(1,684)	(1,684)
Balance at 29 February 2020 and 1 March 2020:		132	3,260,018	2,349,204	40,005	596,420	807,166	(10,607)	7,042,338	(2,367)	7,039,971
Changes in equity for the six months ended 31 August 2020:											
Loss for the period		-	-	-	-	-	(35,065)	-	(35,065)	92	(34,973)
Other comprehensive income		-	-	-	-	-	-	4,839	4,839	28	4,867
Total comprehensive income		-	-	-	-	-	(35,065)	4,839	(30,226)	120	(30,106)
Dividend declared to equity shareholders of the Company in respect of the current year	15(b)(i)	-	(485,292)	-	-	-	-	-	(485,292)	-	(485,292)
Distribution to holders of Vendor Loan Notes		-	(61,909)	-	-	-	-	-	(61,909)	-	(61,909)
Equity-settled share-based transactions	15(d)	-	-	-	360	-	-	-	360	-	360
Acquisition of non-controlling interests without change in control		-	-	-	-	-	(4,772)	-	(4,772)	2,247	(2,525)
Balance at 31 August 2020		132	2,712,817	2,349,204	40,365	596,420	767,329	(5,768)	6,460,499	-	6,460,499

For the six months ended 28 February 2021 — unaudited (Expressed in Hong Kong dollars)

	Note	Attributable to equity shareholders of the Company									
		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
Balance at 1 September 2020		132	2,712,817	2,349,204	40,365	596,420	767,329	(5,768)	6,460,499	-	6,460,499
Changes in equity for the six months ended 28 February 2021:											
Profit for the period		-	-	-	-	-	48,562	-	48,562	-	48,562
Other comprehensive income		-	-	-	-	-	-	9,634	9,634	-	9,634
Total comprehensive income		-	-	-	-	-	48,562	9,634	58,196	-	58,196
Dividend approved to equity shareholders of the Company in respect of the previous year	15(b)(ii)	-	(498,408)	-	-	-	-	-	(498,408)	-	(498,408)
Distribution to holders of Vendor Loan Notes		-	(63,582)	-	-	-	-	-	(63,582)	-	(63,582)
Equity-settled share-based transactions	15(d)	-	-	-	269	-	-	-	269	-	269
Balance at 28 February 2021		132	2,150,827	2,349,204	40,634	596,420	815,891	3,866	5,956,974	-	5,956,974

The notes on pages 49 to 72 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 28 February 2021 – unaudited (Expressed in Hong Kong dollars)

	Six months ended	
	28 February 2021 $'000	29 February 2020 $'000
Operating activities		
Cash generated from operations	**1,316,210**	1,058,817
Tax paid:		
– Hong Kong Profits Tax paid	**(218,314)**	(152,744)
– Tax paid outside Hong Kong	**(5,695)**	(3,838)
– Tax refunded outside Hong Kong	**634**	–
Net cash generated from operating activities	**1,092,835**	902,235
Investing activities		
Payment for the purchase of property, plant and equipment	**(318,790)**	(249,433)
Proceeds from sale of property, plant and equipment	**3,533**	1,970
Payment for acquisition of subsidiaries	**-**	(323,067)
Payment for investment in a joint venture	**-**	(2,500)
Shareholder loan to a joint venture	**(20,000)**	–
Proceeds from sale of other financial assets	**40,517**	–
Proceeds from sales of subsidiaries	**750**	–
Interest received	**1,271**	1,532
Other cash flows arising from investing activities	**-**	1,000
Net cash used in investing activities	**(292,719)**	(570,498)
Financing activities		
Capital element of lease rentals paid	**(140,059)**	(74,740)
Interest element of lease rentals paid	**(12,634)**	(12,042)
Proceeds from bank and other borrowings, net of transaction costs	**5,535,240**	1,683,809
Repayment of bank and other borrowings	**(576,601)**	(86,096)
Repayment of other financial liabilities	**(3,436)**	–
Transaction costs paid for bank loans	**(2,899)**	(1,080)
Payment for redemption of senior notes	**(4,251,074)**	(1,080,007)
Interest (paid)/received on interest-rate swaps	**(2,340)**	1,105
Interest paid on bank and other borrowings	**(101,935)**	(58,807)
Interest paid on senior notes	**(116,305)**	(142,950)
Payment for currency forward	**(17,008)**	–
Dividend paid to equity shareholders of the Company	**(498,408)**	(472,176)
Distribution to holders of Vendor Loan Notes	**(63,582)**	(60,236)
Net cash used in financing activities	**(251,041)**	(303,220)
Net increase in cash and cash equivalents	**549,075**	28,517
Cash and cash equivalents at the beginning of the period	**676,457**	662,816
Effect of foreign exchange rate changes	**6,401**	497
Cash and cash equivalents at the end of the period	**1,231,933**	691,830

The notes on pages 49 to 72 form part of this interim financial report.

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 21 April 2021.

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 2020, except for the accounting policy changes that are expected to be reflected in the 2021 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 2020. 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 41.

Going concern assumption

As at 28 February 2021, the current liabilities of the Group exceeded their current assets by approximately $1,093 million. Included in the current liabilities were current portion of contract liabilities of $604 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 $205 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

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

- Amendments to HKFRS 3, *Definition of a Business*
- Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*

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

3 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.

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

	Six months ended	
	28 February 2021 $'000	29 February 2020 $'000
Disaggregated by major products or service lines:		
Fixed telecommunications network services	**2,373,623**	2,224,004
International telecommunications services	**715,216**	598,931
Other services	**241,648**	427,920
Fees from provision of telecommunications services	**3,330,487**	3,250,855
Product revenue	**2,389,555**	930,066
Technology solution and consultancy services	**480,192**	260,668
Revenue from contracts with customers within the scope of HKFRS 15	**6,200,234**	4,441,589
Rental income from leasing business	**29,350**	15,693
Total	**6,229,584**	4,457,282

3 REVENUE AND SEGMENT REPORTING (continued)

(a) Disaggregation of revenue (continued)

	Six months ended 28 February 2021 $'000	Six months ended 29 February 2020 $'000
Disaggregated by major categories:		
Residential Solutions revenue	**1,224,434**	1,251,575
Enterprise Solutions revenue	**2,615,595**	2,275,641
Enterprise Solutions related product revenue	**1,248,523**	636,087
Other product revenue	**1,141,032**	293,979
	6,229,584	4,457,282
Disaggregated by geographical location of customers:		
Hong Kong	**5,502,883**	4,086,430
Mainland China	**311,749**	211,151
Singapore	**160,644**	114,270
Other territories	**254,308**	45,431
	6,229,584	4,457,282

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.

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 2019. No operating segments have been aggregated to form the following reportable segments.

3 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(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 Mainland 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	**28 February 2021 $'000**	29 February 2020 $'000	**28 February 2021 $'000**	29 February 2020 $'000	**28 February 2021 $'000**	29 February 2020 $'000
Disaggregated by timing of revenue recognition						
Point in time	**1,900,673**	693,950	**488,882**	236,116	**2,389,555**	930,066
Over time	**3,602,210**	3,264,949	**237,819**	262,267	**3,840,029**	3,527,216
Revenue from external customers	**5,502,883**	3,958,899	**726,701**	498,383	**6,229,584**	4,457,282
Inter-segment revenue	**17,149**	–	**171,983**	133,298	**189,132**	133,298
Reportable segment revenue	**5,520,032**	3,958,899	**898,684**	631,681	**6,418,716**	4,590,580
Reportable segment profit (EBITDA)	**1,196,213**	1,231,844	**115,604**	51,515	**1,311,817**	1,283,359

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".

3 REVENUE AND SEGMENT REPORTING (continued)

(c) Reconciliations between segment profit and profit before taxation for the period

	Six months ended 28 February 2021 $'000	Six months ended 29 February 2020 $'000
Reportable segment profit derived from Group's external customers	**1,311,817**	1,283,359
Finance costs	**(325,496)**	(286,258)
Interest income	**1,271**	1,532
Depreciation	**(507,518)**	(466,265)
Amortisation of intangible assets	**(241,497)**	(300,641)
Amortisation of customer acquisition and retention costs	**(148,039)**	(145,204)
Transaction costs in connection with business combination	**-**	(6,569)
Consolidated profit before taxation	**90,538**	79,954

4 PROFIT BEFORE TAXATION

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

	Six months ended 28 February 2021 $'000	Six months ended 29 February 2020 $'000
(a) Other net income		
Interest income	**(1,271)**	(1,532)
Net foreign exchange loss/(gain)	**11,381**	(2,807)
Amortisation of obligations under granting of rights	**(4,512)**	(4,512)
Change in fair value of contingent consideration	**-**	815
Fair value loss/(gain) on currency forward	**309**	(1,065)
Discounts on early settlement to suppliers	**(240)**	–
Other income	**(10,872)**	(9,912)
	(5,205)	(19,013)

(Expressed in Hong Kong dollars unless otherwise indicated)

4 PROFIT BEFORE TAXATION (continued)

	Six months ended 28 February 2021 $'000	Six months ended 29 February 2020 $'000
(b) Other operating expenses		
Advertising and marketing expenses	**172,514**	213,829
Depreciation		
– Property, plant and equipment	**373,129**	361,770
– Investment properties	**3,953**	4,005
– Right-of-use assets	**102,733**	84,114
Loss/(gain) on disposal of property, plant and equipment, net	**418**	(2,853)
Gain on disposal of right-of-use assets, net	**(148)**	-
Recognition of loss allowance in trade receivables and contract assets	**43,818**	8,751
Talents costs (note 4(c))	**516,565**	508,649
Amortisation of intangible assets	**241,497**	296,930
Amortisation of customer acquisition and retention costs	**148,039**	145,204
Transaction costs in connection with business combination	**-**	6,569
Others	**289,688**	254,882
– Office rental and utilities	**40,054**	31,953
– Site expenses	**45,623**	43,983
– Bank handling charges	**22,022**	19,624
– Maintenance	**64,717**	65,972
– Subscription and license fees	**52,578**	35,171
– Legal and professional fees	**17,787**	16,774
– Printing, telecommunication and logistics expenses	**25,815**	12,745
– Others	**21,092**	28,660
	1,892,206	1,881,850
(c) Talent costs		
Salaries, wages and other benefits	**868,444**	802,638
Contributions to defined contribution retirement plan	**59,933**	49,307
Equity-settled share-based payment expenses	**269**	1,093
Cash-settled share-based payment expenses	**70**	1,875
	928,716	854,913
Less: Talent costs capitalised as property, plant and equipment	**(29,492)**	(29,506)
Talent costs included in advertising and marketing expenses and amortisation of customer acquisition and retention costs	**(197,804)**	(223,687)
	701,420	601,720
Talent costs included in other operating expenses	**516,565**	508,649
Talent costs included in network costs and costs of sales	**184,855**	93,071
	701,420	601,720

4 PROFIT BEFORE TAXATION (continued)

During the period ended 28 February 2021, the Group successfully applied for Talent-related funding support from the Hong Kong SAR Government, the Macau SAR Government and all regions/countries where the Group operates ("the Funds") of $104,356,000, of which $85,237,000 was passed on to the Talents. The Funds is to for providing time-limited financial support to employers to retain their employees with the operating pressure caused by the novel coronavirus epidemic.

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

	Six months ended	
	28 February 2021 $'000	29 February 2020 $'000
(d) Finance costs		
Interest and finance charges on bank loans	**95,211**	96,141
Interest on other borrowings	**528**	–
Interest and finance charges on senior notes	**56,640**	133,495
Interest on the interest-rate swap, net	**2,340**	(1,105)
Fair value loss on the interest-rate swap	**11,903**	2,312
Interest on lease liabilities	**12,634**	12,042
Interest on other liabilities	**777**	–
Loss on extinguishment of senior notes	**145,463**	43,373
	325,496	286,258
(e) Other items		
Amortisation of intangible assets	**293,003**	355,731
Depreciation:		
– Property, plant and equipment	**373,129**	361,770
– Investment properties	**3,953**	4,005
– Right-of-use assets	**130,436**	100,490
Rental charges on telecommunications facilities and computer equipment	**176,635**	154,949
Expenses relating to short-term leases and leases of low-value assets	**7,102**	6,004
Recognition of loss allowance on trade receivables and contract assets	**43,818**	8,751
Research and development costs	**19,047**	10,778
Cost of inventories	**2,153,892**	817,748
Write-down of inventories	**1,674**	–

(Expressed in Hong Kong dollars unless otherwise indicated)

5 INCOME TAX (CHARGE)/CREDIT

	Six months ended	
	28 February 2021 $'000	29 February 2020 $'000
Current tax – Hong Kong Profits Tax	**(92,964)**	(100,788)
Current tax – Outside Hong Kong	**(6,651)**	(4,084)
Deferred tax	**57,639**	156,502
	(41,976)	51,630

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% to the six months ended 28 February 2021 (six months ended 29 February 2020: 16.5%), except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first $2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2020.

Taxation for overseas subsidiaries is similarly calculated using the annual effective rates of taxation that are expected to be applicable in the relevant countries.

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 $48,562,000 (six months ended 29 February 2020: $132,239,000) and the weighted average number of ordinary shares in issue less shares held for the Co-Ownership Plan II, of 1,310,674,671 ordinary shares (six months ended 29 February 2020: 1,310,419,855 ordinary shares).

	Six months ended	
	28 February 2021 '000	29 February 2020 '000
Issued ordinary shares at 1 September 2019/2020	**1,311,599**	1,311,599
Less: shares held for the Co-Ownership Plan II	**(5,667)**	(5,667)
Add: effect of the Co-Ownership Plan II RSUs vested	**4,743**	4,488
Weighted average number of ordinary shares less shares held for the Co-Ownership Plan II	**1,310,675**	1,310,420

6 EARNINGS PER SHARE (continued)

(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 $48,562,000 (six months ended 29 February 2020: $132,239,000) and the weighted average number of ordinary shares in issue less shares held for the Co-Ownership Plan II after adjusting for the dilutive effect of the Company's Co-Ownership Plan II and the effect of Vendor Loan Notes, calculated as follows:

	Six months ended	
	28 February 2021 '000	29 February 2020 '000
Weighted average number of ordinary shares less shares held for the Co-Ownership Plan II	**1,310,675**	1,310,420
Add: Effect of the Co-Ownership Plan II	**411**	267
Add: Effect of Vendor Loan Notes	**167,322**	167,322
Weighted average number of ordinary shares (diluted)	**1,478,408**	1,478,009

7 INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

	At 28 February 2021 $'000	At 31 August 2020 $'000
Opening net book value	**4,319,060**	4,298,683
Exchange adjustments	**1,990**	330
Additions	**221,058**	729,337
Business combination	**-**	45,447
Disposals (net carrying amount)	**(1,220)**	(10,253)
Depreciation charges for the period	**(377,082)**	(736,448)
Disposal of subsidiaries	**-**	(819)
Impairment losses	**-**	(7,217)
Closing net book value	**4,163,806**	4,319,060

8 RIGHT-OF-USE ASSETS

	At 28 February 2021 $'000	At 31 August 2020 $'000
Opening net book value	**886,709**	642,521
Exchange adjustments	**4,999**	242
Additions	**40,093**	335,290
Business combination	**-**	199,704
Disposals (net carrying amount)	**(5,028)**	(49,397)
Lease modification	**(2,131)**	(3,832)
Depreciation charges for the period	**(130,436)**	(237,819)
Closing net book value	**794,206**	886,709

During the six months ended 28 February 2021, the Group entered into a number of lease agreements for use of office of $15,995,000 and telecommunication facilities and computer equipment of $24,098,000 and therefore recognised additions of $40,093,000 (six months ended 29 February 2020: $215,722,000).

9 TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS AND FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) 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 28 February 2021 $'000	At 31 August 2020 $'000
Within 30 days	**339,579**	369,211
31 to 60 days	**317,235**	360,870
61 to 90 days	**189,416**	197,973
Over 90 days	**407,350**	428,881
Trade receivables, net of loss allowance	**1,253,580**	1,356,935
Other receivables, deposits and prepayments	**361,667**	359,458
	1,615,247	1,716,393

The majority of the Group's trade receivables are due within 30 to 90 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 $30,793,000 (31 August 2020: $35,279,000), are expected to be recovered or recognised as expenses within one year.

9 TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS AND FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

(b) Financial assets at fair value through profit or loss

The balance of $40,517,000 at 31 August 2020 represents wealth management products issued by certain reputable banks in the PRC with no fixed interest rate. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. These wealth management products have been disposed during the period.

10 CASH AND CASH EQUIVALENTS

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

	At 28 February 2021 $'000	At 31 August 2020 $'000
Cash at bank and in hand	**1,231,933**	676,457

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 28 February 2021 $'000	At 31 August 2020 $'000
Within 30 days	**487,713**	310,318
31 to 60 days	**176,075**	139,566
61 to 90 days	**131,258**	137,134
Over 90 days	**264,974**	243,787
	1,060,020	830,805
Trade payables	**1,060,020**	830,805
Other payables and accrued charges		
– Current portion	**910,327**	1,240,907
– Long-term portion	**58,664**	87,677
	2,029,011	2,159,389

(Expressed in Hong Kong dollars unless otherwise indicated)

11 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES (continued)

During the period ended 28 February 2021, the Group entered into a new interest-rate swap, to hedge the floating interest rate after the maturity of the current interest-rate swap. The new interest-rate swap has a notional amount of $3,900,000,000 and with a maturity date on 31 May 2023.

Under these arrangements, the Group pays a fixed rate interest on the notional amount on a monthly basis, net of a floating rate interest at 1-month Hong Kong Inter-bank Offered Rate ("HIBOR") in the corresponding period.

These derivative financial instruments are recognised initially at fair value and remeasured at the end of each reporting period. These derivative financial instruments do not qualify for hedge accounting under HKFRS 9, *Financial instruments*, and therefore, it is accounted for as FVPL and measured at fair value.

The amount of the interest-rate swap included in other payables and accrued charges is $11,903,000 (31 August 2020: Nil).

12 BANK AND OTHER BORROWINGS

(a) The analysis of the carrying amount of bank and other borrowings is as follows:

	At 28 February 2021 $'000	At 31 August 2020 $'000
Bank borrowings		
– unsecured	**11,274,314**	6,306,342
Other borrowings		
– secured	**16,528**	19,907
– unsecured	**10,290**	2,786
	11,301,132	6,329,035
Amounts due within one year included in current liabilities	**(1,415,580)**	(1,310,667)
	9,885,552	5,018,368

12 BANK AND OTHER BORROWINGS (continued)

(b) As at 28 February 2021, the bank and other borrowings were repayable as follows:

	At 28 February 2021 $'000	At 31 August 2020 $'000
Bank borrowings (unsecured)		
Within 1 year on demand	**1,404,712**	1,303,853
After 1 year but within 2 years	**–**	541,730
After 2 years but within 5 years	**9,869,602**	4,460,759
	11,274,314	6,306,342
Other borrowings (secured)		
Within 1 year on demand	**6,928**	6,814
After 1 year but within 2 years	**9,600**	7,043
After 2 years but within 5 years	**–**	6,050
	16,528	19,907
Other borrowings (unsecured)		
Within 1 year or on demand	**3,940**	–
After 1 year but within 2 years	**2,491**	1,305
After 2 years but within 5 years	**3,859**	1,481
	10,290	2,786
Amounts due within one year included in current liabilities	**(1,415,580)**	(1,310,667)
	9,885,552	5,018,368

(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 drawn down a bank loan with a principal amount of $3,900,000,000 at HIBOR plus a margin of 1.70% per annum payable quarterly. The loan was unsecured and covered by a cross guarantee arrangement issued by the Metropolitan Light Company Limited ("MLCL"), HKBN Group Limited ("HKBNGL"), Hong Kong Broadband Network Limited ("HKBN"), HKBN Enterprise Solutions Development Ltd ("HKBNESDL"), HKBN Enterprise Solutions Cayman Corp ("HKBNESCC"), HKBN Enterprise Solutions HK Limited ("HKBNESHKL") and COL Limited, and repayable in full upon maturity on 25 May 2023.

(ii) On 10 October 2018, HKBN entered into a facility agreement with a local bank in Hong Kong for a five-year term loan of $580,000,000 at HIBOR plus a margin of 1.70% 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 and HKBNGL, and repayable in full upon maturity on 10 October 2023.

(iii) On 25 September 2019, the Group entered into revolving credit facilities agreement of $1,000,000,000 in aggregate from a bank in Hong Kong and drew down the revolving credit facilities of $150,000,000 at HIBOR plus a margin of 1.15% per annum payable monthly. The facility was unsecured and covered by a guarantee arrangement issued by the Company. The facility was repayable on 26 March 2021 and $60,000,000 of the facility was repaid on 26 March 2021.

12 BANK AND OTHER BORROWINGS (continued)

(b) As at 28 February 2021, the bank and other borrowings were repayable as follows: (continued)

(iv) On 21 December 2019, HKBN 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 at LIBOR plus a margin of 1.20% 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.

(v) On 10 February 2020, HKBN entered into a facility agreement with a Japan based bank for an 18 months interest bearing term loan of $540,000,000 at a fixed interest of 2.90% per annum. 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.

(vi) On 13 November 2020, the Group entered into term loan facility of $5,500,000,000 in aggregate with various banks. The Group has drawn down a bank loan with a principal amount of $5,000,000,000 and $500,000,000 at HIBOR plus a margin of 1.70% per annum payable monthly on 23 November 2020 and 22 February 2021 respectively. The loan was unsecured and covered by a cross guarantee arrangement issued by the Company, MLCL, HKBNGL, HKBN, HKBNESDL, HKBNESCC, HKBNESHKL and COL Limited, and repayable in full upon maturity on 24 November 2025.

(vii) On 20 February 2020, HKBN JOS (SINGAPORE) PTE. LTD. entered into revolving credit facilities agreement of Singapore Dollar ("SGD") 25,540,000 in aggregate from an international bank and drew down the revolving credit facilities of SGD23,100,000 at a fixed rate of 1.365% per annum payable at the maturity date. The facility was unsecured and fully repaid on 4 March 2021.

(viii) On 20 February 2020, JOS APPLICATIONS(S) PTE. LTD. entered into revolving credit facilities agreement of SGD2,000,000 in aggregate from an international bank and drew down the revolving credit facilities of SGD1,655,000 at a fixed rate of 1.365% per annum payable at the maturity date. The facility was unsecured and fully repaid on 4 March 2021.

(ix) On 28 January 2021, HKBN JOS (MALAYSIA) SDN. BHD. entered into revolving credit facilities agreement of Malaysian Ringgit ("MYR") 9,500,000 in aggregate from an international bank and drew down the revolving credit facilities of MYR9,500,000 at Kuala Lumpur Interbank Offered Rate ("KLIBOR") plus a margin of 2% per annum payable at the maturity date. The facility was unsecured and fully repaid on 29 March 2021.

(x) On 28 January 2021, HKBN JOS (MALAYSIA) SDN.BHD. entered into bank acceptance facilities agreement of MYR15,000,000 in aggregate from an international bank and drew down the revolving credit facilities of MYR5,000,000 at daily rest rate of Bank's Cost of Funds plus a margin of 1.6% per annum payable at the maturity date. The facility was unsecured and fully repaid by 16 March 2021.

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 28 February 2021 is 2.27% per annum (2020: 2.70%).

12 BANK AND OTHER BORROWINGS (continued)

(b) As at 28 February 2021, the bank and other borrowings were repayable as follows: (continued)

(xi) The Group entered into sale and leaseback arrangement contracts with third-party leasing companies, with contract terms of three years. The substance of the arrangement was that the lessors provide finance to the Group with the assets as security. The Group accounted for the assets in its consolidated statement of financial position. The sales proceeds are recorded as other borrowings in the consolidated statement of financial position. As at 28 February 2021, the aggregate book value of the assets was $18,229,000 and the balance of other borrowings amounting to $6,928,000 was recorded as a current liability and $9,601,000 was recorded as a non-current liability on the Group's consolidated statement of financial position. The effective interest rate of the other loans is 3.36%.

(xii) On 1 November 2020, HKBN JOS (SINGAPORE) PTE. LTD. entered into two 48-month financing arrangements of SGD669,000 and SGD549,000 at a fixed interest rate of 6.69% respectively. Such facilities were unsecured.

(xiii) On 30 December 2019, HKBN JOS (SINGAPORE) PTE. LTD. entered into a 48-month financing arrangement of SGD475,000 at a fixed interest rate of 4.57%. Such facility was unsecured.

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.

During the period ended 28 February 2021, the Group repurchased all the remaining portion of the senior notes with aggregate principal value of US$533,845,000 (equivalent to $4,137,299,000) (six months ended 29 February 2020: 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$548,526,000 (equivalent to $4,251,074,000) (six months ended 29 February 2020: 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$18,769,000 (equivalent to $145,463,000) (six months ended 29 February 2020: 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 28 February 2021.

At 31 August 2020, the remaining principal amount of the senior notes in issue after the repurchase was US$533,845,000 (equivalent to $4,137,299,000) and the amortised cost of the senior notes was US$529,271,000 (equivalent to $4,101,847,000).

The effective interest rate of the senior notes for the period ended 29 February 2020 was 5.9% per annum.

14 OTHER NON-CURRENT AND CURRENT LIABILITIES

At 28 February 2021 and 31 August 2020, the Group entered into trade finance arrangements with a supplier to extend credit period for payables for goods and services to improve the Group's liquidity. The terms of the arrangements are sufficiently different from normal credit terms for trade and other payables and accrued expenses. The balance was interest free and repayable in 9 installments every 6 months ranging from 12 months from invoice date to 60 months from invoice date.

15 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

As at 28 February 2021, 3,800,000,000 ordinary shares, with par value of $0.01 cent each, were authorised for issue. As at 28 February 2021, the Company had 1,311,599,356 (29 February 2020: 1,311,599,356) ordinary shares in issue.

(b) Dividends

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

	Six months ended	
	28 February 2021 $'000	29 February 2020 $'000
Interim dividend declared after the interim period of 39 cents per ordinary share (six months ended 29 February 2020: 37 cents per ordinary share) (Note)	**511,524**	485,292

Note: The amount of 2021 proposed interim dividend is based on the 1,311,599,356 (2020: 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.

(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	
	28 February 2021 $'000	29 February 2020 $'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of 38 cents per ordinary share (six months ended 29 February 2020: 36 cents per ordinary share)	**498,408**	472,176

(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.

15 CAPITAL, RESERVES AND DIVIDENDS (continued)

(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.

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 64,000 (2020: 251,000) shares were vested during the six months ended 28 February 2021.

15 CAPITAL, RESERVES AND DIVIDENDS (continued)

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

(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.

During the period ended 28 February 2021, 122,092 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 19 January 2021, 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 dates to be $9.04.

16 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 "HKBN JOS") 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).

HKBN JOS 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.

16 BUSINESS COMBINATION AND ACQUISITION OF A SUBSIDIARY (continued)

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

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 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	198,566
Property, plant and equipment (note 7)	45,447
Right-of-use assets (note 8)	199,704
Deferred tax assets	13,313
Inventories	125,993
Contract assets	50,157
Trade receivables	750,265
Other receivables, deposits and prepayments	150,191
Finance lease receivables	2,596
Tax recoverable	717
Cash and cash equivalents	68,433
Trade payables	(322,508)
Other payables and accrued charges	(268,483)
Provision for reinstatement costs	(14,899)
Contingent consideration	(4,372)
Contract liabilities	(297,189)
Bank borrowings	(267,464)
Tax payables	(2,615)
Lease liabilities	(237,112)
Deferred tax liabilities	(29,112)
Fair value of net assets acquired	161,628
Non-controlling interests	1,684
	163,312
Goodwill	228,188
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

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.

(Expressed in Hong Kong dollars unless otherwise indicated)

16 BUSINESS COMBINATION AND ACQUISITION OF A SUBSIDIARY (continued)

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

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 HKBN JOS from the date of the JOS Acquisition to 29 February 2020.

No separate sets of financial information for HKBN JOS 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 HKBN JOS as if the acquisition date for the business combination that occurred during the period had been as of 1 September 2019.

17 VENDOR LOAN NOTES

On 30 April 2019, the Company issued 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.

18 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

18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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

(i) Fair value hierarchy (Continued)

	Fair value at 28 February 2021	Fair value measurement as at 28 February 2021 categorised into		
		Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000
Recurring fair value measurement				
Financial liabilities:				
Derivative financial instrument:				
– Interest-rate swap	**11,903**	**-**	**11,903**	**-**

	Fair value at 31 August 2020	Fair value measurement as at 31 August 2020 categorised into		
		Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000
Recurring fair value measurement				
Financial liabilities:				
Derivative financial instrument:				
– Currency forward	16,699	–	16,699	–
Financial assets at fair value through profit or loss	40,517	–	–	40,517

During the six months ended 28 February 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2020: $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 forward are the estimated amounts that the Group would receive or pay to terminate the derivative instruments at the end of the reporting period, taking into account current interest rates, currency rates and the current creditworthiness of the derivative instruments counterparties.

18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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

(iii) Information about Level 3 fair value measurement

At 31 August 2020, the fair value of the financial assets at fair value through profit or loss is determined using discounted cash flow analysis based on the return rates of the wealth management products developed by the issuing banks.

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

	At 28 February 2021 $'000	At 31 August 2020 $'000
Contingent consideration		
At the beginning of the period/year	**-**	29,649
Acquisition of subsidiaries	**-**	4,372
Settlement of contingent consideration for the period/year	**-**	–
Change in fair value during the period/year	**-**	1,355
Derecognition of contingent consideration during the period/year	**-**	(35,376)
At the end of the period/year	**-**	–
Financial assets at fair value through profit or loss		
At the beginning of the year	**40,517**	–
Additions	**-**	40,331
Disposals	**(40,517)**	–
Change in fair value during the year	**-**	186
At the end of the period/year	**-**	40,517

(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 28 February 2021 and 31 August 2020.

19 CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

(a) Capital commitments outstanding at 28 February 2021 not provided for in the interim financial report

At 28 February 2021, the Group had the following capital commitments:

	At 28 February 2021 $'000	At 31 August 2020 $'000
Contracted but not provided for		
– Purchase of property, plant and equipment	**179,589**	252,050
Investment in an associate	**-**	4,438
Investment in a joint venture	**40,000**	–
	219,589	256,488

In addition, the Group was committed at 28 February 2021 to enter into a lease of two years that is not yet commenced, the lease payments under which amounted to $4,085,000 per annum (31 August 2020: a lease of five years with lease payments under which amounted to $440,000 per annum).

20 CONTINGENT LIABILITIES

	At 28 February 2021 $'000	At 31 August 2020 $'000
Bank guarantee in lieu of payment of utility deposits	**6,445**	6,200
Bank guarantee in lieu of performance guarantee	**244,080**	133,928
	250,525	140,128

At 28 February 2021 and 31 August 2020, the directors did not consider it is probable that a claim will be made against the Group under any guarantees. 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)

21 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	
	28 February 2021 $'000	29 February 2020 $'000
Short-term employee benefits	**26,862**	26,982
Post-employment benefits	**1,848**	1,796
Equity compensation benefits	**–**	–
	28,710	28,778

22 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 31 March 2021, HKBNGL, a wholly owned subsidiary of the Company, as the borrower ("the Borrower"), has entered into a facility agreement with Bank of China (Hong Kong) Limited, Hang Seng Bank Limited, China CITIC Bank International Limited, China Construction Bank (Asia) Corporation Limited and Chiyu Banking Corporation Limited, who are the mandated lead arrangers and as bookrunners, and Bank of China (Hong Kong) Limited as facility agent (the "Facility Agreement"). Pursuant to the Facility Agreement, a term loan facility of $5,000,000,000 was provided to the Borrower for a period of five years and fully repayable on 8 April 2026 (the "Facility"). The Facility was cross guaranteed by the Borrower, the Company, HKBN, MLCL, HKBNESDL, HKBNESCC, HKBNESHKL and COL Limited. On 9 April 2021, the Facility was fully drawn to mainly refinance the existing $4,100,000,000 term loan and other existing bank borrowings of the Group.

23 IMPACTS OF COVID-19 PANDEMIC

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position.

The Group has been closely monitoring the impact of the developments on the Group's business and has put in place contingency measures.

24 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform to current period's presentation.

Directors' and Chief Executives' Interests In Securities

As at 28 February 2021, 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"):

Name of Directors	Note	Number of shares held	Percentage of the issued share capital of the Company
Mr. Bradley Jay HORWITZ	(a)	800,000	0.06%
Mr. Chu Kwong YEUNG	(b)	26,234,429	2.00%
Mr. Ni Quiaque LAI	(c)	31,553,129	2.41%
Mr. Teck Chien KONG	(d)	228,627,451	17.43%
Mr. Stanley CHOW	(e)	234,500	0.02%

Notes:

(a) Mr. Bradley Jay HORWITZ held 800,000 ordinary shares in the Company.

(b) Mr. Chu Kwong YEUNG held 26,234,429 ordinary shares in the Company, in which 848,002 ordinary shares were held by the plan trustee under Co-Ownership Plan III Plus.

(c) 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.

(d) 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 of the Company, in which 83,661,106 ordinary shares are under convertible instruments, and is accordingly deemed to be interested in the shares held by the aforesaid companies.

(e) Mr. Stanley CHOW held 234,500 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 28 February 2021.

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 (was terminated and replaced by Co-Ownership Plan III Plus)* 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 37% of the Group's total Talent base), spanning the Group's operations across Hong Kong and mainland China.

* By reasons of (i) the occurrence of WTT Merger and that the aspirational target of the adjusted available cash per share for distribution was different for the enlarged group after the WTT Merger and (ii) no grant of restricted share unit was made under the plan since its adoption, on 21 June 2019, the Board resolved to terminate the Co-Ownership Plan III, and to adopt the Co-Ownership Plan III Plus as a replacement.

Co-Ownership Plan II

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

The total number of shares that may underlie the RSUs granted pursuant to the Co-Ownership Plan II shall be (i) 10% of the shares in issue on 12 March 2015 (the "Listing Date"), the date on which the Company was listed on the Stock Exchange 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 1H2021 are as follows:

Participants	Date of grant	Number of RSUs							
		Granted	As at 1 September 2020	Granted during 1H2021	Forfeited during 1H2021	Vested during 1H2021	As at 28 February 2021	To be vested on 30 January/26 February (As at 28 February 2021) 2021	2022
Other Participants	30 January 2019	329,330	200,378	-	30,854	56,488	113,036	-	113,036
Other Participants	26 February 2019	126,410	94,819	-	9,052	28,575	57,192	-	57,192
Total		**455,740**	**295,197**	**-**	**39,906**	**85,063**	**170,228**	**-**	**170,228**

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".

Details of the share purchase movements under the Co-Ownership Plan III Plus during 1H2021 are as follows:

Batch of purchase	Number of Shares purchased	Number of shares purchased to be forfeited during 1H2021 (i.e. purchased shares returned to Bad Leavers*)	Number of shares under Co-Ownership Plan III Plus as at 28 February 2021	Approximate percentage of the issued share capital of the Company as at 28 February 2021	Approximate percentage of Shares purchased under the Scheme Mandate Limit utilised as at 28 February 2021
1st Batch Purchase (February 2020)					
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	1,554,803	16,656,065	1.270%	42.330%
2nd Batch Purchase (August 2020)					
Other participants	554,377	22,023	532,354	0.041%	1.353%
3rd Batch Purchase (February 2021)					
Other participants	122,092	-	122,092	0.009%	0.310%
Total	**21,519,322**	**1,576,826**	**19,942,496**	**1.521%**	**50.682%**

* 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 1H2021 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 28 February 2021, 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:

Name of shareholders	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%
The Capital Group Companies, Inc.	(b)	171,016,483 (L)	13.04%
JPMorgan Chase & Co.	(c)	92,524,412 (L) 8,086,499 (S) 75,133,412 (P)	7.05% 0.61% 5.72%
Mr. David BONDERMAN	(d)	228,627,451 (L)	17.43%
Mr. James George COULTER	(e)	228,627,451 (L)	17.43%
Mr. Michael ByungJu KIM	(f)	228,627,451 (L)	17.43%
Mr. Teck Chien KONG	(g)	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) The Capital Group Companies, Inc. through its subsidiaries, namely Capital Research and Management Company, Capital International Sarl, Capital International, Inc., and Capital Bank and Trust Company held 161,329,500 ordinary shares, 6,853,000 ordinary shares, 504,000 ordinary shares and 2,329,983 ordinary shares in the Company respectively, and was accordingly deemed to be interested in the respective shares held by the aforesaid companies.

(c) 92,524,412 ordinary shares are in long position held by JPMorgan Chase & Co. as to (i) 8,669,499 ordinary shares in the capacity as interest of controlled corporations, (ii) 7,962,500 ordinary shares in the capacity as investment manager, (iii) 759,001 ordinary shares in the capacity as person having a security interest in shares, and (iv) 75,133,412 ordinary shares in the capacity as approved lending agent.

8,086,499 ordinary shares are in short position held by JPMorgan Chase & Co. in the capacity as interest of controlled corporations.

(d) 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.

(e) 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.

(f) 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.

(g) 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 28 February 2021.

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

During 1H2021, 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 39 cents (29 February 2020: 37 cents) per share for 1H2021 to the shareholders whose names appear on the register of members of the Company on Monday, 17 May 2021. The interim dividend will be payable in cash on Wednesday, 26 May 2021.

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 148% (including distribution to Vendor Loan Notes) for this interim period in order to normalise the premium paid on senior notes redemption and the annual tax payments in 1H2021 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 $65,255,663 based on the 39 cents interim dividend per ordinary share declared by the Company for the six months ended on 28 February 2021, as if the holders of the Vendor Loan Notes were holders of 167,322,212 ordinary shares in the Company as at the record date for such final dividend. Such cash amount will be paid by the Company to the holders of Vendor Loan Notes on 26 May 2021, being the date on which the 2021 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 1H2021, 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 1H2021 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 Hong Kong Institute of Certified Public Accountants 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 2020 annual report is set out below:

Mr. Chu Kwong YEUNG, the Executive Director of the Company, has been appointed as the advisor of Generation Asia I Acquisition Limited on 29 March 2021.

Ms. Suyi KIM, the Non-executive Director of the Company, has resigned as the Director of Homeplus Holdings Co., Ltd, one of the largest multi-channel retailers in South Korea, on 17 February 2021.

Mr. Yee Kwan Quinn LAW, SBS, JP, the Independent Non-executive Director of the Company, has been appointed as one of Hong Kong University of Science and Technology's eight representatives serving on the Governing Board of Hong Kong University of Science and Technology (Guangzhou), on 1 January 2020.

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 1H2021 except for the following deviation:

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

In respect of the composition, although the Nomination Committee does not comprise a majority of Independent Non-executive Directors of the Company (i.e. current composition of Nomination Committee is three Independent Non-executive Directors, two Non-executive Directors and one Executive Director), it would not materially and negatively affect the role of the Nomination Committee, which is to make recommendations to the Board impartially, rather than itself having the power to make decisions or take actions regarding nomination and/or removal of the Directors of the Company. Furthermore, the two Non-executive Directors and one Executive Director who sit on the Nomination Committee are valuable because of their different industry perspective, hence they could give valuable comments 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 required standard as set out in the Model Code throughout 1H2021.

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

Hong Kong, 21 April 2021

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. Suyi KIM [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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Stock Code

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