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

EMERGING STRONGER & TRANSFORMED

Interim Report 2022

EMERGING STRONGER & TRANSFORMED

Long before COVID-19, rather than wait for change to happen, we at HKBN embraced it to advance our readiness for foreseeable and unforeseeable possibilities. Over the past several years, we completed key acquisitions, synergised businesses, expanded our capabilities' scope, grew and developed our Talents, making the right moves to transform HKBN into a stronger, more agile and purposeful business.

Today — even as COVID-19 variants continue to have an impact (bringing uncertainty and disruption) — the changes we've undertaken have enhanced our ability to not only address, but guide our customers through the challenges, from balancing growth and progress with human safety, and work-from-anywhere resilience with security, to the ever-critical need for digital transformation and what's next.

In the making of this interim report, every effort was taken to ensure that our Talents followed proper COVID-19 safety protocols. Computer post-processing was used to create images of people congregating as depicted on this interim report's cover and section dividers. While it is tempting to gather in crowds, for safety, we do not recommend doing so.

Contents

Unless otherwise stated, all monetary figures in this report are 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.

Shareholder Letter

Dear Fellow Shareholders,

Partnership+

At HKBN, our Legal Unfair Competitive Advantage (LUCA) is no longer the fibre network that we have been building since the mid 1990s, rather it is our incredible customer relationships with 1 million or 1-in-3 residential households, and ~110,000 enterprises or 1-in-2 active companies in Hong Kong. Our reach is extremely scalable in terms of the services that we can upsell to our customers beyond the traditional telecom connectivity services. In most industries, Customer Acquisition Cost (CAC) is a major expense item to do business, which typically ranges from a quarter to a third of revenues.

Metcalfe's Law is a concept used in computer networks and telecommunications to represent the value of the total network. Metcalfe's Law states that a network's impact is the square of the number of nodes in the network. We believe Metcalfe's Law applies to our Partnership+ approach. By getting partners to team up with HKBN, we bring them lower CAC through our substantial customer base. In this way, all parties will benefit, especially our customers who can enjoy a far wider range of services at far lower prices, our partners will have a far more efficient channel to market – and for us, the more services our customers use, the far more loyal they will be to us.

In Residential, we are the exclusive broadband service provider for Disney+. Ever since the service launched in November 2021, we have already secured about 140,000 customers who've benefitted from our Disney+ bundles. With our monthly billing reach of 1 million residential households and an average of 3.5 mobile SIMs per household, we have a warm base reach of 3.5 million mobile subscribers or 35% of the total 10 million postpaid mobile market. This makes us a perfect Mobile Virtual Network Operator (MVNO) partner to Hutchison Telecommunications Hong Kong Holdings Limited "3 Hong Kong" mobile, for whom we are reselling its 5G services. Another key partnership for us is HOME+, our joint venture with major partners Dah Chong Hong and Kerry Logistics, which has seen a huge increase in business since the 5^{th} wave of COVID-19 lockdowns. We offer our HOME+ partners amazing promotions such as our "Spend $1 Get $2" deal whereby every dollar spent at HOME+ or HKBN is doubled-up by being matched reciprocally. By working with partners, this is how we will transform our Residential business and further expand the scope of our Infinite-play strategy.

In Enterprise, we are partnering for unique collaborations or exclusive deals with a large number of multi-nationals such as Cisco, Microsoft, Apple, PwC DarkLab, Alibaba Cloud, AWS, UiPath, etc. We bring these big global names more direct sales channels in Hong Kong, mainland China (where we have 10 regional offices in major cities like Beijing, Shanghai, Guangzhou, Shenzhen and Macau), and in Singapore plus Malaysia via our jointly operated associates with StarHub. Our telecom services monthly Average Revenue Per User is $2,905 across our ~110,000

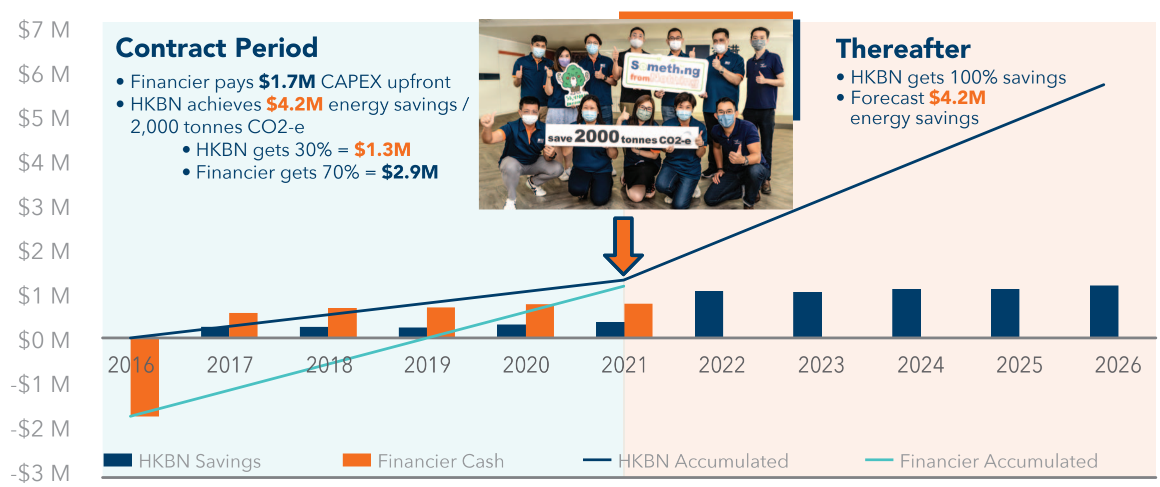
William Yeung
Co-Owner and Executive Vice-chairman

NiQ Lai
Co-Owner and Group Chief Executive Officer

entire Enterprise customers base whereas system integration customers on average consume 10 times more comparing to standalone telecom service; this discrepancy shows inherent upside when we upsell system integration services and managed services to our telecom customer base. By working with Partners, this is how we will transform our Enterprise business from traditional telecom services to Information and Communications Technologies (ICT).

Our key business approach is to "eat what we cook before we sell it", i.e. we experiment the recipe to perfect it internally before we sell it externally as a canned solution. With >$10 billion in gross revenue and >4,700 Talents, we enjoy the economies of scale that few of our customers can match. For example, in 2016, we pioneered our "Something from Nothing" ESG initiative to improve our electricity efficiency by upgrading our data centre air conditioning plant. Our preliminary assessment of the opportunity indicated a 6-year payback for the more efficient upgrade – which stalled our investment. However, our partnership with Energenz, to optimise technical design, and Blue Sky for the upfront funding, enabled us to upgrade our plant on a timely basis at no cost, no balance sheet impact and with limited risk and resource commitment, in exchange for a share of realised future electricity savings. Having learnt from this experience, we are now ready to help our customers in improving their ESG initiatives.

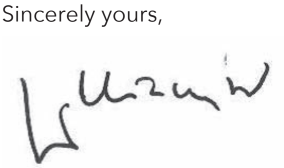
Pay for Today's Facility Upgrade with Tomorrow's Energy Savings
$5.5M in Energy Savings with $0 CAPEX



(Showcase in Trans Asia Centre)

Like Metcalfe's Law the value of our Partnership+ approach can deliver exponential growth potential

Sincerely yours,



William Yeung
Co-Owner and Executive Vice-chairman

NiQ Lai
Co-Owner and Group Chief Executive Officer

Key Financial and Operational Summary

Table 1: Financial highlights

	For the six months ended		
	28 February 2022	28 February 2021	Change YoY
Key financials ($'000)			
Revenue	**6,803,050**	6,229,584	+9%
– Enterprise Solutions	**2,290,870**	2,615,595	-12%
– Enterprise Solutions related product	**1,294,917**	1,248,523	+4%
– Residential Solutions	**1,224,398**	1,224,434	-0%
– Other product	**1,992,865**	1,141,032	+75%
Profit for the period	**304,330**	48,562	>100%
Adjusted Net Profit [1,2]	**479,790**	385,016	+25%
EBITDA (Adjusted)* [1,3]	**1,319,543**	1,311,817	+1%
Service EBITDA (Adjusted)* [1,3]	**1,118,968**	1,077,828	+4%
Service EBITDA margin (Adjusted)* [1,4]	**31.8%**	28.1%	+3.7pp
Adjusted Free Cash Flow [1,5]	**757,750**	391,457	+94%
Reconciliation of Adjusted Net Profit [1,2]			
Profit for the period	**304,330**	48,562	>100%
Amortisation of intangible assets	**209,153**	241,497	-13%
Deferred tax arising from amortisation of intangible assets	**(33,693)**	(39,000)	-14%
Loss on extinguishment of senior notes	**-**	145,463	-100%
Deferred tax recognised on unused tax losses	**-**	(11,506)	-100%
Adjusted Net Profit	**479,790**	385,016	+25%
Reconciliation of EBITDA & Adjusted Free Cash Flow [1,3,5]			
Profit for the period	**304,330**	48,562	>100%
Finance costs	**106,420**	325,496	-67%
Interest income	**(1,535)**	(1,271)	+21%
Income tax charge	**80,357**	41,976	+91%
Depreciation (Adjusted)*	**470,530**	507,518	-7%
Amortisation of intangible assets (Adjusted)*	**210,783**	241,497	-13%
Amortisation of customer acquisition and retention costs	**148,658**	148,039	+0%
EBITDA (Adjusted)*	**1,319,543**	1,311,817	+1%
Capital expenditure	**(291,603)**	(325,604)	-10%
Net interest paid	**(98,435)**	(219,309)	-55%
Other non-cash items	**(4,300)**	(4,173)	+3%
Income tax paid	**(150,084)**	(223,375)	-33%
Customer acquisition and retention costs	**(125,710)**	(132,914)	-5%
Premium paid on senior notes redemption	**-**	(113,776)	-100%
Lease payments in relation to right-of-use assets	**(112,986)**	(152,693)	-26%
Changes in working capital	**221,325**	251,484	-12%
Adjusted Free Cash Flow	**757,750**	391,457	+94%

* Depreciation and amortisation of the Disposal Group was not recognised on consolidation level from 1 September 2021 to 3 January 2022 in the consolidated financial statements. The $15 million pro forma adjustment is to account for the depreciation and amortisation of the Disposal Group in order to reflect the true business performance of the Disposal Group up to the date of disposal.

Key Financial and Operational Summary

Table 2: Operational highlights

	For the six months ended			
	28 February 2022	31 August 2021	28 February 2021	Change YoY
Enterprise business				
Commercial building coverage	**7,932**	7,584	7,418	+7%
Subscriptions ('000)				
– Broadband	**120**	119	118	+2%
– Voice	**421**	423	434	-3%
Market share [6]				
– Broadband	**37.1%**	36.9%	36.7%	+0.4pp
– Voice	**24.3%**	24.9%	25.1%	-0.8pp
Enterprise customers ('000)	**106**	107	105	+1%
Broadband churn rate [9]	**1.3%**	1.5%	1.3%	+0pp
Enterprise ARPU [10]	**$2,905**	$3,058	$3,028	-4%
Residential business				
Fixed telecommunications network services business				
Residential homes passed ('000)	**2,489**	2,466	2,438	+2%
Subscriptions ('000)				
– Broadband	**889**	886	886	+0%
– Voice	**458**	474	485	-6%
Market share [6]				
– Broadband	**33.8%**	34.2%	34.6%	-0.8pp
– Voice	**21.9%**	22.1%	22.2%	-0.3pp
Broadband churn rate [7]	**0.9%**	0.9%	0.9%	+0pp
Residential ARPU (Without TTT) [8]	**$187**	$190	$191	-2%
Residential ARPU (With TTT) [8]	**$187**	$189	$189	-1%
Mobile business				
Subscriptions ('000)	**243**	254	269	-10%
Mobile ARPU [11]	**$111**	$112	$108	+3%
Residential customers ('000)	**983**	997	1,011	-3%
Total full-time permanent Talents	**4,700**	5,218	5,683	-17%

Key Financial and Operational Summary

Notes:

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

(2) Adjusted Net Profit means profit for the period plus amortisation of intangible assets (net of deferred tax credit and direct cost incurred in corresponding period).

(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 (including amount utilised for supply chain financing), 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.

(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 2021 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

During the six months ended 28 February 2022 ("1H2022"), the COVID-19 pandemic continued to affect our daily lives and hinder the economy. Competition within the telecom industry continued to be intense as we adapted to this dynamic operating environment. The Group demonstrated its resilience amid these challenges and delivered a solid set of operational and financial results in 1H2022.

Having transformed our Enterprise business through the successful integration of prior acquisitions, a larger market presence and our expanded capabilities as the largest alternative telecom carrier in Hong Kong enables us to remain competitive relative to other standalone telecom or technology solutions providers in this tough environment.

On 3 January 2022, we completed the disposal of 60% of the issued share capital of HKBN JOS (SINGAPORE) PTE. LTD. and HKBN JOS (MALAYSIA) SDN. BHD. (collectively the "Disposal Group") to StarHub Ltd.. The Disposal Group has ceased to be subsidiaries of the Group and has become 40%-owned associates of the Group. The Disposal Group is jointly operated by the two leading telecommunications and technology solutions companies in their respective regions, which will unlock cross-border business opportunities and synergies through leveraging the strengths of the Group and StarHub Ltd. fostered by this deepened collaboration.

Under this tough market environment, our residential business remained resilient. Service revenue was stable as we continued to execute our Infinite play strategy by expanding our consumer-centric high value-for-money services to our customers.

As a result, our Revenue, EBITDA (Adjusted), and Adjusted Free Cash Flow ("AFF") increased year-on-year by 9%, 1% and 94% to $6,803 million, $1,320 million and $758 million respectively.

- Enterprise Solutions revenue decreased year-on-year by $325 million, or 12%, to $2,291 million. This is mainly due to the decrease in international telecommunications services revenue, which comprised mainly of low margin wholesale IDD. In addition, the Disposal Group contributed four months in 1H2022 vs six months in 1H2021. Despite a gloomy economic outlook brought about by COVID-19, our business showed resilience in this difficult time as indicated by stable customer churn and the increase in broadband subscriptions and market share to 120,000 and 37.1% as at 31 December 2021 (based on the latest available OFCA statistics) respectively. Enterprise ARPU decreased from $3,028/month to $2,905/month mainly due to the lowered contribution from the Disposal Group during 1H2022.

  Enterprise Solutions related product revenue increased year-on-year by 4% to $1,295 million due to the increase in demand for hardware.

  The COVID-19 pandemic has posed significant challenges to businesses in Hong Kong, and this has increased the demand on running their companies remotely, securely, and efficiently at affordable costs. This materialised as an opportunity for innovative solutions such as FixIT, e-Security and business application services which aimed to serve the needs of our large Enterprise customer base. We will strengthen the relationship with our customers and increase our market penetration in the upcoming economic rebound.

Management Discussion & Analysis

- Residential Solutions revenue remained stable at $1,224 million, despite intense market competition. Our Residential ARPU (Without TTT) fell slightly by 2% year-on-year to $187/month due to the aggressive tactical offer introduced at the initial launch of Disney+ OTT bundle, as well as intense market competition in general.

  Our monthly churn rate remained low at 0.9% and our subscriptions slightly increased to 889,000 in 1H2022. Our market share by broadband subscriptions remained stable at 33.8% as at 31 December 2021 (based on the latest available OFCA statistics).

  Our mobile business recorded growth on ARPU with 3% year-on-year increase to $111/month amid intense market competition. Mobile subscriptions have dropped to 243,000 but growth momentum has resumed in recent months as we launched the best-in-town 5G mobile plan offers for both entry level and high usage level to capture growth aggressively in the mobile segment.

  All in all, a continued expansion in our Infinite play offerings via HOME+ bundling, comprehensive Over-The-Top content and aggressive 5G offers shall be our biggest differentiator to other operators and the key driver of our growth in the near term.

- Other product revenue increased by 75% to $1,993 million, mainly represented by the sales of smartphone products that complement our mobile business.

Network costs and costs of sales increased year-on-year by $573 million, or 15%, to $4,500 million, mainly due to the cost of inventories increasing by $933 million, or 43%, to $3,087 million led by an increase in sales of smartphone products and Enterprise Solutions related product. This has been offset by a decrease in cost of wholesale IDD.

Other operating expenses slightly decreased year-on-year by $52 million, or 3%, to $1,840 million, which is the combined effect of a decrease in Talent cost by $7 million, a decrease in depreciation by $25 million and a decrease in amortisation of intangible assets by $32 million, partly offset by an increase in recognition of loss allowance in trade receivables and contract assets by $16 million.

Finance cost decreased by 67% year-on-year from $325 million to $106 million. This was mainly caused by the increase in fair value gain on interest-rate swap by $48 million, the decrease in loss on extinguishment of senior notes by $145 million and the decrease of interest and finance charges on senior notes by $57 million, partly offset by the increase in interest and finance charge on bank loans by $31 million.

Income tax increased by 91% year-on-year from $42 million to $80 million in line with the increase in profit before tax.

As a result of the aforementioned factors, profit attributable to equity shareholders increased by 527% to $304 million.

Adjusted Net Profit, excluding the impact of amortisation of intangible assets (net of deferred tax credit) increased by 25% year-on-year to $480 million. This was mainly contributed by a decrease in finance cost by $219 million, partly offset by an increase in share of losses of associates and joint ventures during 1H2022.

EBITDA (Adjusted) increased by 1% year-on-year from $1,312 million to $1,320 million, mainly contributed by lower operating expenses due to operational enhancement.

Services EBITDA (Adjusted), which excluded the gross profits on Enterprise Solutions related product and other product, increased by 4% year-on-year from $1,078 million to $1,119 million, mainly due to the increase in gross profit. Services EBITDA margin (Adjusted) increased by 3.7 percentage points from 28.1% to 31.8% mainly due to the decrease in low margin wholesale IDD services.

AFF increased by 94% year-on-year to $758 million, mainly caused by a decrease in capital expenditure, interest paid and premium paid on the senior notes redemption by $34 million, $121 million and $114 million respectively, partly offset by a decrease in working capital inflow by $30 million.

Outlook

As a leading ICT solutions provider with extensive customer reach, comprehensive suite of service offerings, strong business partnerships, and unique silo-less culture, we are confident that we will be riding the post COVID-19 rebound and deliver more value to our stakeholders.

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 via collaborations 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. In October 2021, we obtained shareholders' approval on the adoption of the Co-Ownership Plan IV, of which the purpose is to align the performance target of the Group with the incentives of our Talents so that the Group could be better positioned to seize opportunities and benefits in the post COVID-19 era;

- take advantage of our one-stop telecom and technology solutions offerings that differentiates us from standalone telecom or technology solutions business to gain a further share of the wallet of our large Enterprise customer base;

- strategic partnerships with industry leaders in e-security, cloud-based solutions and process automation with skin-in-the-game alignment to go big in the Hong Kong market;

- expand our quad-play bundle plans to Infinite-play to drive ARPU and subscriptions growth and disrupt the legacy broadband, fixed-voice, multimedia content and mobile standalone services, improve customer stickiness by expanding our Residential ecosystem through different new disruptive services (e.g. new OTT services with Disney+, WiFi 6 Gateway and HOME+);

- resume market growth strategy in the mobile space with best-in-town 5G mobile plans targeting both entry level and high usage users in both Residential and Enterprise market; and

- further lower finance costs by managing the net leverage ratio to below 3.5x in the medium term to enjoy a better interest rate grid of existing bank facilities.

Liquidity and Capital Resources

As at 28 February 2022, the Group had total cash and cash equivalents of $1,154 million (31 August 2021: $1,527 million) and gross debt of $11,814 million (31 August 2021: $12,124 million), which led to a net debt position of $10,660 million (31 August 2021: $10,597 million). Lease liabilities of $388 million (31 August 2021: $508 million) was included as debt as at 28 February 2022 in accordance with the term of the Group's various loan facilities. The Group's gearing ratio, which was expressed as a ratio of the gross debt over total equity, was 2.2x as at 28 February 2022 (31 August 2021: 2.2x). The Group's net debt to EBITDA ratio as computed in accordance with the term of the Group's various loan facilities was approximately 4.7x as at 28 February 2022 (31 August 2021: 4.6x). The average finance cost calculated as the interest and coupon charges over the average borrowing balance was 2.3% (31 August 2021: 2.6%). The average weighted maturity of the Group's borrowings was 3.8 years as at 28 February 2022 (31 August 2021: 4.3 years).

Cash and cash equivalents consisted of cash at bank and in hand. There was no pledged bank deposit as at 31 August 2021 and 28 February 2022. As at 28 February 2022, the Group had an undrawn revolving credit facility of $1,655 million (31 August 2021: $1,464 million).

Under the liquidity and capital resources condition as at 28 February 2022, 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 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 held for trading and measured at fair value through profit or loss.

Charge on Group Assets

As at 28 February 2022, the Group pledged assets to secure the other borrowings of $17 million (31 August 2021: $38 million).

Contingent Liabilities

As at 28 February 2022, the Group had total contingent liabilities of $225 million (31 August 2021: $191 million) in respect of bank guarantees provided to suppliers and customers and utility vendors in lieu of payment of utility deposits. The increase of $34 million was mainly due to increase 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

On 10 November 2021, HKBN JOS Holdings (C.I.) Limited (the "Vendor"), an indirect wholly-owned subsidiary of the Company and StarHub Ltd. (the "Purchaser") entered into the share purchase agreement (the "Share Purchase Agreement"), pursuant to which the Vendor conditionally agreed to sell 60% of the issued share capital of HKBN JOS (SINGAPORE) PTE. LTD. and HKBN JOS (MALAYSIA) SDN. BHD. to the Purchaser for a total consideration of approximately SG$15 million (representing approximately $87 million) before the post-closing adjustments in accordance with the Share Purchase Agreement. The conditions precedents as set out in the Share Purchase Agreement were satisfied and the completion of the disposal took place on 3 January 2022. The Disposal Group has ceased to be subsidiaries of the Group and has become 40%-owned associates of the Group. Please refer to the announcements of the Company dated 10 November 2021 and 3 January 2022 for further details.

Save as disclosed, the Group did not make any significant investments, acquisitions or disposals in relation to its subsidiaries and associated companies during 1H2022.

Talent Remuneration

As at 28 February 2022, the Group had 4,700 permanent full-time Talents (31 August 2021: 5,218 Talents). The Group provides remuneration package consisting of basic salary, bonus and other benefits. Bonus payments are discretionary and dependent on both the Group's and individual performances. The Group also provides comprehensive medical insurance coverage, competitive retirement benefits schemes, and Talent training programmes.

Our Core Purpose

Since 1999, HKBN has embarked on an incredible journey of change that has transformed the way people and businesses connect and do more in the digital era.

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 greet each day as a chance to realise our Core Purpose.

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 our success and responsibility in ways beyond financial-only performance for our five key stakeholders of Customers, Talents, Suppliers, Community and the Environment.

It also means our Environment, Social and Governance ("ESG") policy is aligned with our overall corporate strategy. This approach ensures that in all aspects of our business, actions are rigorously executed with society, environment and corporate governance that aim to go beyond merely fulfilling legal and regulatory requirements. As such, ESG factors play a major role in shaping the underlying drivers which define our sustainable growth, serving to steer our strategies and to measure our performance in five key stakeholder areas:

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 enhancements to the way they live, learn, work and play.

Talents

As a Talent-obsessed employer, we take great pride – and lead by example – in how HKBNers are treated as priority number one. Through an exhaustive array 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

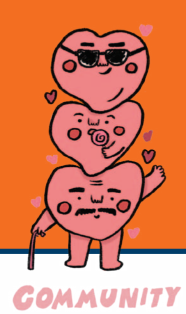
The relationships between HKBN and our business partners and suppliers are built on mutual trust, respect, fairness and rigorous compliance of the respective laws and regulations. Paramount is the concept of win-win partnerships. We want all our partners and suppliers to work with us to make money together,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

Environment

As a technology-based company, our goal is to find smarter ways to do good for the environment. This we achieve by utilising the latest eco-friendly solutions and smart 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.



Beyond Just 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.

The Board has agreed to form an ESG Committee

MSCI ESG RATINGS AA

CCC | B | BB | BBB | A | AA | AAA

Hang Seng Corporate Sustainability Index Series Member 2021-2022

Leading the Way for Customers

Customers come first. As the world changes and evolves, we're forging ahead with leading expertise to transform how people, companies and technology connect to improve lives, experiences and the way we do business.

But rather than wait for what's next, we're continuously transforming and adapting ourselves to help our customers thrive through the challenges and opportunities.

From the future of work, end-to-end cybersecurity and managed IT services to the digital transformation journey, our one-stop telecom and technology capabilities put us in the strongest position to help business customers evolve and become operationally agile. In short, we are not here to merely sell services to our customers, rather we are here to help them run their business better.

In the residential market, through synergies with our e-commerce platform, HOME+, and opportunities built from strategic partnerships with leaders like Disney+, we continued to strengthen our Infinite-play offerings with more choice and more unbeatable value.

Innovation for Customers

As a leading telecom and technology solutions provider, we know 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 great effort in leveraging innovation and the latest technologies to deliver better products and services, experiences and value for customers.

The following are some of our innovative solutions and services introduced during 1H2022:

Game-changing 5G Value

With the power of 5G, customers – in both the personal and enterprise markets – can enjoy all the entertainment, quality of life, and business application possibilities unlocked by ultra-low latency, high-speed mobile data. As part of a long-term strategy to grow our market share – and significantly lower the cost barriers for mass adoption – in February we launched our unprecedented 5G offers. Our phenomenally valued plans feature 100GB ultra-fast 5G service with unlimited thereafter 5Mbps data for just $149/month (vs. about $300/month from other players without unlimited data), and include free HOME+ e-cash coupons and 6-month Disney+ service (total value of more than $1,000).

Purposeful HOME+

Built on a partnership model of resource sharing, our e-shopping platform HOME+ gives merchants the chance to sell their products easier, cheaper and with enhanced reach – all to the benefit of Hong Kong consumers. Since inception in November 2020, HOME+ has rapidly expanded and transformed to deliver one-stop shopping experiences, covering a diverse range of wholesome foods, appliances, health supplements, personal care products and much more – with 100-minute delivery available.

As the 5th wave of pandemic in Hong Kong has brought tremendous challenges to disadvantaged families and individuals, HOME+ teamed up with the Jockey Club Food Assistance Programme, an initiative coordinated by St. James' Settlement and five other major non-profits. Under the programme's E-Food Bank Service, HOME+ serves as an e-platform so that eligible individuals and families can stay home safely and order nutritious food online. On a weekly basis, each eligible individual will receive a credit equivalent to $400, which can be spent on our e-platform.

Customers

Enabling Hybrid Work Transformation for Enterprises

Impacts of the pandemic and a global shortage of computer chips have made the need to work from anywhere on any device more critical than ever. With this in mind, we teamed up with Microsoft Hong Kong in an inaugural deal to empower businesses with Windows 365. Our one-stop solutions enable business users to truly work anytime, anywhere on any device with the cloud computing power and utility of Windows 365. And by leveraging the connectivity and technical capabilities of HKBN's network and technology expertise, our solutions are designed to transform efficiency and cost effectiveness.

Enterprise-level Cyber Protection for SMEs

As more systems and devices connect to the Internet in the digital era, an unwelcome consequence has been the increase in information security threats – with over 40% of Hong Kong Small-to-Medium Enterprises (SMEs) having reported cyber-attacks in 2021*. To address these challenges, we jointly launched our exclusive Secured Business Broadband Bundle with Cisco Umbrella Easy Protect to strengthen Internet security for companies of all sizes. Our partnership with Cisco brings users a flexible cloud-delivered security protection to their network (blocking malicious attacks at the DNS level), reducing risk and improving performance at affordable costs.

* According to Cisco's "Cybersecurity for SMBs: Asia Pacific Businesses Prepare for Digital Defense"

Wi-Fi 6 Routers-as-a-Service

With demand for faster and better Internet at home growing by the day, we teamed up with the global leader in network equipment, TP-Link, to provide customers with more choice and a hassle-free one-stop service experience. Unlike the traditional way of buying routers through retail channels – and having to complete the entire installation unaided – our one-stop service delivers a range of Wi-Fi 6 routers from TP-Link with professional on-site installation, assessment of home Wi-Fi conditions and 24-hour service support, for optimal speed performance and peace-of-mind. For added flexibility, customers can pick and choose routers and wireless extenders based on priority needs like Coverage, Speed and Gaming.

HKBN Smart Living Ecosystem

As consumers embrace the convenience of smart home living, our HKBN Smart breaks new ground by making it extremely simple and easy for anyone to set up and manage

different IoT smart devices – via our HKBN Smart app. Eschewing the prerequisite for expensive home upgrades or the need to replace existing appliances, HKBN Smart delivers home automation in an affordable way.

In September 2021, we enhanced our partnership with consumer electronics brand MOMAX by jointly launching "Smart D", a new smart living brand that's seamlessly compatible with HKBN Smart. Blending style, user-friendliness and cutting-edge automation, Smart D is all about bringing smart technology to life in a versatile range of products that elevate the home décor.

Beyond-HK Innovation

By leveraging a diverse range of expertise, our teams in mainland China and Macau are unleashing their collective tech prowess to help customers overcome a wider range of challenges and requirements, from COVID-imposed restrictions to the future of business and work. The following is an example of how our innovations are converging into all-new opportunities:

Robotic Process Automation ("RPA")

In the post-pandemic new normal, we see tremendous opportunities in leveraging RPA to help businesses and institutions benefit from automation of repetitive, inefficient operational processes. Through our teams in mainland China and Macau, our growing range of RPA solutions are helping enterprise users transform and evolve by boosting their productivity and efficiency.

Meeting the COVID-19 Crisis with Ultra-fast Agility

At the height of Hong Kong's most difficult period with COVID-19, with infections soaring to record-levels in February and March 2022, local authorities acted quickly by building new or transforming unused government public housing into makeshift quarantine/isolation quarters.

In times of crisis, every minute counts. So, when the government asked us to install our fibre broadband + Wi-Fi service at a number of vacant public housing estates, our teams synergised at warp speed and did the impossible: we delivered about 1,300 connections in three days!

"People and businesses depend on us. With COVID-19, our services are more essential than ever. Embracing this responsibility 100%, the best way our teams can help Hong Kong get through this crisis is by stepping up with Purpose, speed and agility."

Brian Lee
Co-Owner and Director – Major Accounts, Enterprise Solutions

Helping Businesses Stay Ready Through CHANGE

More than two years of COVID-19 impacts have taught us that uncertain times can bring unforeseen challenges. At the pandemic's initial onset back in early 2020, HKBN responded to the sudden uncertainty with speed and agility, accelerating our time-to-market for solutions that would help businesses and organisations stay resilient.

Back when measures like remote working and business continuity planning were considered almost niche for most businesses, we worked with partners like Microsoft Hong Kong to deploy an array of time-critical continuity solutions, including remote office and office backup contingency options. And as the situation evolved – accompanied by varying phases of social distance restrictions – we helped the retail, hospitality and education sectors adapt through safety-enabling tech like smart IoT thermal detection, UV-C lighting disinfection, UV-C air purifiers and more.

5th Wave of COVID-19 in Hong Kong

By most accounts, Hong Kong (where HKBN is headquartered) was a beacon of success in keeping the coronavirus at bay. However, the high transmissibility of Omicron changed everything as the 5th wave of outbreaks in February 2022 saw daily infections spike to record levels – spurring countless businesses to re-implement working from home, split office plans and other options.

"Even before COVID-19 – and especially during – HKBN has been a champion in driving digital transformation for our customers. Amid the pandemic, we embraced our responsibility as a technology leader to help businesses and institutions digitalise for the benefit of their operation, staff, customer journey experiences and supply chain interactions. While the 5th wave crisis calls attention to society's fragility, equally important, it also underscores how digital transformation is not an endpoint, but a continuous process meant to empower our readiness for unexpected challenges."

NiQ Lai
Co-Owner and
Group CEO

Staying Competitive Amid COVID-19

Staying ready and competitive in this new economic environment requires organisations to fluidly adapt with new strategy and technology. This year (besides the range of bespoke tech solutions we deliver to enterprise customers), we introduced the following to help customers run their businesses better:

Hybrid-ready Workplace – The launch of Windows 365 in Hong Kong is a giant step forward in enabling remote office capabilities. With this in mind, we teamed up with Microsoft Hong Kong to deliver one-stop solutions (featuring technical and IT support, and connectivity services from HKBN) that enable users to work anytime, anywhere on any device and seamlessly tap into hybrid work mode without hassle.

Total e-Security – Running a business today without cybersecurity is tantamount to living in a home without locks. With vulnerabilities seemingly everywhere, this year we continued to introduce various e-Security solutions to help businesses of all sizes stay ahead of threats. Our latest solutions include:

Ransomware Protection – For an affordable fee, businesses can enjoy state-of-the-art information security assessment from HKBN and our partner PwC in as fast as 24 hours, and get a comprehensive report detailing their network health status, vulnerabilities, and recommended rectifications.

e-Security for SMEs – To help SMEs enhance their security posture, our solution with PwC provides a complete range of subscription-based security services that include vulnerability assessment, 24x7 Security Operations Centre (SOC) threat monitoring and remediation management, next-gen Managed Detection and Response (MDR) services, and more.

Secured Business Broadband – With more systems and devices connecting to the Internet as a result of digitalisation, new security challenges are also emerging. To strengthen Internet security, we jointly introduced our Secured Business Broadband Bundle with Cisco Umbrella Easy Protect, which works by using cloud-delivered security protection to block malicious attacks at the DNS level.

UV-C Air Disinfection – Last year, our collaboration with Signify (formerly Philips Lighting) on the delivery of products like the Philips UV-C Disinfection Upper Air CM helped the retail and catering sectors better protect their staff and customers from COVID-19, while meeting government requirements for ventilation and air disinfection. To date, we have sold more than 4,000 units to help businesses cope with their needs. And just as the 5th wave began, our teams responded quickly by sourcing and delivering – in just 10 days – the Pittm HEPA H13 P-AP8 Air Purifier, a compact and low-cost alternative specifically aimed for use in hotel rooms, offices, smaller meeting rooms and households.

Robot servers – Besides IoT thermal detection devices and UV-C air purifiers, this year we introduced various smart robots to keep restaurants efficient by taking food orders and serving customers, while keeping human contact at a minimum. Designed for flexible application, our robot fleet are also ideal as assistants in the office, in schools and elderly care homes/hospitals

Pittm HEPA H13
P-AP8 Air Purifier

PUDU KettyBot
Robotic Server

COVID-19 Care Partnerships

At the height of the 5th wave, a record number of Hong Kong's workforce, including HKBNers, were staying home. Taking on our responsibility, we leveraged our HOME+ e-shopping and logistics capabilities and:

- provided our infected Talents with COVID-19 Care Packs that included $500 e-coupon, a health pack, telehealth consultation and medicine delivery
- worked with NGOs and businesses, including a world-leading sports apparel company, to provide isolating staff with customised COVID-19 Care Packs

To Infinity and Beyond

Our Residential business maintains a recurring billing relationship with more than one million customers, or 1-in-3 households in Hong Kong. The appeal of our fibre and mobile connectivity services – uplifted by a consistent promise to deliver unbeatable value and performance – has continued to ensure that our relationships with customers are among the strongest in our industry.

But as a company that embraces change for our long-term survival, we see the best way forward is to diversify – by evolving our customer engagement beyond just connectivity. Over the past several years, we have transformed our Residential Solutions' resilience by shifting from Quad-play to an Infinite-play strategy which addresses customer needs through an ever-growing array of add-on products and services.

Serving 1 in 3 households in Hong Kong

"While our competitors are mostly focused on single or dual-play, we're deepening our relationships with one million residential customers via Infinite-play that flexibly allows customers to choose-their-own bundles for greater value and choice. Our strategy is all about flexibility, being dynamic to customer desires and changing habits. By leveraging strategic partnerships, we're creating choices that go beyond connectivity to multiply appeal with our customers and their family members, effectively tripling HKBN's reach from one million residential households to three million people*," said Elinor Shiu, Co-Owner & CEO – Residential Solutions.

At a press briefing held in February, our marketing and communications teams, led by Elinor (centre), shared an in-depth look into our Infinite-play strategy and the opportunities we're creating with companies like Disney, TP-Link and MOMAX.

With Infinite-play, we aim for:

- **Expanded customer base** – With roughly 2.8 persons in the average Hong Kong household*, we can potentially triple our reach from one million households to three million customers
- **More choices, broader appeal** – From cybersecurity to smart home solutions and entertainment, members in a household can purchase our services standalone or on a choose-their-own bundle plan featuring broadband, home telephone, mobile and beyond-connectivity services like Disney+, Netflix, Wi-Fi 6 routers, and HKBN PROTECT cybersecurity
- **Win-win-win partnership synergies** – Our massive customer base enables us to negotiate better deals, and deliver higher value products and services sourced from Enterprise customers (via Barter & Bundle arrangements) and merchants, who in turn profit from the expanded reach and exposure
- **One-stop value and simplicity** – Instead of paying a premium for services separately, customers benefit from the phenomenal savings and simplicity of consolidating their services under one HKBN bill

Enhancing Infinite-play

During 1H2022, we continued to enhance the choices available through Infinite-play with more beyond-connectivity options. This has enabled us to grow our momentum by matching the highly popular launch of Disney+ in Hong Kong with wave after wave of incredible exclusive deals designed to attract new customers, as well as reward existing ones. As wireless Internet becomes more essential at home, we also teamed up with TP-Link to redefine the customer experience of Wi-Fi routers – which typically lacks support for on-site setup, optimisation and tech support.

HKBN Infinite-play

World's Best Entertainment & Content

Disney+

With customers turning to streaming services for entertainment at home, in October 2021 we became the exclusive broadband service provider for Disney+ in Hong Kong. Since launching this past November, we have aggressively engaged consumers with a slew of incredible Disney+ bundle and standalone offers, including offering 12 months of free broadband/mobile service to new customers – making us one of the best places in Hong Kong to enjoy Disney's flagship service.

Netflix

Bringing quality, value, and global entertainment choice, we enriched our OTT offerings with Netflix, the world's leading entertainment streaming service, available as a standalone add-on or bundled with our services.

Personal Cybersecurity

HKBN PROTECT

With all our personal information now used online for everything from shopping, learning to banking and even telehealth services, the protection and security of private data is more critical than ever. Jointly created by HKBN and global-leading network security experts F-Secure and Trend Micro, HKBN PROTECT provides everything we need: multifaceted cybersecurity from antivirus software, VPN to personal data leak detection, providing individual users and families enterprise-grade security both at home and on-the-go.

Wi-Fi Routers Made Easy

TP-Link Wi-Fi 6 Series Routers

Unlike the traditional way of buying routers through retail – and having to complete the entire installation unaided – our one-stop monthly subscription package includes a high-performance Wi-Fi 6 router with professional on-site installation, assessment of home Wi-Fi conditions and 24-hour service support, for optimal speed performance and peace-of-mind. For added flexibility, customers can pick and choose routers and wireless extenders based on priority needs like Coverage, Speed and Gaming.

Smarter Living

HKBN Smart

HKBN Smart makes it extremely simple and easy for consumers to setup and manage different IoT smart devices – via our HKBN Smart mobile app. Eschewing the prerequisite for expensive home upgrades or the need to replace existing appliances, HKBN Smart delivers home automation in an affordable way for mass market appeal. And last November, we bolstered our ecosystem by jointly launching the Smart D brand with MOMAX.
Blending style, user-friendliness and seamless automation, Smart D is all about bringing smart technology to life via a versatile range of products that elevate the home décor.

* Source: The Census and Statistics Department, average domestic household size in 2022.
https://www.censtatd.gov.hk/en/web_table.html?id=5

Customers

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") works around-the-clock to monitor and oversee our performance. As at the end of the reporting period availability of our core network for Residential Solutions ("RS") customers was at 100%; availability of our access network was at 99.9949%. Availability of our core network for Enterprise Solutions ("ES") customers was at 100%; availability of our access network was at 99.99979%.

On the rare occasion when unforeseen network outages occur, customers expect a quick resumption of service. As at the end of the reporting period, 90.6% of our residential customers' services can be restored within six hours and 81.1% can be restored within four hours, slightly lower than our targets of 95% and 85% respectively. For enterprise customers, the average restoration time was 181 minutes, a decline from our 1H2021 performance of 148 minutes.

Core network availability for residential customers at

100%

Core network availability for enterprise customers at

100%

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

Expanded Network Coverage

To increase the availability of our services to more households and companies, we continued to expand our fibre network coverage. During 1H2022, our fibre coverage was extended to 23,133 additional households, around 1,407 of which were in rural areas, including villages not previously served by high-speed fibre broadband service. Likewise, 342 commercial buildings were added to the coverage of our fibre network. As at the end of 1H2022, our fibre network reached around 2.5 million homes and 8,000 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 1H2022, the following measures were undertaken:

- Focussed on providing state-of-the-art fibre service to support Mobile Network Operators' 5G base station demands.
- We conducted a 7 x 24-hour performance test of our network. Our comprehensive assessments included speed tests of popular local, overseas and mainland Chinese websites, and latency tests of popular game servers. Through these assessments, immediate action will be taken for instances when network performance falls 10% below benchmarked results of other local ISPs, elevating our performance where needed.
- To cope with emerging market demand, we're enhancing our network infrastructure via upgrades like 10G broadband and n x 100G Network Core.

Enhanced Visibility with IoT Monitoring

HKBN monitors the health and performance of our network through a state-of-the-art NOC, which works 24x7 to detect, prevent and resolve anomalies as soon as they happen. However, our fibre network is hidden below the busy streets and sidewalks of Hong Kong, inhabiting spaces flanked by a variety of utilities and services.

Even the most robust, best equipped NOCs are not all seeing. NOCs cannot monitor the unmonitorable, like external real-world forces such as mother nature, human error or urban construction, which, although rare, can sometimes affect our underground fibre cables.

In late 2020, we began installing IoT sensors across our network of manholes, supplementing our NOC with an additional layer of monitoring.

This additional real-time visibility enables us to know exactly where and when our fibre cables are experiencing issues – and take immediate action to correct or prevent incidents from possibly occurring. This IoT solution, which will be installed at about 1,000 manhole sites by the end of FY22 (with 3,000 expected by mid-2023), further augments the resilience of our fibre network – with added benefits like enhancing our ability to capture & analyse the big data, and undertake predictive maintenance.

Service Affordability

True to our Purpose, we believe broader accessibility to world-class ICT service is essential in a strong, prosperous society. For that reason, we continue to set the price ceiling for our 100Mbps residential fibre broadband service at 1% of Hong Kong's median household income.

As a company committed to bringing customers the best value for their money, we constantly track, analyse and benchmark market trends. But rather than follow legacy market practices, our disruptive DNA has led us to tailor services for the benefit of consumers. Working closely with business partners ensures we can provide exceptional price-value to customers.

As a socially engaged business, we fully support the contributions made by non-government organisations, social profit organisations and others. To do our part, we offer these groups special pricing for our solutions and expertise.

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. Customers can visit our company website to learn in detail how they can access, rectify, and delete their personal data.

For enhanced effectiveness, we have a dedicated Data Protection Officer (DPO) and Personal Data Privacy Officer (PDPO) who serve to ensure that personal data privacy is protected with strict confidentiality. In addition, our Information Security department is responsible for identifying and addressing data security issues and risks, including our use of third-party cybersecurity standards.

Whenever any data privacy incident occurs, we follow a strict procedure and report to our Audit and Risk department and the Board.

In addition, all new joiners who will perform customer facing functions are required to undergo data privacy training, as well as attend our workshop focused on direct marketing and the Hong Kong Government's Personal Data (Privacy) Ordinance. Throughout the reporting period, a total of 125 hours of training were provided to new joiners in Enterprise Solutions. Our Audit and Risk Department also commissions certified professionals to conduct periodic reviews of our security systems. Customers can pose their enquiries or complaints about data privacy via telephone hotline, email, fax or letter. We target to investigate and respond to enquiries within seven days.

Customers

During 1H2022, we further strengthened our information security capabilities via the following:

- Our Information Security team conducted a total of 3 impromptu phishing assessments

- A total of 13 cybersecurity reminders were sent to all Talents covering topics like tips on creating unbreakable passwords, classification and protection of data, iPhone iOS update, security awareness, and more

- To keep our organisation and Talents secure from cyber-attacks, we introduced an animated series of scenario-based cybersecurity videos

During 1H2022, there was no substantiated legal case relating to customer privacy.

13 cybersecurity tips sent to all Talents

Improving 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 like social media, customers can get assistance quickly and easily. Our enquiry hotline is available 24 x 7. For enquiries made via email, we typically respond within a 4-hour window between 9am to 9pm.

As part of our commitment to enhance customer experiences, in November 2020 we began using Chatbots to handle general enquiries.

Great customer service is all about being able to quickly respond and solve issues, particularly when network service recovery is needed. For this reason, we ensure that our technical teams are staffed with more than enough Talents to promptly handle emergencies and on-site maintenance. During 1H2022, 99% of customer requests relating to installation and maintenance were arranged within two days.

Enterprise Solutions Customer Service*

To better address the needs of our Enterprise Solutions customers, we offer various channels and convenient options where information and assistance 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 1H2022 performance, we achieved a combined average answer rate of 91%, exceeding 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 the many ways we gather practical feedback for improvement:

- Use our various digital online and offline channels to collect and understand customer behaviour

- Use surveys to regularly measure and monitor customer satisfaction

- On a regular basis, we conduct reviews of our brand in areas like brand awareness, advertising awareness, purchase consideration, corporate reputation and more

- Service satisfaction surveys are conducted regularly to monitor customer feedback on a range of experiences for our mobile services, fixed broadband services, customer service, on-site technical services and more

- To better understand how customers view our broadband services, we conducted satisfaction surveys and collected feedback for future enhancement. During the reporting period, our broadband survey scored 4.6 out of 6 amongst new customers

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

- After each service installation or maintenance order has been completed, we ask customers to provide their feedback. Between September 2021 and February 2022, the average score received was 5.76 out of 6

- As at end of 1H2022, the satisfaction score recorded by our customer service enquiry hotline was 5.77 out of 6 (between September 2021 and February 2022), exceeding our respective targets of 5.4 out of 6. While satisfaction of our live chat enquiry service was 5.17 out of 6 (between September 2021 and February 2022), lower than our respective targets of 5.4 out of 6. For survey scores of 2 and under, follow-up will be automatically taken to rectify or improve the experience

- Enterprise Solutions customers are regularly invited to participate in our e-surveys and comprehensive telephone surveys

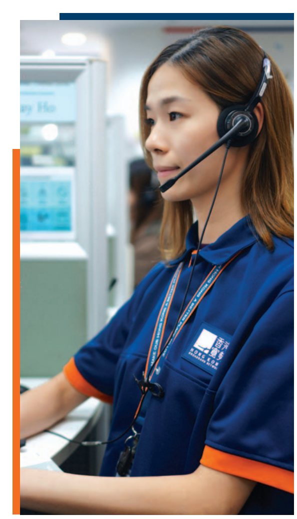
- In 1H2022, 332 Enterprise Solutions customers provided feedback on HKBNES' products and services. The average score achieved was 4.5 out of 6

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. After follow-up actions have been taken, cases are settled and closed with the customer expressing satisfaction. Details of communication and follow-up actions with the complainant are recorded in the system. A monitoring procedure is in place to ensure that unsettled complaint cases are reviewed daily.

During 1H2022, Residential Solutions received 802 complaints related to products and services.

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 2,683 individual complimentary notes.



For Enterprise Solutions related complaints, a dedicated Customer Care & Fulfilment ("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.

During the reporting period, Enterprise Solutions received 602 complaints related to products and services. 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 the reporting period, 92% of Enterprise Solutions related complaints got initial resolution within the target response time*.

2,683 individual complimentary notes received

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

Customers

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.

To further enhance customer access and understanding of our pricing, charges and more, continuous improvements are undertaken. For maximum transparency, consumers can visit *www.hkbn.net/personal/support/en/code-of-practices-on-marketing-calls* to learn about our code of practice on marketing calls.

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.

Between September 2021 and February 2022, we provided 14,087 hours of product, sales & marketing, and quality improvement training exercises for our new and existing Residential Solutions Talents.

And between September 2021 and February 2022, we provided more than 7,995 hours of product, sales & marketing training for our new and existing Enterprise Solutions Talents.

14,087 hours

of product and quality improvement training provided to Residential Solutions Talents

Proud HKBNers like our Customer Services team in Guangzhou ensure that customers always get top notch service with clear and honest communication.

Customer Health & Product Safety

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

For the safety of both our Talents and our customers, we provide strict guidelines and protocols to ensure that Talents follow proper COVID-safety measures whenever they engage in face-to-face contact with customers.

During 1H2022, no substantiated non-compliance court cases or product recalls relating to product health and safety occurred.

Awards & Recognitions

Awards and certifications	Conferred by
Mystery Caller Assessment Award • Residential Service Hotline (Gold Winner for 9 consecutive years) • Residential VIP Hotline (Gold Winner for 7 consecutive years) • Residential Online Customer Service (Gold Winner for 4 consecutive years) • Number Porting Hotline (Gold Winner for 4 consecutive years) • Number Porting Hotline "Best In Class" in 2021	Hong Kong Call Centre Association
2021 CAHK STAR Award – Best Fixed Network Operator (Silver Award)	Communications Association of Hong Kong
Service Quality Management: Provision of Customer Service Hotline Services (since 2016) and Live Chat Services (since 2019)	Hong Kong Quality Assurance Agency

Agile for Every Opportunity

At HKBN, Talents are our most important competitive advantage. We believe that with enough time, the competition can replicate our technology, solutions and even infrastructure, but they cannot replicate our Talent-force.

It's why we treat Talents as priority number one, ensuring that our greatest source of strength have everything needed to grow and thrive.

Empowering Change-ready Talents

Faced with COVID-19's prolonged impact, and a rapidly changing digital technology environment, we continued to empower our Talents to evolve and become agile: to work smarter, more silo-lessly, tackle problems using design thinking, and stay resilient with the skills, expertise and tools to emerge stronger for challenges and uncertainty.

So, as our Talents focus on driving key transformations for our customers – from the incredible possibilities of digital transformation to the latest in cybersecurity – we remain obsessed about moving our Talent-force forward – with flexibility, agility and responsibility in mind.

Total Rewards

Whilst financial remuneration is important, HKBN Talents benefit from a broad range of inducements that are unique to our company. A career at HKBN entails Total Rewards for Talents that aren't strictly monetary in nature:

- Our Talents know that by embracing our Core Purpose to "Make our Home a Better Place to Live", we're striving to create positive impacts for the societies in which we operate.

- We also uphold LIFE-work priority and a Talent-first culture – substantiated by how we treat our Talents with respect, offer exceptional flexibility and employment benefits that put personal and family wellbeing first, and provide them with copious opportunities to develop professionally.
- By championing objectivity in our pay structure, Talents understand all contributions they make will be fairly rewarded.
- In an analogous way, our Co-Ownership culture gives Talents a one-of-a-kind opportunity to prosper as part owners of the company they serve.

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

Talents show approval with their "thumbs up" for our HKBN Talent Learning & Development Experience Day.

Pay for Performance

We assess Talent performance based on a combination of self-assessment, supervisory evaluation, review meetings and company-wide performance calibration at the department or division level. The rated results serve as a reference and criterion from which annual salary reviews, discretionary bonus allocations and promotion nominations are based upon.

By using a pay-for-performance approach, our Talents are transparently assessed and fairly 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 benchmarks to measure how each Talent has effectively performed in his/her position.

As always, we reward high performers with better year-end bonuses, salary increments and potential job promotion opportunities. While Talents are entitled to year-end bonuses, such payments are discretionary and subject to both the Group and the individual's performance. In January 2022, about 400 Talents across our Group were promoted for their full-year contributions.

Reciprocally, 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 which can range up to six months in length. When no performance improvement is exhibited, Talents are then asked to leave the company. At HKBN, we function like an elite sports team rather than a family, and as such, we only offer conditional love based on performance.

As a responsible and equal opportunities employer, we are committed to treating our Talents fairly and operate with zero tolerance for discrimination or prejudice against gender, race, ethnicity, religion, marital status, sexual orientation, and so on. Likewise, forced labour of any kind is strictly prohibited. In line with the child and forced labour laws and regulations that are in place across the jurisdictions we operate in, the employment of children aged 13 and under is strictly forbidden. For the protection of individuals aged between 13 and 18, we will only employ young Talents whilst in strict compliance with the labour regulations governing child and youth employment. Throughout 1H2022, there have been no case of non-compliance.

Talents

Total workforce based on gender#

Male	Female
3,040	1,660

Total workforce based on employment type

Full Time	Part Time	Contract
4,700	61	95

Total workforce based on age group*

30 or Below	31-50	51 or Above
910	3,244	546

Total workforce based on geographical region*

Hong Kong	Macau	Mainland China
2,868	35	1,797

Employee turnover rate by age group*

30 and under	31-50	51 and over
29.8%	14.9%	10.7%

Employee turnover rate by gender*

Male	Female
17.8%	16.7%

Employee turnover rate by geographical region*

Hong Kong	Macau	Mainland China
17.7%	17.6%	16.9%

Total number of Talents is lower due to restructuring initiatives and sale of majority stake in HKBN JOS Singapore and HKBN JOS Malaysia.

* Calculated based on full-time Talents only.

HKBN 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 plans are open to all supervisor-and-above level Talents, spanning operations across Hong Kong, Macau and mainland China, approximately 40% of our Group.

To participate, Talents can choose to invest their personal savings in the amount of between 2 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.

After a specified period, and only when the predetermined common KPIs are met, Talents will be rewarded for their investments.

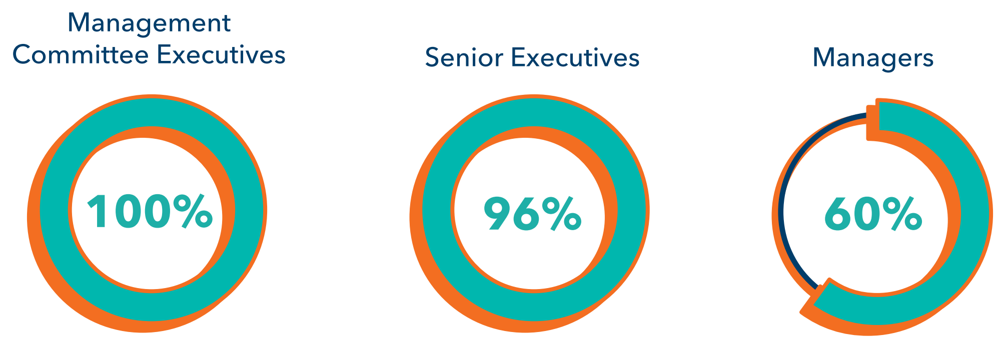
Co-Ownership Plan IV ("CO4")

In August 2021, we proposed the adoption of CO4 with a proposed term of four years. To participate, eligible supervisory-and-above-level Talents can either invest between 2 and 24 months of salary to acquire HKBN shares at full market price or rollover their existing CO3+ shares. These shares will be matched with free shares at a 1:1 ratio vested after three years, only when key company targets have been met (optimal target set at AFF per share: $3.01). A 1-year cooling off period will be required before any bonus shares will be granted; this 4-year period allows Talents to focus on long-term value creation beyond the immediate market challenges.

In November 2021, as part of the first phase of CO4 enrolment, a total of 471 Talents from Hong Kong, Macau and mainland China joined as Co-Owners.

As at the end of 1H2022, we now have 471 Co-Owners, 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

COVID-19 Change & Response

Under the post-pandemic new normal, many challenges have emerged. Whilst some may view such trials with trepidation – dreading the uncertainty of change – we at HKBN, instead, see this as a mindset issue. True to our culture and DNA, we embrace change as a way to evolve and transform how we do things like replacing internal physical meetings with virtual ones for greater flexibility to engage far more Talents in different geographical regions and with deeper leadership strategy sharing that go beyond operational updates – turning challenge into opportunity. Rather than fear the inevitable change, we embraced it to create better Talents and a better company.

Talents

In light of COVID-19's rising threat, especially during the 5th wave of mass outbreaks in Hong Kong, we continued to act quickly by encouraging our Hong Kong-based office and back-end support Talents (including HKBN, HKBN Enterprise Solutions and HKBN JOS operations) to 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, hand sanitisers and COVID-19 rapid antigen test kits. In addition, split-office arrangements were rolled out to mitigate the risk of cross-infection, and paid leave provided for Talents who have either tested positive for COVID-19 or must isolate at home/isolation facility. For our Talents in Macau and mainland China, flexible WFH and similar split office measures continued to be fluidly exercised as the situation across these regions evolved. For the safety of our Talents, we also implemented the following:

- Health-related advice and guidelines for in-office and outdoor work
- Environments are regularly disinfected, cleaned and applied with antiviral coating by professional service providers
- Initiated different channels for Talents to take the COVID-19 test, including government channels, private laboratories, and self-test kits
- Paid leave provided to Talents who test COVID-19 positive or must isolate at home/isolation facility
- For maximum safety, all HKBN shops are fully equipped with IoT temperature monitors, Food and Environmental Hygiene Department certified air purifiers (to reduce risk of airborne germs), and disinfectant hand sanitisers
- Business hours of our shops have been temporarily shortened to 11:00 a.m.–7:30 p.m., eliminating the need for Talents to work in shifts and reduce risks from cross infections
- In March 2022, we provided our COVID-infected Talents with special COVID-19 Care Packages that included $500 HOME+ e-coupons, a health pack, free telehealth consultation and medicine delivery (for both Talents and their family members)
- In March 2022, we launched a special hotline for Talents to answer their questions and concerns regarding COVID-19

HKBN Talent Engagement Survey

Getting open and honest feedback from our Talents is vital in helping us improve as a company. This past December, we employed a consulting firm to conduct company-wide Talent Engagement Survey. In total, 86% of our Talent force participated to give us deeper insights on how we can further enhance our Talent-first commitment. Analysis and follow up actions are currently being planned, with full results expected to be shared before the end of FY22.

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 at work more motivated to perform.

4+1 Hybrid Work Mode

Adapting to a changing workplace under COVID-19, we've empowered our Talents to choose when, where, and how they work. Since March 2021, we pilot-tested a new hybrid mode, giving our Talents the flexibility to work from home ("WFH") at least one day per week when possible. In August 2021, as COVID-19 infection numbers stabilised in the regions we operate, we encouraged a "4+1 Hybrid Work Mode" where Talents can work 4 days in the office and 1 day at home, or wherever they work best, balancing the benefits of a team collaboration with individual flexibility.

To help Talents transition to our Hybrid Work model, we provided the following:

- Instructions and guidelines on effective information security procedures for WFH and working remotely
- Comprehensive hardware, software and backend support for seamless connection to the company's internal systems
- Workshops on effective communication via video conferencing

Our COVID-19 Care Package from HOME+ includes essentials like medicine and disinfectant.

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 and 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.



At our year-end Vappy (Very + Happy) Party, Talents from Hong Kong, Macau and mainland China celebrated with fun, style and prizes galore.

Talent Development

Investing in life-long development remains a crucial example of how we're Talent-obsessed. Our commitment is to ensure that Talents enjoy all the development opportunities and tools to stay ahead of the game in an ever-evolving business, technology and digital environment. During the reporting period, we continued to adapt our learning and development initiatives to virtual settings for professional enrichment, with a particular emphasis – given the long-term effects brought by COVID-19 – on building trust in our leadership team and a positive working environment for our Talents.


Broadening horizons, our Talents (from left to right) Amy Chow, Karen Ng and NiQ Lai exchange their favourite reading through our book club.

Talents

e-Learning Series

With the way we work changing so rapidly, we've made it much easier for all our Talents to access the learning they need – anytime, anywhere. Via a curated series of remote-access training materials, covering areas like soft skills training or tips on productivity enhancement, we help our Talents unleash their full potential.

1-HKBN Academy

Our 1-HKBN Academy offers diversified learning solutions designed to help collectively develop and upgrade the knowledge, mindset, and skillsets of all HKBN Talents. Through this all-new platform, our Talents have easy access to all the latest learning resources, ranging from well-structured training programmes to bite-sized e-Learning materials.

Elite 101 & Leader 101

Back in June 2021, we launched a mandatory webinar series Elite 101 and Leader 101 for all newly promoted or new-joined team leader Talents. Topics like coaching & feedback skills, empowerment & delegation, time management, communication, handling crucial conversation and leading change were covered to help supervisory-level Talents hone their skills as team leaders. During the reporting period, this learning programme was delivered to 400 Talents who earned new promotions in January.

e-Learning: Innovation Strategy Sprint

At HKBN, we believe the knowledge and experiences, success and failures of any Talent are invaluable catalysts for our entire Group. When one Talent learns, they serve as the "eyes and ears" to help about 4,700 fellow HKBNers grow and replicate the knowledge gained. With this approach, four of our Talents shared lessons obtained from a specialist course on innovation strategy, imparting their knowledge to about 4,700 Talents via a series of e-learning sessions.

Management Committee Chit-chat Thursday

Maintaining trust and open communication between senior management and our Talents is an important aspect of our strategy and culture. On a weekly basis, we invite a member from our Management Committee to speak on a range of topics, as well as answer questions/ feedback from Talents. And to Get Stuff Done – rather than merely engage in empty talk – ideas and follow-up actions generated from each session are kept in a rolling log to drive real impacts for HKBN.

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, Cap 509A of the laws of Hong Kong, Occupational Safety and Health (Display Screen Equipment) Regulation, Cap 509B of the laws of Hong Kong and Construction Sites (Safety) Regulation, Cap 59I of the laws of Hong Kong

- Beyond Hong Kong: Comply with local regulations related to safety issues

Lifelong learning for the win! Our highly motivated Guangzhou team proudly received their certificates as Distinguished Salespersons.

Safety Training for Talents

Throughout the reporting period, we continued to deliver virtual safety training sessions, in accordance with government requirements, for our Talents and sub-contractors. During the reporting period, eight risk assessments and two safety inspections were conducted. Additionally, the following safety-related training were provided:

- Dog safety training
- Working at Height
- Manual Handling Training
- Basic Safety Training

Dog safety training gives our frontline Talents the tips and best practices they need when working outdoors or visiting customer homes.

COVID-specific Measures

To safeguard Talent health and safety amid the 5th wave of COVID-19 outbreaks in Hong Kong, we asked all non-core operation and back-end Talents to WFH, whilst split team arrangements were implemented for core operation and frontline teams to minimise the risk of cross-infections. Meanwhile, we continued to implement the following COVID-specific measures in the office and for our Talents:

- Personal Protective Equipment (PPE) for Talents as needed
- COVID-19 Rapid Antigen Test kits provided based on operational requirements
- Split team arrangements for core working teams in our offices
- 14-day paid leave for Talents who have either tested positive for COVID-19 or must isolate at home/ isolation facility
- Our Hong Kong office has been issued the Hygiene Measure for CoV-Prevention Certificate by Hong Kong Quality Assurance Agency (HKQAA), with 11 Talents certified as Health Ambassadors by the agency
- Use of robots to carry out daily office disinfection (7 days per week)
- Flexible work arrangements for Talents who feel discomfort after taking the COVID-19 vaccine

Awards & recognitions

Awards and certifications	Conferred by
LinkedIn Talent Award 2021 – Best Employer Brand	LinkedIn
HR Magazine Awards 2021 • Best Work-life Integration – Silver Award • Best Recruitment Campaign – Bronze Award • Best Covid-19 HR Initiative – Bronze Award	HR Magazine

Talents

A Peek Inside HKBN

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

New message

11/1/2022
Danny Li

To **All HKBNers**

Subject **<Sharing from CTO-Danny Li> Align the Aim at the Right Target**

Align the Aim at the Right Target

No matter working in a team or as an individual, we all are looking at the same goal. It is important to Align the Aim at the Right Target. Like the best sniper to adopt the best-fit rifle scope, our frontline sales also need to have the best-fit Talents & tools to hit the target effectively and efficiently.

As a total ICT (Information and Communication Technology) service provider, to ensure such goals are aligned, our kitchen Talents are being incentivised via On Target Incentive (OTI).

Take eSecurity team Business Development Talents as an example: Talents are entitled to the below incentives:

- Part A: eSecurity Billing Revenue Incentive (50-100%, depending on function)
- Part B: Total SI Kitchen DOP Incentive (0-50%, depending on function)

Want to know more about the On Target Incentive (OTI) ? Please click the attachment!

Best Regards,
Danny Li
Co-Owner & Chief Technology Officer

Send

New message

23/2/2022
NiQ Lai

To **All HKBNers**

Subject **LIFE**

Dear All Fellow HKBNers,

Today, we all have a lot of stress factors bombarding us, some common to all of us, some unique to our family situation. In Hong Kong, the extension of lockdowns means that we all need to have more resilience reserve and the only way to do this, is to reserve time to recharge. Our families and friends need us, and the only way we can help is if we remain resilient.

We are empathetic to the challenges of:

1. Working from home in cramp conditions, with family members and pets, sharing the room whilst we on Video calls.
2. The need to meet challenging sales and opex saving targets when we can't even meet with our customers.
3. Work related matters, that may require us to have physical encounters, such as keeping shops open, installing and fixing our services etc.

Suggested considerations:

1. Remember, what we offer is an essential life service, i.e. broadband access, and as such, when there is a crisis, we run towards it to help others, rather than run away from it.
2. On a daily, basis, take frequent breaks, to get up and walk around, go to the loo before we are really busting to go AND most importantly turnoff our devices during lunch and dinner to have a real break.
3. Due to the global travel restrictions, most of us have excess accumulated vacation leave … take proactive effort, to take connected days off, to enjoy time away from work and be 100% focused on family.

Always look for ways to turn lemons into lemonade, i.e. the restricted evening dinning limits is a great way to spend more quality time with our family. Remember, we are in a LIFE marathon, not a LIFE sprint, so let's enjoy it.

Cheers,
NiQ Lai
Co-Owner & Group CEO

Send

New message

21/3/2022
Samuel Hui

To **All HKBN Talents**

Subject **COVID-19 Personal Thoughts – Stay Healthy – Physically and Mentally**

It started with a scratchy throat. It ended with 3 days of sick leave + a weekend in bed.

COVID-19 sucks big time… The sore throat, fever and headache were bad enough. The psychological ordeal was worse. I questioned myself if I've done enough to quarantine myself from closed ones. I felt guilty for being stuck in bed unproductive, whilst my colleagues were working on important tenders. I wondered what would happen to my cat at home, if I were placed into compulsory quarantine.

As bad as it was for me, I can imagine this ordeal to be 100x worse for those with infants or elderlies in their care.

Thanks to HKBN, and a support group of fellow COVID-19ers (and those who were recovered), I found the right medication to combat my physical symptoms. Panadol and Bromhexine HCL Tablets were the MVP.

For my psychological doubts, I realize this stress stemming from my perceived inadequateness to keep everything under control. However, getting COVID-19 is not my fault, and it's not yours either. No one wants to get sick. In a city like Hong Kong, we have all been too busy with work and duties to properly take care of ourselves…even Superman needs to recharge his powers under the Yellow Sun….

I came to see COVID-19 as a reminder to take a chill pill, a time to reflect and to give thanks. I am eternally grateful for my empathic colleagues for asking "How can we help?" I am grateful for friends for sending their love, advices and care packages every day. I am grateful for being "forced" to stay indoors to reconnect with my loved ones, to sleep in and to find my inner peace.

COVID-19 sucks, but this too shall pass. Stay healthy physically, AND as importantly, mentally.

All best,
Samuel Hui
Co-Owner & Chief Transformation Officer

Send A

New message

9/3/2022
William Yeung

To **All HKBN Talents**

Subject **We are serious on ESG, pls support**

Dear All,

HKBN is very serious on ESG.
We are forming a ESG Committee at Board level.

Bonnie/Sandy/Joyce (our ESG team) will reach out to some of you, seeking your support to do something and not do something; pls give your full support as this is a direction from Board level.
One key action: we need more transparent disclosure of certain information in our website, pls provide our ESG team what they want.

Our ESG team welcomes any talents to join them as full-time talents or part-time volunteers if interested for various meaningful tasks, helping the environment, society and governance….and our business.

Cheers

William Yeung
Co-Owner & Executive Vice-chairman

Send A

New message

9/3/2022
Windy Wong

To **All HKBN Talents**

Subject **Additional support to our COVID confirmed Talents**

Dear MC+,

Besides the paid sick leave/quarantine leave, medical cover/online consultation and TE Hotline, we will offer HK$500 HOME+ coupon to the infected Talents so that they can order frozen foods, daily necessities or protection materials etc. We are now working with HOME+ team on the logistics and TE will contact the infected Talents right away.

The coupons will be offered to the existing and new cases.

Thank you.

Windy Wong
Co-Owner & Associate Director – Talent Management

Send A

The Power of

Our business is stronger because we maintain honest and fair relationships with partners and suppliers.

Rather than profit off one another, we're working to prosper together. Above all, the primary objective of our sourcing activities is to ensure continuity of our product and service supply, which we accomplish by maintaining strong and effective relationships between our business units, partners and suppliers in a fair, open, transparent, and mutually beneficial manner.

The continual effects of this global pandemic have further underlined how important building stronger communication, integrity and trust with partners and suppliers – elements that have long been core to our procurement enhancement efforts – can better serve our business. As a sign of agile adaptability, despite COVID-19 reducing face-to-face meetings, our communications with suppliers was unaffected as virtual meetings provided us with greater flexibility to interact.

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. In a process introduced long before COVID-19 that favours flexibility, we've been working with different business partners not to only seek better prices, but rather better deals based on mutual strategic needs.

Our unique approach to create more win-win-win relationships (i.e. good for HKBN, good for business partners, and good for our customers) has enabled us to work with vendors and suppliers more like strategic business partners. As such, we have continued to expand on our Infinite play strategy with a broader range of add-on products and services like an exclusive deal with Disney+, Wi-Fi 6 routers from TP-Link, cybersecurity solutions and home insurance for personal users, and more. Likewise, in the enterprise space, our growing list of strategic and exclusive collaborations with industry leaders like Microsoft Hong Kong, Cisco, PwC, and more, further diversify the suite of end-to-end solutions and technical expertise we can deliver to help businesses digitally transform.

Barter & Bundle

Since March 2020, responding 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 from different industries to exchange their products or services (which can then be repurposed as offerings for our residential customers and items sold on our HOME+ e-shopping platform) as part of their payments for our range of ICT solutions. This accommodating approach enables enterprises to save on expenditures, whilst we attract more new business customers with much higher deal-making flexibility.

Enhancing Supplier Management

As part of the Supplier Management Assessment, we measure our supplier performance against pre-concurred Service Level Agreements (SLA), and pay special attention to the areas that are critical to our stakeholders and business units.

Since January 2020, we've leveraged e-sourcing tools to promote operational transparency and efficiency of our sourcing process. All mandatory documents are now captured and stored in one single online portal. As a result, suppliers may read, acknowledge, sign, and submit documentation via the portal to access the e-sourcing tools before the designated end time. This real-time information flow helps to improve efficiency for all parties.

In response to challenges posed by COVID-19 and similar diseases, we have included a supplier clause for communicable disease to mimimise the risk of delayed delivery. In addition, we have added additional clauses relating to equal opportunity employment, labour discrimination, forced labour and a clause on economic sanctions, restricting vendors from doing business with countries that are being sanctioned economically.

Supplier Performance Assessment

Our supplier management framework introduced in 2015 provides us with a systematic and consistent approach to review, track and improve – ensuring supplier performance are on track and that risks are mitigated in a proactive manner. For a robust assessment of supplier performance, we've incorporated criteria to determine supplier criticality on a project by project basis. Key factors considered include assessments made on impacts to customers, operations, legal and regulatory, sustainability, security and reputation. When it comes to supplier evaluation, we also include a minimum 10% weighting on sustainability. The ratio of sustainability measurement is expected to scale up depending on risk as weighted in our criticality assessment.

Celebrating a new era of entertainment, our senior leaders were joined by Disney executives on Disney+ launch day in Hong Kong.

Suppliers

Last year, we also revamped our supplier questionnaire to help detect risks earlier, particularly for ESG-related areas. In addition, we enhanced supplier segmentation to achieve a more holistic view of vendor performance and better understand how their offerings are impacting our customers. The questions we ask include: whether they have allocated dedicated resources towards sustainability development, have an ESG strategy and targets with environmental policies, or maintain policies to ensure compliance with laws relating to staff employment, occupational health and safety, and anti-corruption. This will help us identify supply chain partners who are most prone to environmental and social issue risks.

To enhance our ability to assess supplier performance, our Procurement team will launch a digitalised version of the supplier performance process by the end of FY22. This will automate the process whilst enabling our Procurement team to more efficiently compare and analyse supplier-related data.

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. To ensure that suppliers understand our SCoC, we require that each supplier endorse our SCoC during the supplier onboarding process. 90% of our suppliers have either accepted our SCoC or have their own SCoC which also espouses a similar approach of expectation for their respective suppliers, partners and subcontractors.

90%

of suppliers endorsed and acknowledged our Supplier Code of Conduct

Supplier Satisfaction Survey

Currently, the Group maintains active business relationships with 2,339 suppliers while 90% of our suppliers are sourced locally in the regions we operate. Supplier performance will be evaluated at least once a year depending on the criticality rating. For projects that are rated as "high risk", more frequent reviews will be conducted along with a request for the supplier to provide a business continuity plan.

In May 2021, we invited suppliers to participate in our supplier satisfaction survey. 45% of suppliers who responded said they valued a long-term relationship with us, while 10% considered their trust in HKBN as a critical factor when deciding to partner up to deliver products and services to our customers.

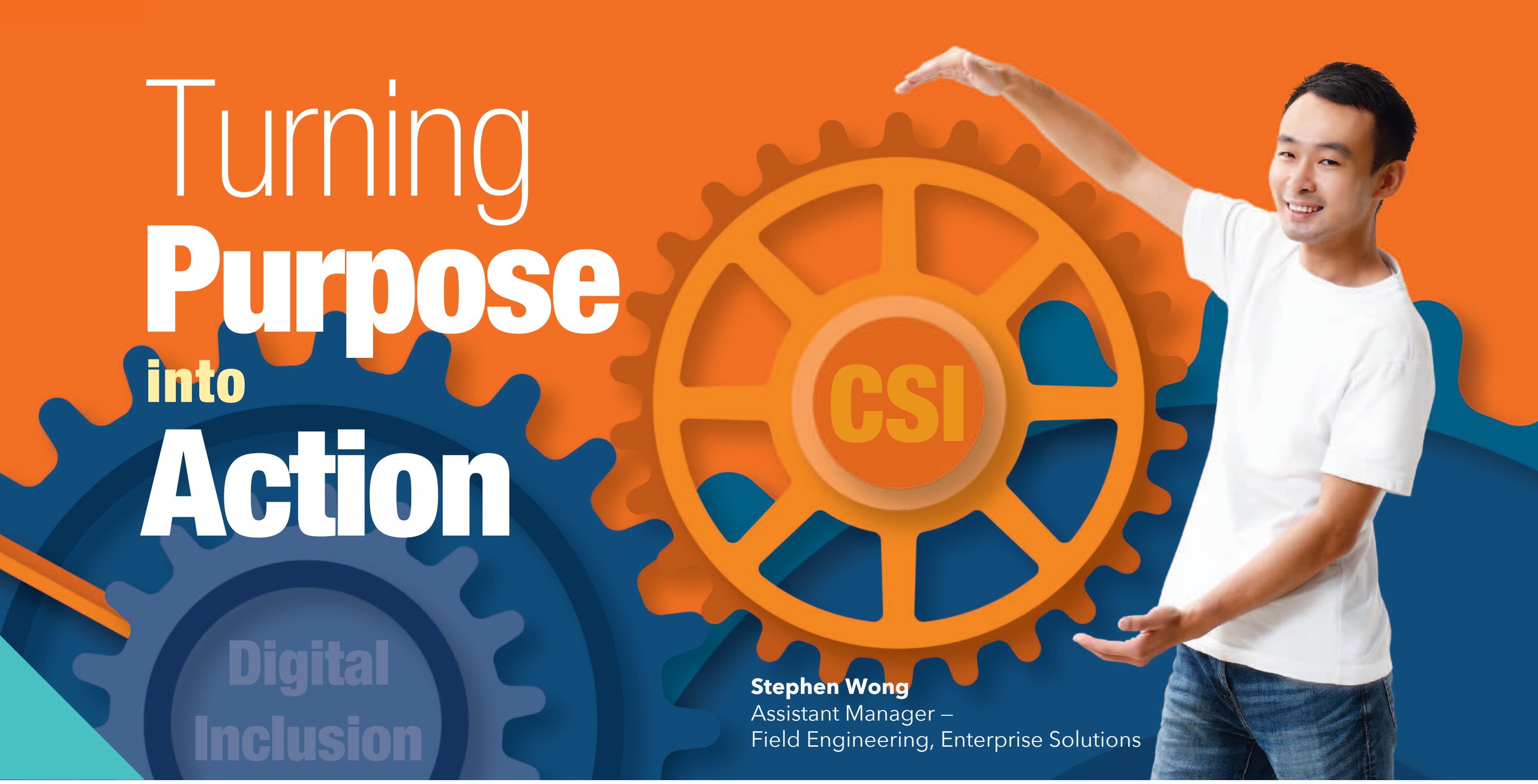
Sustainable Procurement

Over the past several years, we have integrated sustainable procurement practices into our supply chain activities. Examples include the requirement for environmental, health and safety provisions in our supplier contracts and purchase orders. Similarly, we have added sustainability measurements as a part of our sourcing assessment process.

Starting October 2021, our Procurement team has sent out ESG-related best practice references to suppliers who've failed to meet HKBN's ESG expectations, i.e. they received an ESG rating under 6 via our supplier assessment process. Suppliers who agree to improve their internal ESG practices and meet HKBN's expected standards, will only be considered for future supply chain-related engagement.

For the purpose of supplier diversity, HKBN endeavours to provide sourcing opportunities, when possible, to a broader range of businesses like social enterprise suppliers. Through such practices, we can create a positive impact across environment, social, ethical and economic areas.

Turning **Purpose** into **Action**



Stephen Wong
Assistant Manager –
Field Engineering, Enterprise Solutions

The future is for everyone. Through our Purpose to "Make our Home a Better Place to Live", we take our responsibilities far beyond pure philanthropy and use Corporate Social Investment (CSI) as a means to drive long-term, sustainable social impacts for local communities.

Our goal is to create a better digital future – by making technology more accessible and digitally inclusive to improve communities, education and the workplace.

Guided by our CSI strategy and objectives, HKBN strives to achieve digital inclusion via three key priorities:

ACCESS **Enhancing access to digital technologies**

SKILLS **Improving people's technological skills**

USE **Cultivating a safer use of technology for marginalised groups and social profit organisations**

And on the journey towards a better future for all, we promote digital inclusion via two core focusses:

(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 connectivity and technology needs.

Apart from promoting digital inclusion, we also seek to address other societal needs and challenges, including those affecting the elderly, children, persons with disabilities and low-income households. In all these instances, the aim is to leverage our corporate resources and Talent expertise for sustainable betterment and "Make our Home a Better Place to Live".

Improving Technology Access for SPOs ACCESS

Closing the digital divide for those who support local communities means we're enabling success for society. HKBN is committed to helping Social Profit Organisations (SPOs) – long held back by a lack of IT knowledge and resources – digitally transform to maximise their productivity and efficiency, as well as evolve with the future in mind. To move SPOs forward, we've continued to provide our technology expertise and IT solutions – through services like FixIT, cybersecurity solutions, and even free IT consultations (provided to analyse pain points and make recommendations) – at affordable prices.

Community

"With HKBN's FixIT Token-based IT support service and the security management service, the professional support better leveraged our IT manpower resources and empowered our team's overall efficiency at an affordable price. The security management they provided, like phishing assessments, also uplifted our IT standard and our staffs' security awareness to a high corporate standard."

Terry Lau, IT Manager of St. James' Settlement

Digital Skills Development and a Safer Use of Technology

As the world changes digitally, having the skills necessary to use technology becomes more critical than ever. To empower local communities in need, such as children from low-income families, the elderly, underprivileged women, persons with disabilities and SPOs, acquire the digital skills to learn, work, create and achieve greater possibilities, this year we introduced a series of initiatives across different regions. Notable projects include:

At Social Ventures Hong Kong's InnoPower event, our VOOLunteers helped NGOs and social enterprises understand how their impacts can go further with digital transformation.

Our VOOLunteer team of technical Talents are helping seniors become more digital savvy in an interconnected world.

HKBN "Makes IT Easy" Free Consultancy for SPOs SKILLS USE

SPOs often encounter a variety of IT issues and challenges that require them to seek assistance externally. To support the digital transformation of SPOs, our volunteers from Enterprise Solutions in Hong Kong introduced HKBN "Makes IT Easy" Free Consultancy for SPOs in December 2021, to analyse pain points and make appropriate IT recommendations. Interested SPOs are welcome to contact HKBN CSI Team via csi@hkbn.com.hk to arrange such service.

Besides this, HKBN partnered with Social Venture Hong Kong to conduct a workshop in December 2021 to share useful tips with SPOs on effective ways to communicate with IT vendors, how to better prepare for IT transformation as well as the importance of change management. A total of 17 SPOs fellows have attended the workshop and we plan to arrange more knowledge sharing events within this financial year.

"Net Friends with Elderly" SKILLS USE

To make digital technology more accessible for the elderly, our volunteer team in Hong Kong joined hands again with Evangelical Lutheran Church Social Service Hong Kong (ELCHK) in December 2021 to launch our "Net Friends with Elderly" project. Focused on teaching the fundamentals of using mobile applications, our project empowers elderly participants to stay connected with friends and families, along with elevating their knowledge of cyber wellness and cybersecurity.

"TEENgineer" AI-Code Programme SKILLS

Putting our resources and technology expertise to good use, our IT Talents in Guangzhou designed "TEENgineer" AI-code programming courses to inspire and support digital skills development amongst the next generation. In January 2022, we teamed up with Guangzhou Children and Adolescents Anxin Station and Guangzhou Renxin Charity Foundation to engage students from the city's Panyu District. Turning ideas into action, our volunteers shared their programming knowledge through immersive real-world collaborative learning experiences. As one of our long-term CSI initiatives, this initiative exemplifies how we are actively pursuing SPO partners to work hand-in-hand with.

During Mid-Autumn's Festival – a time for family gatherings – our teams shared their love with those in need.

Believing that "when youths are inspired, nothing is impossible", we invited students to join our TEENgineer AI-coding course.

Mid-Autumn Festival Home Visits

As celebrations of Mid-Autumn Festival in 2021 were looming, our regional teams organised charity visits in Guangzhou, Shanghai and Beijing, and delivered delightful moon cakes to the elderly living alone and to households with disabled family members. Although small, our gesture brought warmth and companionship to deserving members of our communities.

Stack Never Overflow SKILLS

This past December, our IT Talents in Guangzhou formed a special volunteer tech group to answer IT-related questions from the public on Stack Overflow – a global online community for developers – helping other IT practitioners/related personnel to solve IT queries with their professional knowledge.

HOME+ Partnership with Jockey Club Food Assistance Programme

The 5th wave of pandemic in Hong Kong has created tremendous challenges for society's underprivileged families and individuals. Amid this uncertainty, our e-shopping platform HOME+ was selected as a corporate partner of the *Jockey Club Food Assistance Programme – E-Food Bank Service*, an initiative established to provide underprivileged families and individuals with financial support to purchase basic yet healthy food supplies online. As part of this meaningful relief programme, beneficiaries will each receive $400 weekly in online credits to purchase food items via our HOME+ platform. For more details, please refer to page 15 of this report.

HKBN Talent CSI Fund

First established in 2015 by a group of HKBN Co-Owners, the HKBN Talent CSI Fund ("Fund") is an independently operated charity that aims to support youth related social investment projects through innovative and outside-the-box ideas.

Starting from 2021, as part of our commitment to empower youth creativity, the Fund launched two game-changing social funding initiatives to help youths upgrade their skillsets, resilience and technological capabilities, one of which was 404 Not F_und?.

404 Not F_und?

Our Talent CSI Fund's "404 Not F_und?" initiative was established in June 2021 to give youths aged 16 to 29 a chance to turn their creative ideas into something actionable. Nearly a year after launch, we selected two youth teams, awarding each with up to $100,000 to pursue their vision, regardless of success or failure. Standing out for the way it goes beyond just financial support, the Fund partners with HKBN to offer everything the winning teams will need to actualise their projects (like networking, business knowledge, and general advice). Through this innovative journey, we will work hand-in-hand to equip the teams with work skills, boosting their resilience and technological capabilities.

Award and Recognition

Award and certification	Conferred by
Caring Company Scheme – 15 Years Plus Caring Company	The Hong Kong Council of Social Service

Smarter, Greener, Better

HKBN is taking bold action to build a better world.

Towards a greener future, we are doing much more to integrate environmentally responsible solutions that can help minimise the carbon footprint of our entire business. To further the fight against climate change, our mission is to foster eco-friendly best practices among our Talents, customers, business partners and the community. For more about our Environmental Policy, please scan the QR code.

As a material part of our vested interest to do better for the planet, we closely monitor our progress and explore any opportunities that can synergise eco-performance into our daily operations. To drive our sustainability forward, we have set five-year S.M.A.R.T. targets to be achieved by FY25 (relative to our FY20 baseline), and continue to leverage innovation to enhance our energy efficiency, reduce our overall emissions and waste, and much more.

Our FY25 Performance Targets

CO2e ↓ 40%

electricity usage ↓ 8%

↑ waste diversion rate to 55%

Our Energy Savings Journey

Facilitating Better Energy Management

On the path to achieve 8% reduction in electricity consumption by FY25, we continued our focus to leverage several key programmes as anchors for implementation across our business operations.

Over the years, we have worked with an energy consultant to transform our energy efficiency in Hong Kong through a ground-breaking partnership that required no capital investment from HKBN. Investments for all incurred retrofitting has been fully funded by the consultant, who shares a fraction of our energy cost savings as compensation. The tremendous success of this project has spurred similar auxiliary projects in areas like our data centres and new office facilities, to extend the impacts and cost reductions across our operation.

In Guangzhou, where a considerable number of our Talents are based, we have continued to make great progress at improving energy efficiency. An example of this is our effort to switch to energy saving LED lighting at our Guangzhou offices. This fiscal year, we have installed 800 LED lights for an estimated annual savings of 60,000 kWh.

Smarter Utilisation of Office Space

COVID-19 has made us rethink the way we work at HKBN. This year, we implemented plans to redesign our office space arrangements, with an aim of providing our Talents with greater flexibility to perform their duties whilst optimising our energy efficiency.

Starting in March 2022, our Hong Kong office in Kowloon Bay is being transformed to be future-ready. Forecasted to further reduce our energy use by about 273,000 kWh annually, this initiative will also speed up office standardisations, enabling us to better allocate and manage internal resources, such as setting up a stationery sharing corner or to reduce excess printer use by integrating our HKBN Group office network system.

In Guangzhou, we terminated the lease of a relatively low energy efficient office building and reintegrated existing office facilities for a smarter use of resources. This shift is expected to additionally save about 170,000 kWh in electricity consumption annually.

Green Leadership

HKBN is proud to continue our support as a Low Carbon Charter signatory of the Business Environment Council ("BEC"). Through this commitment, we've pledged to set and achieve carbon reduction targets via strategic decarbonisation across our operation. We believe that HKBN has a critical role to play in helping Hong Kong transition to a low-carbon economy.

Waste Reduction

As year-on-year waste reduction remains a key focus for HKBN, we continued monitoring and exploring how the latest waste management regulations and trends can further enhance our performance. At the same time, we have also amplified our initiatives to materially embed waste reduction across more areas of our business ecosystem and facilitate new circularity initiatives. During 1H2022, these include:

Clearly marked disposal and recycling bins have been installed on every floor of our various offices.

Environment

Food Waste Recycling

Towards the end of 2021, we implemented a food waste recycling programme at four of our Guangzhou offices. With this programme in place, we're sending food waste for recycling, whilst encouraging our Talents to adopt "food-wise" low-waste habits. To date, waste diversion at our Guangzhou offices has increased 8.15%.

Getting closer to nature helps remind our Talents of their responsibility in protecting the environment.

Waste Lead Acid Batteries ("WLAB")

Since 2019, we have actively partnered with the Hong Kong Battery Recycling Centre ("HKBR"). The HKBR ensures that our discarded WLAB can be safely and responsibly recycled. During 1H2022, these green-positive efforts diverted 46,953 kg of our WLAB from entering landfills.

Say No to Business Gifts

In 2016, we implemented a "No Business Gift Policy" with intentions to minimise the excess waste that often come from gifts received and given during important festive periods every year. As a rule, we do not accept business gifts from our business partners, or give gifts to business partners. In addition, we strongly encourage friends and partners to reallocate their festive gift budgets toward charity and local communities. In the rare case that a gift does comes our way, we'll donate it to charity – during 1H2022, we repurposed 26 gifts to NGOs and underprivileged individuals.

VOOL Exchange Group

The power of social media lies in how they connect and bring people together. Finding new ways to bring our Talents together for the environment, in January 2022 we established the VOOL Exchange Group – an internal platform where our Hong Kong and mainland China-based Talents can easily exchange and share preloved/idle personal items – despite ongoing restrictions from the global pandemic.

Our Guangzhou Talent Dick Chau, happily participated in one of our plogging events (an activity that combines jogging with picking up litter).

Virtual Red Packets

Paper remains one of the primary sources of waste generated across our entire operation and value chain. So whenever possible, our goal is to reduce, reuse, and recycle while also encouraging our Talents to embrace more eco-friendly habits. An excellent example of this in action occurred during the Lunar New Year, when we shared custom-designed virtual red packets on WeChat. Through this initiative, our Talents in mainland China "digitalised" tradition by handing out virtual red packets (instead of real paper ones) to friends and families. As a result, more than 27,000 paper red packets were saved.

KPMG

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 48 to 76 which comprises the consolidated statement of financial position of HKBN Ltd. (the "Company") as of 28 February 2022 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 2022 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 2022

Consolidated Income Statement

for the six months ended 28 February 2022 — unaudited (Expressed in Hong Kong dollars)

		Six months ended	
	Note	**28 February 2022 $'000**	28 February 2021 $'000
Revenue	3	**6,803,050**	6,229,584
Other net income	4(a)	**37,085**	5,205
Network costs and costs of sales		**(4,499,739)**	(3,926,277)
Other operating expenses	4(b)	**(1,839,751)**	(1,892,206)
Finance costs	4(d)	**(106,420)**	(325,496)
Share of losses of associates		**(744)**	–
Share of losses of joint ventures		**(8,794)**	(272)
Profit before taxation	4	**384,687**	90,538
Income tax charge	5	**(80,357)**	(41,976)
Profit for the period attributable to equity shareholders of the Company		**304,330**	48,562
Earnings per share	6		
Basic		**23.2 cents**	3.7 cents
Diluted		**20.6 cents**	3.3 cents

The notes on pages 55 to 76 form part of this interim financial report. Details of dividend payable to equity shareholders of the Company are set out in note 15(b).

Consolidated Statement of Comprehensive Income

for the six months ended 28 February 2022 — unaudited (Expressed in Hong Kong dollars)

	Six months ended	
	28 February 2022 $'000	28 February 2021 $'000
Profit for the period	**304,330**	48,562
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	**7,079**	9,634
Exchange gain on translating foreign operations transferred to consolidated income statement upon disposal	**(1,917)**	–
Other comprehensive income for the period	**5,162**	9,634
Total comprehensive income for the period attributable to equity shareholders of the Company	**309,492**	58,196

The notes on pages 55 to 76 form part of this interim financial report.

Consolidated Statement of Financial Position

at 28 February 2022 – unaudited (Expressed in Hong Kong dollars)

	Note	At 28 February 2022 $'000	At 31 August 2021 $'000
Non-current assets			
Goodwill		**9,016,507**	9,016,507
Intangible assets		**3,364,933**	3,606,163
Property, plant and equipment	7	**3,779,820**	3,901,090
Investment properties	7	**194,875**	198,828
Right-of-use assets	8	**592,809**	681,349
Customer acquisition and retention costs		**541,900**	564,849
Interest in associates		**53,319**	4,816
Interest in joint ventures		**9,085**	17,879
Loan to associates		**15,359**	–
Deferred tax assets		**44,544**	68,913
Other non-current assets		**73,350**	91,958
		17,686,501	18,152,352
Current assets			
Inventories		**112,313**	110,615
Trade receivables	9(a)	**1,250,553**	1,073,306
Other receivables, deposits and prepayments	9(a)	**513,754**	353,015
Contract assets		**230,071**	211,945
Amounts due from associates		**57**	–
Amounts due from joint ventures		**60,037**	45,500
Tax recoverable		**192**	192
Cash and cash equivalents	10	**1,154,341**	1,421,124
Assets classified as held for sale		**-**	400,384
		3,321,318	3,616,081
Current liabilities			
Trade payables	11	**946,460**	935,864
Other payables and accrued charges – current portion	11	**950,194**	1,018,271
Contract liabilities – current portion		**778,648**	632,492
Deposits received		**93,493**	90,475
Obligations under granting of rights – current portion		**2,259**	6,771
Amounts due to associates		**4,945**	4,816
Amounts due to joint ventures		**10,750**	10,750
Bank and other borrowings	12	**419,067**	481,283
Lease liabilities – current portion		**139,622**	166,649
Tax payable		**159,011**	189,496
Other current liabilities	14	**13,036**	12,863
Liabilities classified as held of sale		**-**	314,514
		3,517,485	3,864,244
Net current liabilities		**(196,167)**	(248,163)
Total assets less current liabilities		**17,490,334**	17,904,189

Consolidated Statement of Financial Position

at 28 February 2022 – unaudited (Expressed in Hong Kong dollars)

	Note	At 28 February 2022 $'000	At 31 August 2021 $'000
Non-current liabilities			
Other payables and accrued charges – long-term portion	11	**2,128**	30,397
Contract liabilities – long-term portion		**161,448**	194,818
Deferred tax liabilities		**840,449**	904,848
Lease liabilities – long-term portion		**248,402**	305,129
Provision for reinstatement costs		**62,658**	62,442
Bank and other borrowings	12	**10,851,632**	10,831,416
Other non-current liabilities	14	**30,813**	37,376
		12,197,530	12,366,426
NET ASSETS		**5,292,804**	5,537,763
CAPITAL AND RESERVES	15		
Share capital		**132**	132
Reserves		**5,292,672**	5,537,631
TOTAL EQUITY		**5,292,804**	5,537,763

Approved and authorised for issue by the board of directors on 21 April 2022.

Chu Kwong YEUNG) Directors

Ni Quiaque LAI)

The notes on pages 55 to 76 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 28 February 2022 — 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
Balance at 1 September 2020		132	2,712,817	2,349,204	40,365	596,420	767,329	(5,768)	6,460,499
Changes in equity for the six months ended 28 February 2021:									
Profit for the period		–	–	–	–	–	48,562	–	48,562
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong, with nil tax effect		–	–	–	–	–	–	9,634	9,634
Total comprehensive income		–	–	–	–	–	48,562	9,634	58,196
Dividend approved to equity shareholders of the Company in respect of the previous year	15(b)(ii)	–	(498,408)	–	–	–	–	–	(498,408)
Distribution to holders of Vendor Loan Notes		–	(63,582)	–	–	–	–	–	(63,582)
Equity-settled share-based transactions	15(d)	–	–	–	269	–	–	–	269
Balance at 28 February 2021 and 1 March 2021:		132	2,150,827	2,349,204	40,634	596,420	815,891	3,866	5,956,974
Changes in equity for the six months ended 31 August 2021:									
Profit for the period		–	–	–	–	–	158,310	–	158,310
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong, with nil tax effect		–	–	–	–	–	–	(765)	(765)
Total comprehensive income		–	–	–	–	–	158,310	(765)	157,545
Dividend declared to equity shareholders of the Company in respect of the current year	15(b)(i)	–	(511,524)	–	–	–	–	–	(511,524)
Distribution to holders of Vendor Loan Notes		–	(65,256)	–	–	–	–	–	(65,256)
Equity-settled share-based transactions	15(d)	–	–	–	24	–	–	–	24
Balance at 31 August 2021		132	1,574,047	2,349,204	40,658	596,420	974,201	3,101	5,537,763

Consolidated Statement of Changes in Equity

for the six months ended 28 February 2022 — 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
Balance at 1 September 2021		**132**	**1,574,047**	**2,349,204**	**40,658**	**596,420**	**974,201**	**3,101**	**5,537,763**
Changes in equity for the six months ended 28 February 2022:									
Profit for the period		-	-	-	-	-	304,330	-	304,330
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong, with nil tax effect		-	-	-	-	-	-	7,079	7,079
Exchange differences on translation of financial statements of foreign operations transferred to consolidated income statement upon disposal		-	-	-	-	-	-	(1,917)	(1,917)
Total comprehensive income		-	-	-	-	-	304,330	5,162	309,492
Dividend approved to equity shareholders of the Company in respect of the previous year	15(b)(ii)	-	(491,850)	-	-	-	-	-	(491,850)
Distribution to holders of Vendor Loan Notes		-	(62,746)	-	-	-	-	-	(62,746)
Equity-settled share-based transactions	15(d)	-	-	-	145	-	-	-	145
Balance at 28 February 2022		**132**	**1,019,451**	**2,349,204**	**40,803**	**596,420**	**1,278,531**	**8,263**	**5,292,804**

The notes on pages 55 to 76 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 28 February 2022 – unaudited (Expressed in Hong Kong dollars)

	Six months ended	
	28 February 2022 $'000	28 February 2021 $'000
Operating activities		
Cash generated from operations	**962,624**	1,316,210
Tax paid:		
– Hong Kong Profits Tax paid	**(142,062)**	(218,314)
– Tax paid outside Hong Kong	**(8,092)**	(5,695)
– Tax refunded outside Hong Kong	**70**	634
Net cash generated from operating activities	**812,540**	1,092,835
Investing activities		
Payment for the purchase of property, plant and equipment	**(280,016)**	(318,790)
Proceeds from sale of property, plant and equipment	**685**	3,533
Payment for purchases of intangible assets	**(15)**	–
Shareholder loans to associates	**(15,359)**	–
Shareholder loan to a joint venture	**-**	(20,000)
Proceeds from sale of other financial assets	**-**	40,517
Net cash inflow in respect of deemed disposal of subsidiary	**73,719**	750
Interest received	**1,535**	1,271
Net cash used in investing activities	**(219,451)**	(292,719)
Financing activities		
Capital element of lease rentals paid	**(103,513)**	(140,059)
Interest element of lease rentals paid	**(9,473)**	(12,634)
Proceeds from bank and other borrowings, net of transaction costs	**2,285,354**	5,535,240
Repayment of bank and other borrowings	**(2,474,470)**	(576,601)
Repayment of other financial liabilities	**(11,587)**	(3,436)
Transaction costs paid for bank loans	**-**	(2,899)
Payment for redemption of senior notes	**-**	(4,251,074)
Interest paid on bank and other borrowings, senior notes and interest rate swap	**(99,970)**	(220,580)
Payment for currency forward	**-**	(17,008)
Dividend paid to equity shareholders of the Company	**(491,850)**	(498,408)
Distribution to holders of Vendor Loan Notes	**(62,746)**	(63,582)
Net cash used in financing activities	**(968,255)**	(251,041)
Net (decrease)/increase in cash and cash equivalents	**(375,166)**	549,075
Cash and cash equivalents at the beginning of the period	**1,526,661**	676,457
Effect of foreign exchange rate changes	**2,846**	6,401
Cash and cash equivalents at the end of the period	**1,154,341**	1,231,933

The notes on pages 55 to 76 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 2022.

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 2021, except for the accounting policy changes that are expected to be reflected in the 2022 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 2021. 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 47.

Going concern assumption

As at 28 February 2022, the current liabilities of the Group exceeded their current assets by approximately $196 million. Included in the current liabilities were current portion of contract liabilities of $779 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 $140 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.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

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:

- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*

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 2022 $'000	28 February 2021 $'000
Disaggregated by major products or service lines:		
Fixed telecommunications network services	**2,322,403**	2,373,623
International telecommunications services	**442,584**	715,216
Other services	**183,256**	241,648
Fees from provision of telecommunications services	**2,948,243**	3,330,487
Product revenue	**3,287,782**	2,389,555
Technology solution and consultancy services	**556,524**	480,192
Revenue from contracts with customers within the scope of HKFRS 15	**6,792,549**	6,200,234
Rental income from leasing business	**10,501**	29,350
	6,803,050	6,229,584

3 Revenue and segment reporting (continued)

(a) Disaggregation of revenue (continued)

	Six months ended	
	28 February 2022 $'000	28 February 2021 $'000
Disaggregated by major categories:		
Residential Solutions revenue	**1,224,398**	1,224,434
Enterprise Solutions revenue	**2,290,870**	2,615,595
Enterprise Solutions related product revenue	**1,294,917**	1,248,523
Other product revenue	**1,992,865**	1,141,032
	6,803,050	6,229,584
Disaggregated by geographical location of customers:		
Hong Kong	**6,049,421**	5,502,883
China	**425,746**	311,749
Singapore	**116,760**	160,644
Other territories	**211,123**	254,308
	6,803,050	6,229,584

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 2022 $'000**	28 February 2021 $'000	**28 February 2022 $'000**	28 February 2021 $'000	**28 February 2022 $'000**	28 February 2021 $'000
Disaggregated by timing of revenue recognition						
Point in time	**2,716,360**	1,900,673	**571,422**	488,882	**3,287,782**	2,389,555
Over time	**3,333,061**	3,602,210	**182,207**	237,819	**3,515,268**	3,840,029
Revenue from external customers	**6,049,421**	5,502,883	**753,629**	726,701	**6,803,050**	6,229,584
Inter-segment revenue	**34,605**	17,149	**151,392**	171,983	**185,997**	189,132
Reportable segment revenue	**6,084,026**	5,520,032	**905,021**	898,684	**6,989,047**	6,418,716
Reportable segment profit (EBITDA)	**1,241,405**	1,196,213	**63,237**	115,604	**1,304,642**	1,311,817

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

3 Revenue and segment reporting (continued)

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

	Six months ended 28 February 2022 $'000	Six months ended 28 February 2021 $'000
Reportable segment profit derived from Group's external customers	**1,304,642**	1,311,817
Finance costs	**(106,420)**	(325,496)
Interest income	**1,535**	1,271
Depreciation	**(457,259)**	(507,518)
Amortisation of intangible assets	**(209,153)**	(241,497)
Amortisation of customer acquisition and retention costs	**(148,658)**	(148,039)
Consolidated profit before taxation	**384,687**	90,538

4 Profit before taxation

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

	Six months ended 28 February 2022 $'000	Six months ended 28 February 2021 $'000
(a) Other net income		
Interest income	**(1,535)**	(1,271)
Net foreign exchange loss	**8,090**	11,381
Amortisation of obligations under granting of rights	**(4,512)**	(4,512)
Fair value loss on currency forward	**-**	309
Gain on disposal of subsidiaries	**(26,859)**	–
Other income	**(12,269)**	(11,112)
	(37,085)	(5,205)

(Expressed in Hong Kong dollars unless otherwise indicated)

4 Profit before taxation (continued)

	Six months ended 28 February 2022 $'000	Six months ended 28 February 2021 $'000
(b) Other operating expenses		
Advertising and marketing expenses	**172,472**	172,514
Depreciation		
– Property, plant and equipment	**355,454**	373,129
– Investment properties	**3,953**	3,953
– Right-of-use assets	**95,018**	102,733
Loss on disposal of property, plant and equipment, net	**650**	418
Gain on disposal of right-of-use assets, net	**-**	(148)
Recognition of loss allowance in trade receivables and contract assets	**59,887**	43,818
Talents costs (note 4(c))	**509,624**	516,565
Amortisation of intangible assets	**209,153**	241,497
Amortisation of customer acquisition and retention costs	**148,658**	148,039
Others	**284,882**	289,688
– Office rental and utilities	**41,145**	40,054
– Site expenses	**47,176**	45,623
– Bank handling charges	**21,467**	22,022
– Maintenance	**60,827**	64,717
– Subscription and license fees	**54,786**	52,578
– Legal and professional fees	**11,871**	17,787
– Printing, telecommunication and logistics expenses	**23,804**	25,815
– Others	**23,806**	21,092
	1,839,751	1,892,206

4 Profit before taxation (continued)

	Six months ended 28 February 2022 $'000	Six months ended 28 February 2021 $'000
(c) Talent costs		
Salaries, wages and other benefits	**830,001**	868,444
Contributions to defined contribution retirement plan	**64,003**	59,933
Equity-settled share-based payment expenses	**145**	269
Cash-settled share-based payment expenses	**67**	70
	894,216	928,716
Less: Talent costs capitalised as property, plant and equipment	**(24,901)**	(29,492)
Talent costs included in advertising and marketing expenses and amortisation of customer acquisition and retention costs	**(160,048)**	(197,804)
	709,267	701,420
Talent costs included in other operating expenses	**509,624**	516,565
Talent costs included in network costs and costs of sales	**199,643**	184,855
	709,267	701,420

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.

No such Talent-related funding support was recognised and passed to the Talents during six months ended 28 February 2022.

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

(Expressed in Hong Kong dollars unless otherwise indicated)

4 Profit before taxation (continued)

	Six months ended 28 February 2022 $'000	Six months ended 28 February 2021 $'000
(d) Finance costs		
Interest and finance charges on bank loans	**126,237**	95,211
Interest on other borrowings	**480**	528
Interest and finance charges on senior notes	**-**	56,640
Interest on the interest-rate swap, net	**5,623**	2,340
Fair value (gain)/loss on the interest-rate swap	**(36,024)**	11,903
Interest on lease liabilities	**9,473**	12,634
Interest on other liabilities	**631**	777
Loss on extinguishment of senior notes	**-**	145,463
	106,420	325,496
(e) Other items		
Amortisation of intangible assets	**241,246**	293,003
Depreciation:		
– Property, plant and equipment	**355,454**	373,129
– Investment properties	**3,953**	3,953
– Right-of-use assets	**97,852**	130,436
Rental charges on telecommunications facilities and computer equipment	**205,537**	176,635
Expenses relating to short-term leases and leases of low-value assets	**6,654**	7,102
Recognition of loss allowance on trade receivables and contract assets	**59,887**	43,818
Research and development costs	**16,521**	19,047
Cost of inventories	**3,087,159**	2,153,892
Write-down of inventories	**48**	1,674

(Expressed in Hong Kong dollars unless otherwise indicated)

5 Income tax (charge)/credit

	Six months ended	
	28 February 2022 $'000	28 February 2021 $'000
Current tax – Hong Kong Profits Tax	**(112,262)**	(92,964)
Current tax – Outside Hong Kong	**(8,572)**	(6,651)
Deferred tax	**40,477**	57,639
	(80,357)	(41,976)

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 2022 (six months ended 28 February 2021: 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 2021.

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 $304,330,000 (six months ended 28 February 2021: $48,562,000) and the weighted average number of ordinary shares in issue less shares held for the Co-Ownership Plan II, of 1,310,746,140 ordinary shares (six months ended 28 February 2021: 1,310,674,671 ordinary shares).

	Six months ended	
	28 February 2022 '000	28 February 2021 '000
Issued ordinary shares at 1 September 2020/2021	**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	**4,814**	4,743
Weighted average number of ordinary shares less shares held for the Co-Ownership Plan II	**1,310,746**	1,310,675

(Expressed in Hong Kong dollars unless otherwise indicated)

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 $304,330,000 (six months ended 28 February 2021: $48,562,000) 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 2022 '000	28 February 2021 '000
Weighted average number of ordinary shares less shares held for the Co-Ownership Plan II	**1,310,746**	1,310,675
Add: Effect of the Co-Ownership Plan II	**-**	411
Add: Effect of Vendor Loan Notes	**167,322**	167,322
Weighted average number of ordinary shares (diluted)	**1,478,068**	1,478,408

7 Investment properties and property, plant and equipment

	At 28 February 2022 $'000	At 31 August 2021 $'000
Opening net book value	**4,099,918**	4,319,060
Exchange adjustments	**673**	2,039
Additions	**234,554**	547,460
Disposals (net carrying amount)	**(1,043)**	(2,464)
Depreciation charges for the period/year	**(359,407)**	(759,991)
Disposal of subsidiaries	**-**	(6,186)
Closing net book value	**3,974,695**	4,099,918

8 Right-of-use assets

	At 28 February 2022 $'000	At 31 August 2021 $'000
Opening net book value	**681,349**	886,709
Exchange adjustments	**830**	4,930
Additions	**9,307**	76,234
Assets held for sales	**-**	(35,088)
Disposals (net carrying amount)	**(784)**	(5,579)
Lease modification	**(41)**	6,044
Depreciation charges for the period/year	**(97,852)**	(251,901)
Closing net book value	**592,809**	681,349

During the six months ended 28 February 2022, the Group entered into a number of lease agreements for use of shop and office of $9,307,000 (six months ended 28 February 2021: $40,093,000).

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 2022 $'000	At 31 August 2021 $'000
Within 30 days	**425,964**	391,683
31 to 60 days	**230,703**	211,658
61 to 90 days	**149,234**	114,712
Over 90 days	**444,652**	355,253
Trade receivables, net of loss allowance	**1,250,553**	1,073,306
Other receivables, deposits and prepayments	**513,754**	353,015
	1,764,307	1,426,321

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 $44,181,000 (31 August 2021: $35,037,000), are expected to be recovered or recognised as expenses within one year. The amount of the interest-rate swap included in other receivables, deposits and prepayments is $22,694,000 (2021: $Nil).

(Expressed in Hong Kong dollars unless otherwise indicated)

10 Cash and cash equivalents

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

	At 28 February 2022 $'000	At 31 August 2021 $'000
Cash at bank and in hand in the consolidated statement of financial position	**1,154,341**	1,421,124
Cash at bank and in hand included in assets of disposal group classified as held for sale (note 29)	**-**	105,537
Cash and cash equivalents in the consolidated cash flow statement	**1,154,341**	1,526,661

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 2022 $'000	At 31 August 2021 $'000
Within 30 days	**352,488**	388,941
31 to 60 days	**307,907**	111,618
61 to 90 days	**129,895**	132,769
Over 90 days	**156,170**	302,536
	946,460	935,864
Trade payables	**946,460**	935,864
Other payables and accrued charges		
– Current portion	**950,194**	1,018,271
– Long-term portion	**2,128**	30,397
	1,898,782	1,984,532

As at 28 February 2022, 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 $Nil (31 August 2021: $13,330,000).

(Expressed in Hong Kong dollars unless otherwise indicated)

12 Bank and other borrowings

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

	At 28 February 2022 $'000	At 31 August 2021 $'000
Bank borrowings		
– secured	-	23,817
– unsecured	**11,253,695**	11,274,522
Other borrowings		
– secured	**17,004**	14,360
	11,270,699	11,312,699
Amounts due within one year included in current liabilities	**(419,067)**	(481,283)
	10,851,632	10,831,416

(b) As at 28 February 2022, the bank and other borrowings were repayable as follows:

	At 28 February 2022 $'000	At 31 August 2021 $'000
Bank borrowings (secured)		
Within 1 year on demand	-	23,817
Bank borrowings (unsecured)		
Within 1 year on demand	**409,435**	450,001
After 2 years but within 5 years	**10,844,260**	10,824,521
	11,253,695	11,274,522
Other borrowings (secured)		
Within 1 year on demand	**9,632**	7,465
After 1 year but within 2 years	**7,372**	6,895
	17,004	14,360
Amounts due within one year included in current liabilities	**(419,067)**	(481,283)
	10,851,632	10,831,416

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 2022 is 2.70% per annum (2021: 2.27%).

(Expressed in Hong Kong dollars unless otherwise indicated)

12 Bank and other borrowings (continued)

(b) As at 28 February 2022, the bank and other borrowings were repayable as follows: (continued)

(i) On 25 September 2019, the Group entered into revolving credit facilities agreement of $420,000,000 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 loan was fully repaid as at 28 February 2022.

(ii) On 14 November 2019, HKBN entered into revolving credit facilities agreement of $500,000,000 in aggregate with a bank in Hong Kong and drew down the revolving credit facilities of $300,000,000 at HIBOR plus a margin of 1.25% per annum payable monthly. The facility was unsecured and covered by a guarantee arrangement issued by the Company. The loan was fully repaid as at 28 February 2022.

(iii) 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 1.50% 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. The interest loan rate was renewed to HIBOR plus a margin of 2.20% per annum from 1 January 2021.

(iv) On 31 March 2021, the Group entered into a term loan facility of $5,500,000,000 in aggregate with various international banks. The Group has drawn down a bank loan with principal amount of $5,000,000,000 and $500,000,000 at HIBOR plus a margin 1.50% per annum payable monthly on 9 April 2021 and 24 May 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 9 April 2026. The interest loan rate was renewed to HIBOR plus a margin of 2.20% per annum from 1 January 2021.

(v) On 9 December 2021, HKBN entered into master buyer agreement for supply chain financing from a bank in Hong Kong and utilised on aggregate amount of $409,000,000 as of 28 February 2022. The bank will charge a handling fee base on the amount of supplier's invoices applied. The facility was unsecured and covered by a guarantee arrangement issued by the Company. The extended credit term ranged from 60 to 180 days from the date of utilisation.

(vi) 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 2022 the aggregate book value of the assets was $29,497,000 (2021: $20,320,000) and the balance of other borrowings amounting to $9,632,000 (2021: $7,465,000) was recorded as a current liability and $7,372,000 (2021: $6,894,000) 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 0% to 3.66% (2021: 0% to 3.36%).

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.

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) in the open market. The total consideration paid was approximately US$548,526,000 (equivalent to $4,251,074,000). 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 $145,463,0000) recorded within the finance costs in the consolidated income statement (note 4(d)) for the period ended 28 February 2021.

14 Other non-current and current liabilities

At 28 February 2022 and 31 August 2021, 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 2022, 3,800,000,000 ordinary shares, with par value of $0.01 cent each, were authorised for issue. As at 28 February 2022, the Company had 1,311,599,356 (28 February 2021: 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 2022 $'000	28 February 2021 $'000
Interim dividend declared after the interim period of 40 cents per ordinary share (six months ended 28 February 2021: 39 cents per ordinary share) (Note)	**524,640**	511,524

Note: The amount of 2022 proposed interim dividend is based on the 1,311,599,356 (2021: 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.

15 Capital, reserves and dividends (continued)

(b) Dividends (continued)

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

	Six months ended	
	28 February 2022 $'000	28 February 2021 $'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of 37.5 cents per ordinary share (six months ended 28 February 2021: 38 cents per ordinary share)	**491,850**	498,408

(c) Other reserve

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

(d) Equity-settled share-based transactions

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

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

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

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

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

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

15 Capital, reserves and dividends (continued)

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

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

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

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

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

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

A total of 110,000 (2021: 64,000) shares were vested during the six months ended 28 February 2022.

(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 28 February 2021, 122,092 shares (six months ended 28 February 2022: nil 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.

15 Capital, reserves and dividends (continued)

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

(iii) Co-Ownership Plan IV Plus (the "Plan IV Plus")

As the conditions for granting of restricted share units under the Co-Ownership Plan III Plus were not met by the end of the 2021 financial year, the Company adopted the Plan IV on 21 October 2021 which sets down the performance target during the financial year 2022, 2023 and 2024 of the Company, in order to re-align the performance target of the Group with the incentives of its Talents and granted RSUs to directors and Talents of the Group in Hong Kong. The purpose of the Plan IV 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 2022, 2023 and 2024 financial years, in respect of any shares purchased by the Talents, subject to certain terms, conditions and undertakings.

The Participants of the Co-Ownership Plan IV have elected to roll over to the Co-Ownership Plan IV a total of 9,582,327 Shares purchased or received by them under the Co-Ownership Plan III Plus. Further, the Plan Trustee completed the purchases of 3,580,163 Shares for and on behalf of the Participants of the Co-Ownership Plan IV. The Plan Trustee purchased the Shares pursuant to the CO4 1st Batch Purchase at an average price of $10.9361 per Share.

The directors estimated the fair value of the RSU at the service periods commencing date to be $0.

16 Disposal of subsidiaries

Disposal of subsidiaries during the period ended 28 February 2022

On 10 November 2021, an indirect wholly-owned subsidiary of the Company entered into the Share Purchase Agreement with a third party to sell the 60% equity interest of two subsidiaries. The total consideration of approximately $74 million was net of provisional post-closing adjustment in accordance with the Share Purchase Agreement and subject to changes after the finalisation of the Completion Working Capital Statement. Upon the completion in January 2022, these two subsidiaries ceased to be subsidiaries of the Company and became 40%-owned associates of the Company.

16 Disposal of subsidiaries (continued)

Disposal of subsidiaries during the period ended 28 February 2022 (continued)

Assets and liabilities associated with these subsidiaries have been classified as held for sale as 31 August 2021. These assets and liabilities on the date of disposal and the reconciliation to gain on disposal are as follows:

	$'000
Intangible assets	37,969
Property, plant and equipment	6,094
Right-of-use assets	51,026
Deferred tax assets	1,245
Inventories	62,488
Contract assets	22,548
Trade receivables	84,573
Other receivables, deposits and prepayments	19,571
Finance lease receivables	3,633
Trade payables	(105,713)
Other payables and accrued charges	(16,101)
Provision for reinstatement costs	(1,340)
Contract liabilities	(11,028)
Bank loans	(7,406)
Tax payables	(1,104)
Deferred tax liabilities	(6,034)
Lease liabilities	(42,498)
Net assets disposed of	**97,923**
Net assets disposed of	**(97,923)**
Consideration received	73,719
Exchange gain on translating foreign operations transferred income statement upon disposal	1,917
Fair value of the retained equity interest	49,146
Gain on disposal of subsidiaries	**26,859**
Consideration received	**73,719**

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.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

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

	Fair value at 28 February 2022 $'000	**Fair value measurement as at 28 February 2022 categorised into Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**
Recurring fair value measurement				
Financial assets:				
Derivative financial instrument:				
– Interest-rate swap	**22,694**	**-**	**22,694**	**-**

	Fair value at 31 August 2021 $'000	Fair value measurement as at 31 August 2021 categorised into Level 1 $'000	Level 2 $'000	Level 3 $'000
Recurring fair value measurement				
Financial liabilities:				
Derivative financial instrument:				
– Interest rate-swap	13,330	–	13,330	–

During the six months ended 28 February 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2021: $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.

(Expressed in Hong Kong dollars unless otherwise indicated)

18 Fair value measurement of financial instruments (continued)

(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 2022 and 31 August 2021.

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

(a) Capital commitments outstanding at 28 February 2022 not provided for in the interim financial report

At 28 February 2022, the Group had the following capital commitments:

	At 28 February 2022 $'000	At 31 August 2021 $'000
Contracted but not provided for		
– Purchase of property, plant and equipment	**209,987**	165,086
Investment in a joint venture	**60,000**	–
	269,987	165,086

20 Contingent liabilities

	At 28 February 2022 $'000	At 31 August 2021 $'000
Bank guarantee in lieu of payment of utility deposits	**3,622**	3,622
Bank guarantee in lieu of performance guarantee	**221,695**	187,543
	225,317	191,165

At 28 February 2022 and 31 August 2021, 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 2022 $'000	28 February 2021 $'000
Short-term employee benefits	**21,895**	26,862
Post-employment benefits	**1,732**	1,848
	23,627	28,710

Directors' and Chief Executives' Interests In Securities

As at 28 February 2022, 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); (b) were required, pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein; or (c) were otherwise required to be notified to the Company and the Stock Exchange pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

Long Position

Ordinary shares of $0.0001 each in the Company

Name of Director	Note	Number of shares held	Percentage of the issued share capital of the Company
Mr. Bradley Jay HORWITZ	(a)	1,000,000	0.08%
Mr. Chu Kwong YEUNG	(b)	27,285,992	2.08%
Mr. Ni Quiaque LAI	(c)	32,604,692	2.49%
Mr. Stanley CHOW	(d)	234,500	0.02%

Notes:

(a) Mr. Bradley Jay HORWITZ held 1,000,000 ordinary shares in the Company.

(b) Mr. Chu Kwong YEUNG held 27,285,992 ordinary shares in the Company, in which 1,899,565ordinary shares were held by the plan trustee under Co-Ownership Plan IV.

(c) Mr. Ni Quiaque LAI held 32,604,692 ordinary shares in the Company, in which 1,607,570 ordinary shares were held by the plan trustee under Co-Ownership Plan IV.

(d) 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 2022.

Restricted Share Unit Schemes

To attract, retain and motivate skilled and experienced Talents, the Company adopted four Co-Ownership plans, namely Co-Ownership Plan II, Co-Ownership Plan III (was terminated and replaced by Co-Ownership Plan III Plus)*, Co-Ownership Plan III Plus and Co-Ownership Plan IV on 21 February 2015, 27 December 2017, 4 September 2019 and 21 October 2021 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 plans are open to all supervisors and above level Talents, spanning the Group's operations across Hong Kong and China.

* By reasons of (i) the occurrence of the acquisition of the entire issued share capital of WTT Holding Corp by Metropolitan Light Company Limited, a direct wholly-owned subsidiary of the Company, on 30 April 2019 (the "WTT Merger") and that the aspirational target of the adjusted available cash per share for distribution is different for the enlarged group after the WTT Merger and (ii) no grant of restricted share unit has been made under the plan since its adoption, on 21 June 2019, the Board resolved to terminate the Co-Ownership Plan III, 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 1H2022 are as follows:

		Number of RSUs							
								To be vested on 30 January/26 February (As at 28 February 2022)	
Participants	Date of grant	Granted	As at 1 September 2021	Granted during 1H2022	Forfeited during 1H2022	Vested during 1H2022	As at 28 February 2022	2021	2022
Other Participants	30 January 2019	329,330	97,010	-	-	97,010	-	-	-
Other Participants	26 February 2019	126,410	54,002	-	-	54,002	-	-	-
Total		**455,740**	**151,012**	**-**	**-**	**151,012**	**-**	**-**	**-**

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 would 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 would 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. Details of the scheme are contained in the circular of the Company dated 29 July 2019.

The cumulative adjusted available cash per share for distribution achieved by the Company was below the minimum level of $2.53 over the 2019, 2020 and 2021 financial years of the Company, therefore no RSUs were granted and accordingly, no new shares were allotted and issued. The Co-Ownership Plan III Plus will be naturally expired in October 2022.

Co-Ownership Plan IV

Co-Ownership Plan IV is similar to Co-Ownership Plan III Plus, which was adopted by the Company on 21 October 2021. Under the Co-Ownership Plan IV, 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 2022, 2023 and 2024 financial years. If the adjusted available cash per share for distribution, on a cumulative basis, over the 2022, 2023 and 2024 financial years of the Company reaches $3.01, the participants (including the Charitable Fund) would be granted with one RSU for every CO4 qualifying share of each participant under the Co-Ownership Plan IV, and each participant would, subject to the satisfaction of the vesting conditions and on the vesting date, receive one new award share for every RSU that he/she/it is granted. Details of the scheme are contained in the circular of the Company dated 21 September 2021.

Details of the movement of rollover and purchase of shares for the Co-Ownership Plan IV during 1H2022 are as follows:

1st Batch CO4 Qualifying Shares	Number of rollover shares from Co-Ownership Plan III Plus	Number of Shares purchased during 1H2022	Number of shares purchased to be forfeited during 1H2022 (i.e. purchased shares returned to Bad Leavers*)	Number of shares under Co- Ownership Plan IV as at 28 February 2022	Approximate percentage of the issued share capital of the Company as at 28 February 2022	Approximate percentage of shares purchased under the scheme mandate limit utilised as at 28 February 2022
Executive Directors of the Company:						
– Mr. Chu Kwong YEUNG	848,002	1,051,563	-	1,899,565	0.14%	5.14%
– Mr. Ni Quiaque LAI	556,007	1,051,563	-	1,607,570	0.12%	4.35%
Directors of the Company's subsidiaries	667,800	99,381	-	767,181	0.06%	2.07%
Other participants	7,416,120	1,377,656	-	8,793,776	0.67%	23.78%
Total	**9,487,929**	**3,580,163**	**-**	**13,068,092**	**1.00%**	**35.34%**

* Please refer to the circular of the Company dated 21 September 2021 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 1H2022 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.

Other Information

Interests of Substantial Shareholders

As at 28 February 2022, to the best knowledge of the Directors and chief executives of the Company, the following persons (other than any Directors or chief executives of the Company) were substantial shareholders, had notified the Company of their relevant interests in shares and underlying shares representing 5% or more of the issued share capital of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept under Section 336 of Part XV of the SFO:

Long Position

Ordinary shares of $0.0001 each in the Company

Name of shareholder	Note	Number of ordinary shares or underlying shares	Percentage of the issued voting shares of the Company
Canada Pension Plan Investment Board	(a)	182,405,000	13.91%
The Capital Group Companies, Inc.	(b)	75,669,557	5.77%
GIC Private Limited	(c)	78,847,800	6.01%
Mr. David BONDERMAN	(d)	228,627,451	17.43%
Mr. James George COULTER	(e)	228,627,451	17.43%
Mr. Michael ByungJu KIM	(f)	228,627,451	17.43%
Mr. Bryan Byungsuk MIN	(g)	228,627,451	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 Group International, Inc., Capital International Sarl, Capital International, Inc. and Capital Group Private Client Services, Inc. held a total of 75,669,557 ordinary shares, and was accordingly deemed to be interested in the respective shares held by the aforesaid companies.

(c) GIC Private Limited is the beneficial owner of 78,847,800 ordinary shares of the Company.

(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. Bryan Byungsuk MIN, 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 2022.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during 1H2022.

Interim Dividend

The Board has resolved to declare an interim dividend of 40 cents (28 February 2021: 39 cents) per share for 1H2022 to the shareholders whose names appear on the register of members of the Company on Tuesday, 17 May 2022. The interim dividend will be payable in cash on Thursday, 26 May 2022.

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.

Based on the terms and conditions of the Vendor Loan Notes, the holders of Vendor Loan Notes are entitled to receive a cash amount payable by the Company equal to $66,928,885 based on the 40 cents interim dividend per ordinary share declared by the Company for the six months ended 28 February 2022, as if the holders of the Vendor Loan Notes are holders of 167,322,212 ordinary shares in the Company as at the record date for such interim dividend. Such cash amount will be paid by the Company to the holders of Vendor Loan Notes on Thursday, 26 May 2022, being the date on which the 2022 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 1H2022, 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 1H2022 has been reviewed by the Company's external auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the HKICPA and reviewed by the Audit Committee of the Company.

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

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors of the Company since the publication of the Company's 2021 annual report are set out below:

Mr. Teck Chien KONG resigned as a Non-executive Director of the Company and a member of the Nomination Committee under the Board on 13 December 2021.

Ms. Suyi KIM resigned as a Non-executive Director of the Company and a member of the Nomination Committee under the Board on 14 December 2021.

Mr. Agus TANDIONO was appointed as a Non-executive Director of the Company and a member of the Nomination Committee under the Board on 14 December 2021.

Ms. Shengping YU was appointed as a Non-executive Director of the Company and a member of the Nomination Committee under the Board on 14 December 2021.

Mr. Zubin Jamshed IRANI resigned as a non-executive director of Dream Cruises Holding Limited, an indirect non-wholly owned subsidiary of Genting Hong Kong Limited (a company listed on the Stock Exchange with stock code of 678) on 5 February 2022.

Mr. Ni Quiaque LAI was appointed as a Lifetime Honorable Advisor of Chief Happiness Officer Association on 21 February 2022.

Corporate Governance

The Company has complied with all the code provisions as set out in the "Corporate Governance Code and Corporate Governance Report" contained in Appendix 14 to the Listing Rules during 1H2022.

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 during 1H2022.

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

Hong Kong, 21 April 2022

Corporate Information

Chairman and Independent Non-executive Director

Mr. Bradley Jay HORWITZ

Executive Directors

Mr. Chu Kwong YEUNG
Mr. Ni Quiaque LAI

Non-executive Directors

Mr. Agus TANDIONO (appointed on 14 December 2021)
Ms. Shengping YU (appointed on 14 December 2021)
Mr. Zubin Jamshed IRANI
Ms. Suyi KIM (resigned on 14 December 2021)
Mr. Teck Chien KONG (resigned on 13 December 2021)

Independent Non-executive Directors

Mr. Stanley CHOW
Mr. Yee Kwan Quinn LAW, SBS, JP

Audit Committee

Mr. Yee Kwan Quinn LAW, SBS, JP *(Chairman)*
Mr. Zubin Jamshed IRANI
Mr. Bradley Jay HORWITZ
Mr. Stanley CHOW

Nomination Committee

Mr. Bradley Jay HORWITZ *(Chairman)*
(appointed on 28 October 2021)
Mr. Agus TANDIONO (appointed on 14 December 2021)
Ms. Shengping YU (appointed on 14 December 2021)
Mr. Stanley CHOW
Mr. Yee Kwan Quinn LAW, SBS, JP
Ms. Suyi KIM (resigned on 14 December 2021)
Mr. Teck Chien KONG (resigned on 13 December 2021)
Mr. Chu Kwong YEUNG (resigned on 28 October 2021)

Remuneration Committee

Mr. Stanley CHOW *(Chairman)*
Mr. Chu Kwong YEUNG
Mr. Zubin Jamshed IRANI
Mr. Yee Kwan Quinn LAW, SBS, JP

Company Secretary

Ms. Chung Man CHENG

Authorised Representatives

Mr. Ni Quiaque LAI
Ms. Chung Man CHENG

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Cayman Principal Share Registrar and Transfer Office

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Hong Kong Branch Share Registrar and Transfer Office

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Stock Code

1310

Design, Production and Printing: REF Financial Press Limited www.ref.com.hk

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香港寬頻有限公司

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