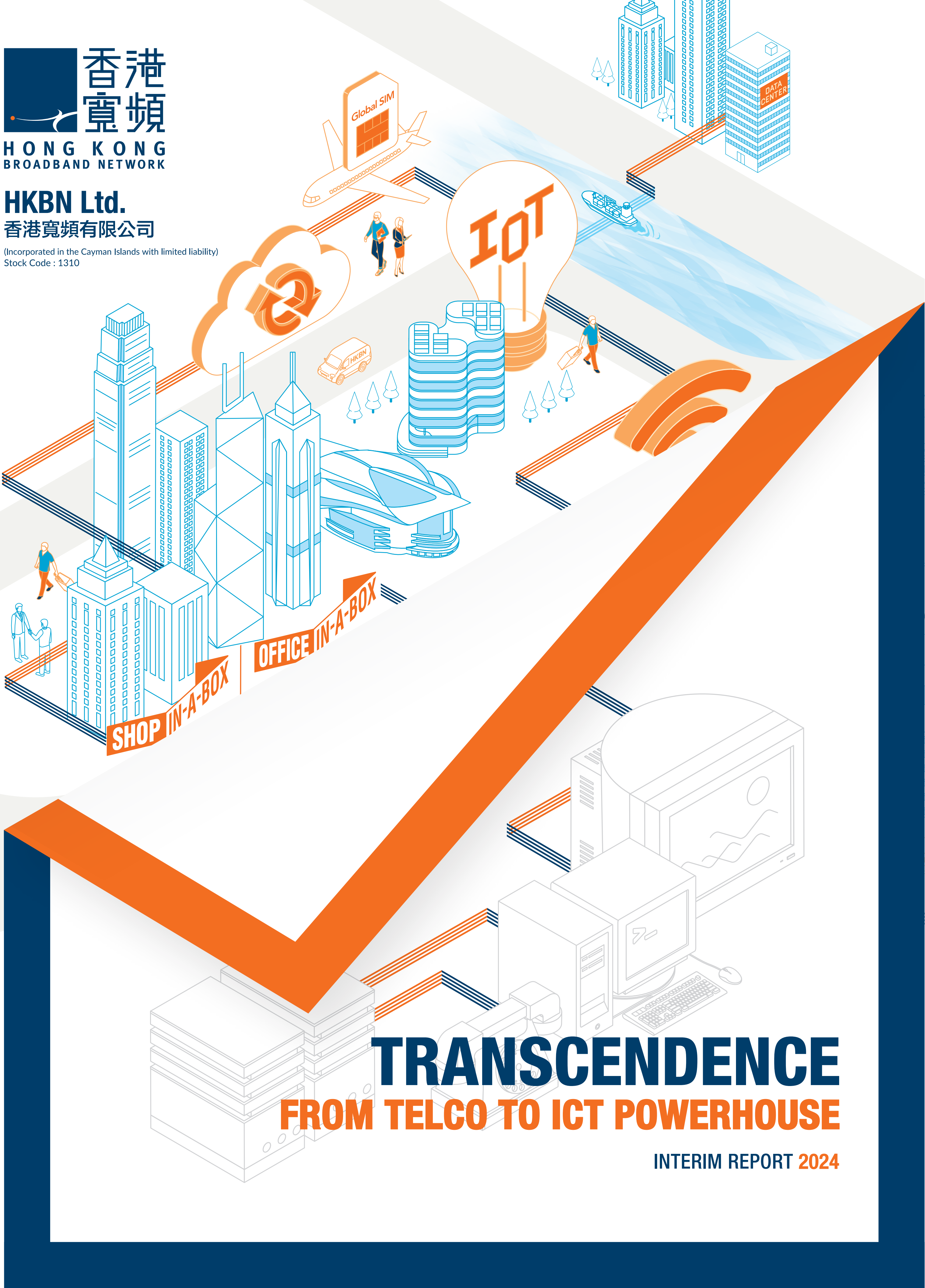
香港寬頻
HONG KONG
BROADBAND NETWORK

HKBN Ltd.
香港寬頻有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 1310



TRANSCENDENCE
FROM TELCO TO ICT POWERHOUSE

INTERIM REPORT 2024

Unless otherwise stated, all monetary figures from 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.

In the span of over two decades, HKBN evolved from a Telco to an ICT Powerhouse. This transcendence reflects our shift from connecting society to actively driving its progress and development via technologies, solutions, services, products and experiences that are now integral to every aspect of modern life.

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Dear Fellow Shareholders,

Building a Solid Foundation for Sustainable Growth

We are persevering and heading in the right direction to establish a solid foundation for continued growth of our Enterprise Solutions and Residential Solutions businesses.

Enterprise Solutions: Capturing Growth Through ICT Transcendence

Our Enterprise Solutions business continued to transform into an ICT Powerhouse, as we achieved increased market penetration through the acquisition of new customers from the public sector, large enterprises, and through strengthening our position in the SME segment. Our genre-redefining solutions, such as IT·Simplified and AegisConnect, have gained significant traction among our enterprise customers. Tailored IT package solutions like OFFICE-IN-A-BOX and SHOP-IN-A-BOX were introduced to address sector-specific IT challenges. These developments highlight our strategic synergies in increasing enterprise wallet share through cross-selling fixed telecom network services and system integration solutions. We will continuously pursue premium ICT solutions to empower businesses to thrive.

Residential Solutions: Ongoing Infinite-play Strategy for ARPH Growth

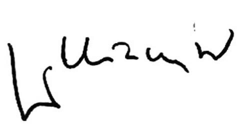
As the premier broadband provider offering money-back guaranteed service, HKBN is committed to delivering a wide range of choices. Our Infinite-play strategy remains instrumental in driving sustainable growth of our average revenue per household (ARPH). As Hong Kong's only ecosystem to offer Netflix, Disney+, myTV SUPER, and iQIYI, we provide unparalleled entertainment options for consumers. With the addition of N mobile, our new travel and lifestyle mobile brand, complementing our existing MVNO mobile services — which is backed by China Mobile Hong Kong, SmarTone and 3HK — we now offer one of the market's most comprehensive selections of local and roaming options to cater to our enterprise and residential customers.

Leading the Evolution of Connectivity

Through a strategic alliance with Nokia, we are poised to change the industry by offering pre-sales of Hong Kong's first 25Gbps fibre network across the city[^] to enterprise and residential customers. With this bold step, we anticipate steadily gaining market share and improving revenue from high-margin core services over the next 12–18 months, positioning us for solid growth in a key business area.

Looking ahead, our commitment to ICT transcendence remains rock-solid, and the effectiveness of our ongoing Infinite-play strategy is proven. We prioritise prudent resource management and allocation, enhancing operating expenses and capital expenditures to ensure maximum returns for growth.

Sincerely yours,



William Yeung
Co-Owner, Executive Vice-chairman & Group CEO

^ According to the market data disclosed by major telecommunication service providers in Hong Kong as at 26 April 2024, HKBN is the first telecommunication service provider to pre-sell 25Gbps broadband service in Hong Kong.

MAKE OUR HOME A BETTER PLACE TO LIVE

At HKBN, we believe that purpose without action is meaningless. While many companies and organisations speak of the importance of purpose, only a few possess the culture, commitment, and Talents to consistently bring their purpose to life in a sustainable manner. We go to great lengths to ensure that our purpose is not merely an empty mission statement, but rather deeply ingrained across all aspects of our operations.

Our Core Purpose, "**Make our Home a Better Place to Live**", guides everything we do. Like our North Star, it serves as a constant presence, shaping our actions and decisions. We understand that our pursuit of profits must always be accompanied by integrity, especially as we leverage our technology, scale and resources to create positive impacts for all stakeholders, including our Talents, shareholders, customers, partners & suppliers, local communities, and the environment. Moreover, we embrace inclusivity as a fundamental value, fostering an environment that is fair and transparent.

Key Financial and Operational Summary

Table 1: Financial highlights

	For the six months ended		
	29 February 2024	28 February 2023	**Change YoY**
Key financials ($'000)			
Revenue	**5,809,091**	6,707,216	-13%
– Enterprise Solutions	**2,310,418**	2,348,457	-2%
– Enterprise Solutions related products	**951,692**	1,039,731	-8%
– Residential Solutions	**1,181,509**	1,196,941	-1%
– Handset and other products	**1,365,472**	2,122,087	-36%
Profit for the period	**1,534**	23,238	-93%
Adjusted Net Profit [1,2]	**85,508**	102,208	-16%
EBITDA [1,3]	**1,151,172**	1,195,742	-4%
Adjusted Free Cash Flow [1,4]	**124,248**	367,648	-66%
Reconciliation of Adjusted Net Profit [1,2]			
Profit for the period	**1,534**	23,238	-93%
Amortisation of intangible assets	**185,771**	195,991	-5%
Deferred tax arising from amortisation of intangible assets	**(30,652)**	(32,100)	-5%
Deferred tax recognised on unused tax losses	**(71,145)**	(84,921)	-16%
Adjusted Net Profit	**85,508**	102,208	-16%
Reconciliation of EBITDA & Adjusted Free Cash Flow [1,3,4]			
Profit for the period	**1,534**	23,238	-93%
Amortisation of customer acquisition and retention costs	**135,127**	138,945	-3%
Amortisation of intangible assets	**185,771**	195,991	-5%
Depreciation	**423,891**	466,287	-9%
Finance costs	**400,712**	324,445	+24%
Income tax charge/(credit)	**6,254**	(12,196)	>100%
Interest income	**(5,832)**	(4,702)	+24%
Loss on disposal of subsidiary	**3,715**	–	100%
Share of loss of discontinued operation	**–**	63,734	-100%
EBITDA	**1,151,172**	1,195,742	-4%
Capital expenditure	**(204,240)**	(304,234)	-33%
Changes in working capital	**(16,929)**	159,811	->100%
Customer acquisition and retention costs	**(139,556)**	(120,573)	+16%
Income tax paid	**(212,551)**	(234,305)	-9%
Lease payment in relation to right-of-use assets	**(91,504)**	(88,654)	+3%
Net interest paid	**(362,144)**	(240,139)	+51%
Adjusted Free Cash Flow	**124,248**	367,648	-66%

Table 2: Operational highlights

	For the six months ended			
	29 February 2024	31 August 2023	28 February 2023	**Change YoY**
Enterprise business				
Commercial building coverage	**8,120**	8,090	8,033	+1%
Subscriptions ('000)				
– Broadband	**110**	117	119	-8%
– Voice	**373**	388	401	-7%
Enterprise customers [5] ('000)	**97**	101	103	-6%
Residential business				
Residential homes passed ('000)	**2,579**	2,560	2,543	+1%
Subscriptions ('000)				
– Broadband	**903**	920	915	-1%
– Voice	**367**	386	411	-11%
Residential ARPU [6]	**$181**	$177	$179	+1%
Mobile business				
Subscriptions ('000)	**234**	239	241	-3%
Residential customers ('000)	**956**	972	980	-2%
Total full-time permanent Talents	**4,159**	4,428	4,834	-14%

Notes:

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

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

(3) EBITDA means profit for the year plus finance costs, income tax charge/(credit), depreciation, amortisation of intangible assets (net of direct cost incurred in corresponding period), amortisation of customer acquisition and retention costs, loss on disposal of subsidiary, share of loss of discontinued operation less interest income.

(4) AFF means EBITDA less capital expenditure, customer acquisition and retention costs, net interest paid, income tax paid, lease payments in relation to right-of-use assets and changes in working capital. Working capital includes other non-current assets, inventories, trade receivables, other receivables, deposits and prepayments, contract assets, amounts due from joint ventures and associates, amounts due to joint ventures and associates, trade payables (including amount utilised for supply chain financing), contract liabilities, and deposits received.

(5) Enterprise customers means total number of enterprise customers excluding IDD, product resell and mobile customers.

(6) 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.

Management Discussion and Analysis

Business Review

Despite robust demand for digital transformation, the slow economic recovery and escalating interest rates have challenged our customers' businesses operations and delayed project timelines over the past six months. Adding to these challenges is the broader trend of consumers postponing handset upgrades, significantly driving down industry-wide sales. As a result, our Group's overall revenue for the six months ended 29 February 2024 ("1H2024") dropped by 13% to $5,809 million. Nevertheless, we have capitalised on our robust telecommunications infrastructure and dedication to our strategic roadmap. This focus has yielded a steady year-on-year growth of 1% in our core business segments, including fixed telecommunications network services, technology solutions, and consultancy services.

Aligned with industry-wide headwinds, our Enterprise Solutions business reported a year-on-year revenue decline of 4% to $3,262 million. However, the business has continued to strengthen its core business performance and recorded a 3% increase in enterprise services revenue — excluding international telecommunications services — a testament to our system integration capabilities. We are managing a strong revenue backlog from contracts set to mature over the next 2 to 3 years, promising to offset the reduced backlog from previous financial years. We anticipate a full adjustment of our contract base within this timeframe to reflect these changes.

Benefited by customers' strong demand for cloud technology, our cloud services business has been a key growth driver to our enterprise revenue. Our deep industry expertise was clearly demonstrated with last year's successful launches of IT·Simplified and AegisConnect. Recently, we have added OFFICE-IN-A-BOX and SHOP-IN-A-BOX to our portfolio, providing bespoke IT package solutions that directly address industry-specific challenges.

Strategically, we have grown our market presence, expanded our client base in the public sector and large enterprises, and strengthened our foothold in the SME sector. We have made significant strides in the region by facilitating businesses from mainland China, especially from the Greater Bay Area, in their ventures into Hong Kong, and supporting both local and global companies as they establish themselves in mainland China. Revenue from mainland China and Macau remained stable.

Our Residential Solutions business demonstrated resilience with a slight revenue decline of 1% to $1,182 million. During 1H2024, we have strengthened partnerships to enhance our offerings. One of the key initiatives was our collaboration with TP-Link to launch the Priority Plus Home Wi-Fi Solution — the first of its kind in Asia to combine our 2000Mbps fibre broadband with the Aginet platform for real-time remote network management. Our efforts have boosted a substantial uptake of our high-speed fibre services, particularly the 2000Mbps package upgrade.

Our service revenue remained steady as we diligently pursued our Infinite-play strategy, diversifying our portfolio of value-added services to deepen customer engagement. This strategy has been particularly fruitful, significantly enhancing customer engagement with our entertainment ecosystem, which features heavyweights like Netflix, Disney+, myTV SUPER, and iQIYI. This, in turn, contributed to a notable rise in average revenue per user ("ARPU"), as residential ARPU increased by 1% to $181.

Moreover, with travel activity rebounding to pre-pandemic levels, our innovative Global SIM service sales have significantly increased, driven by a resurgence in consumers' data roaming needs.

Network costs and costs of sales decreased year-on-year by 18% to $3,772 million mainly due to the decrease in cost of inventories.

Other operating expenses decreased year-on-year by 7% to $1,628 million, which was mainly due to a decrease in streamlined costs of $56 million, a decrease in depreciation of $41 million, a decrease in amortisation of intangible assets and customer acquisition and retention costs of $14 million and others of $15 million but were partly offset by an increase in advertising and marketing expenses of $2 million and an increase in recognition of loss allowance on trade receivables and contract assets of $5 million.

Finance costs increased year-on-year by 24% to $401 million. This was mainly caused by an increase in interest and finance charges on bank loans of $98 million due to HIBOR increase and partly offset by an increase in fair value gain on interest-rate swap of $22 million.

Income tax increased year-on-year by 151% from a tax credit of $12 million to a tax charge of $6 million which was due to the decrease in recognition of deferred tax assets arising from unused tax losses of the Group's subsidiary.

As a result of the aforementioned factors, profit attributable to equity shareholders decreased year-on-year by 93% to $2 million.

EBITDA decreased year-on-year by 4% to $1,151 million, mainly due to softer sales of handset and other products, though this was partially offset by reduced operating expenses from operational improvements.

Adjusted free cash flow ("AFF") decreased year-on-year by 66% to $124 million, mainly caused by a decrease in EBITDA of $45 million, an increase in net interest paid by $122 million, a decrease in working capital inflow of $177 million, an increase in customer acquisition and retention cost of $19 million and an increase in lease payment in relation to right-of-use assets of $3 million, and which were partly offset by a decrease in capital expenditure of $100 million and a decrease on income tax paid of $22 million.

Outlook

As we look into the second half of the year, with interest rates forecasted to moderate, we are well positioned to forge ahead in our strategic roadmap. Our focus remains sharply on elevating operational efficiency and maintaining agility in our execution to enhance profitability. In parallel, we will explore refinancing opportunities to optimise our capital structure. These strategic moves are pivotal in maintaining our resilience and steadiness in the midst of economic uncertainties, thereby securing a path to a future filled with opportunities.

In a strategic move to strengthen our market position, we recently announced our collaboration with Nokia to pre-sell Hong Kong's first 25Gbps fibre network^. This development is set to upgrade our service propositions to both enterprise and residential customers, ensuring they benefit from one of the most advanced offerings in the market. Building on the solid groundwork laid in the first half of the year, we are steadfast in our commitment to deliver high-speed, reliable network services, and we will continue to leverage our technological expertise to empower our customers in the digital era.

Liquidity and Capital Resources

As at 29 February 2024, the Group had total cash and cash equivalents of $804 million (31 August 2023: $1,017 million) and gross debt of $11,461 million (31 August 2023: $11,589 million), which led to a net debt position of $10,657 million (31 August 2023: $10,572 million). Lease liabilities of $461 million (31 August 2023: $536 million) was included as debt as at 29 February 2024 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 4.1x as at 29 February 2024 (31 August 2023: 3.8x).

The Group's net debt to EBITDA ratio as computed in accordance with the term of the Group's various loan facilities was approximately 5.3x as at 29 February 2024 (31 August 2023: 5.1x). The average finance cost calculated as the interest and coupon charges over the average borrowing balance was 6.5% (31 August 2023: 5.3%). The average weighted maturity of the Group's borrowings was 1.9 years as at 29 February 2024 (31 August 2023: 2.4 years).

^ According to the market data disclosed by major telecommunication service providers in Hong Kong as at 26 April 2024, HKBN is the first telecommunication service provider to pre-sell 25Gbps broadband service in Hong Kong.

Cash and cash equivalents consisted of cash at bank and in hand. There was no pledged bank deposit as at 29 February 2024 and 31 August 2023. As at 29 February 2024, the Group had an undrawn revolving credit facility of $1,328 million (31 August 2023: $1,763 million).

Under the liquidity and capital resources condition as at 29 February 2024, the Group can fund its capital expenditures and working capital requirements for the year with internal resources and the available banking facilities.

Hedging

The Group's policy is to partially hedge the interest rate risk arising from the variable interest rates of the debt instruments and facilities by entering into interest-rate swaps. The Group Chief Executive Officer and Chief Financial Officer are primarily responsible for overseeing the hedging activities. Under their guidance, the Group's finance team is responsible for planning, executing and monitoring the hedging activities.

The Group would not enter into hedging arrangements for speculative purposes. The Group entered into an interest-rate swap arrangement in the principal amount of $5,250 million with an international financial institution for a term of 2.5 years from 1 June 2023 to 24 November 2025. Benefiting from the hedging arrangement, the Group fixed the HIBOR interest rate exposure at 3.95% per annum.

The interest-rate swap arrangement is 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 29 February 2024, the Group pledged assets to secure the other borrowings of $33 million (31 August 2023: $49 million).

Contingent Liabilities

As at 29 February 2024, the Group had total contingent liabilities of $282 million (31 August 2023: $267 million) in respect of bank guarantees provided to suppliers and customers and utility vendors in lieu of payment of utility deposits. The increase of $15 million was mainly due to an increase in performance guarantee issued to the Group's suppliers and customers.

A subsidiary of the Group received a claim from a supplier regarding the early termination charge under several agreements. The Group considers the claim is not valid, and therefore, continues to deny the above liability. Based on the legal advice received, management believes that the probability of a successful claim is low. However, if the claim is successful, the potential exposure of the Group of the claim will amount to approximately $24 million. No provision has been made in respect of this claim.

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

The Group did not make any significant investments, acquisitions or disposals in relation to its subsidiaries and associated companies during the six months ended 29 February 2024.

Talent Remuneration

As at 29 February 2024, the Group had 4,159 permanent full-time Talents (31 August 2023: 4,428 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.

Key Awards and Recognitions

As highlights of our achievements, HKBN proudly received the following awards and recognitions during the reporting period:

Cisco Partner Summit 2023

Greater China Partner of the Year

2023 CAHK STAR Award

Best Fixed Network Operator (Silver Award)

Hong Kong Retail Technology Industry Association

Best Retail Innovation (Product & Solution) Gold Award – "SHOP-IN-A-BOX"

Hong Kong's First Certified Amazon Web Services Managed Service Provider

Key Awards and Recognitions

Cyber Security Professional Awards 2023

Cyber Security Premium Partner Award

Hong Kong's First Certified Alibaba Cloud Landing Zone Partner

HK01

01 Gold Medal Awards 2023 — Outstanding Integrated Communications Services Provider

First APAC Partner to Achieve All Specialisations in Fortinet's Engage Partner Program

Empowering Businesses

Digitalisation is the process of taking legacy business operations and transforming them to new levels of efficiency, agility, and scalability. By integrating digital technologies, tools, systems, data, and processes, companies can enhance how they operate and unlock advantages like streamlined workflows, task automation, always-connected cloud capabilities, increased productivity, remote collaboration, cost savings, better decision-making, and more.

Drawing on our expertise as an ICT Powerhouse, HKBN has been at the forefront of empowering companies on their digital transformation journeys. Our wide-ranging suite of offerings, spanning from highly complex and bespoke solutions to productised options that address longstanding pain points, has helped countless businesses overcome a myriad of challenges and meet their success objectives. Our latest turn-key package solutions, **OFFICE-IN-A-BOX** and **SHOP-IN-A-BOX**, each one a culmination of HKBNES's capabilities, represent a remarkable opportunity to empower enterprise organisations and retailers — two vital market segments — with the key foundations for better productivity and efficiency.

Productivity with No Boundaries

OFFICE IN-A-BOX

The profound transformations in how and where people work is having a huge impact on the way organisations approach flexibility, with remote work becoming increasingly prevalent. In light of this paradigm shift, OFFICE-IN-A-BOX provides companies with an integrated one-stop solution that enables seamless collaboration across hybrid environments.

Samuel Hui, Co-Owner and Chief Strategy Officer — Enterprise Solutions unveils OFFICE-IN-A-BOX, the all-in-one platform for driving the hybrid work evolution.

At its core, OFFICE-IN-A-BOX fuses the latest communication, productivity and security technologies with cloud-based productivity tools. This comprehensive solution allows employees to work with remarkable efficiency by enabling seamless collaboration, instant communication, and safe access to data and files. Eliminating geographical barriers, OFFICE-IN-A-BOX redefines the way teams operate — and hire — regardless of their physical location.

"OFFICE-IN-A-BOX also stands out for its emphasis on secure connectivity, which is critical for driving continuity and resilience in hybrid work environments. With a range of cybersecurity technologies and our AegisConnect-enabled connectivity management system, customers gain full visibility into their network — and the ability to stop potential issues from happening. Supported by our team of 600+ certified engineers, OFFICE-IN-A-BOX offers comprehensive services and 24/7 IT support, enabling businesses to quickly get their employees working and collaborating."

Samuel Hui
Co-Owner and Chief Strategy Officer — Enterprise Solutions

Simplifying Retail

SHOP IN-A-BOX

The retail industry has witnessed a dramatic transformation in recent years, with businesses increasingly relying on digital platforms to deepen and enhance the customer experience. However, setting up and managing various aspects of a retail business, such as payment processing, inventory management & logistics, connectivity & Wi-Fi, security & surveillance, IT support and others, can all be extremely complex and time-consuming. This is where SHOP-IN-A-BOX steps in, simplifying the shop management process so that retail businesses can get up and running easily.

By integrating hardware and software with cloud management, advanced applications and IoT technology, SHOP-IN-A-BOX gives retailers the tools and infrastructure to achieve full operational visibility and enhanced efficiency. Packages include point-of-sales (POS) systems, secure e-payment gateway and self-serve kiosks; full visibility managed Internet and Wi-Fi; inventory management digital tools that allow retailers to efficiently track stock levels; and CCTV surveillance.

Changing the game to make life easier for retailers, Juliana Lam, Co-Owner and Vice President — Retail and Mid-Market — Enterprise Solutions (on left), and Samuel Hui, Co-Owner and Chief Strategy Officer — Enterprise Solutions (on right), proudly unveil SHOP-IN-A-BOX.

"In today's retail landscape, the demands placed on businesses extend far beyond the capabilities of a simple point-of-sale (POS) system. For instance, when a customer's payment fails to process, valuable time is often wasted in identifying whether the issue lies with the equipment, the payment gateway, or even Internet outage. Recognising such challenges, SHOP-IN-A-BOX offers retailers a turn-key solution that streamlines operations, ensures seamless connectivity, effortlessly manages in-store systems and inventory, and more. Backed by our extensive network expertise and dedicated RetailCare technical support team, SHOP-IN-A-BOX is tailored to help retailers, including local, mainland and international businesses looking to expand or set up shops in Hong Kong, enhance their operations."

Samuel Hui
Co-Owner and Chief Strategy Officer — Enterprise Solutions

Transcending for Consumers: N mobile & Priority Plus

As a company that has had a long history of disruptive innovation, our objective has always been to enhance the lives of consumers. By asking fundamental questions like, how can we elevate the customer experience or how can we create value and service that truly resonates with consumers, we are able to relentlessly challenge the status quo, push existing boundaries, and deliver truly transcendent services and offerings to the marketplace.

Our new Infinite-play offerings, N mobile and Priority Plus, are the latest examples of HKBN expanding the mobile and home connectivity space while delivering delightful benefits for our customers.

N mobile

More Than Just a Mobile Service

In late 2023, N mobile was introduced to complement our existing HKBN mobile services. Unlike traditional mobile plans, N mobile was created as a disruptive brand that blends lifestyle & travel, user customisation, and more, for a superior all-in-one mobile service platform.

As a truly unique service package experience, N mobile empowers users with a combination of innovative features, partner rewards, unmatched customisation, and flexible pricing. From customisable data packages and roaming options to discounts on Uber, N mobile offers endless possibilities in an increasingly borderless world. This is especially relevant at a time when Hongkongers continue to explore the world en masse, as well as travel, shop, dine and spend on entertainment at unprecedented rates in mainland China.

A differentiating highlight of N mobile is its striking focus on meeting the growing demand in Hong Kong for comprehensive cross-border and overseas connectivity. Packed full of value-added features, N mobile offers access to local and Greater Bay Area mobile data, our Global SIM Travel Data service, the Global Talk+ voice roaming app (to make and receive free calls to Hong Kong from anywhere with travel data), and HKBN SAFE network security protection. These ensure that our customers stay connected with peace of mind and unmatched convenience wherever they go.

Lifestyle & Travel Collaborations

To address the diverse lifestyle and travel needs of our customers, N mobile has forged strategic collaborations with key industry leaders. Through an expanding range of high-profile partnerships, we bring a selection of value-added benefits to our customers.

For instance, our collaboration with AlipayHK enables N mobile users to enjoy $1 rides on the Shenzhen Metro — a strategic reward that drives customer engagement while cultivating long-term loyalty.

Our collaboration with foodpanda also offers N mobile users complimentary pandapro memberships and food discounts. By tapping into the booming food delivery market, N mobile also addresses the gastronomic cravings of users.

Plus, we also teamed up with rideshare giant Uber to bring discounts. Whether N mobile users need a ride locally or travel to the airport, they can enjoy special savings when using Uber.

N mobile brings customers an array of tantalizing "local + overseas" rewards from renowned partner brands such as Agoda, AlipayHK, foodpanda, KKday and more. From left: Carmen Yip, Director of Enterprise at foodpanda Hong Kong; Jess Ho, Associate Director, Greater China Strategic Partnerships at Agoda; Co-Owner-to-be & Chief Transformation Officer Kenneth She; Karl Wong, Head of Growth at AlipayHK; Tim Yu, Head of Business Development at KKday.

Priority Plus: Home Connectivity Made Easy

Over the past several years, we have challenged the market by introducing Wi-Fi as a managed solution that handles tasks like Wi-Fi setup, installation, and technical support on behalf of mass-market consumers.

Priority Plus, delivered in collaboration with TP-Link, enhances our managed solution and completely simplifies home connectivity. This all-in-one home Wi-Fi solution, powered by TP-Link's Aginet network management platform, offers unparalleled convenience, reliability and expedient remote diagnosis & support.

HKBN and TP-Link debut one-stop Priority Plus Home Wi-Fi Solution to elevate customers' online entertainment experience. From left: Rex Hui, Co-Owner and Head of Product Development & Management, Residential Solutions; Daniel Zhou, Product Director, TP-Link Hong Kong & Macau.

"Many customers tell us they'd rather leave the stress and complexities of Wi-Fi to the experts. With Priority Plus, users no longer need to set up their own routers or troubleshoot complex issues. TP-Link's cutting-edge Aginet Unified Cloud system ensures seamless network management, allowing remote diagnosis and correction of most network abnormalities. Put simply, Priority Plus makes life easier for users as it minimises network problems and maximises network performance for the entire household,"

Elinor Shiu
Co-Owner and CEO — Residential Solutions

Priority Plus Advantages

Convenience:
Setting up and configuring a Wi-Fi router can be complex and time-consuming. Priority Plus removes the stress out of the entire experience – from initial installation to network setup to diagnosis of problems.

Seamless Connectivity:
From network settings and security enhancements to firmware updates, everything is taken care of so that users can enjoy a seamless and hassle-free Wi-Fi experience.

Technical Expertise:
From start to service commencement, Priority Plus offers comprehensive support. Our experts bring the knowledge and experience to ensure optimal router placement, network optimisation and security settings, as well as to troubleshoot connectivity issues.

Anytime, Anywhere Troubleshooting:
Connectivity and signal issues are a common and recurring frustration. With the ability to remotely diagnose and resolve issues, Priority Plus relieves customers from the pain of troubleshooting technical problems on their own.

Customers First

At our core, we are an ICT Powerhouse completely focussed on customer satisfaction. Through leveraging strong partnerships and our own world-class technology expertise, we empower businesses to operate better and unlock opportunities in Hong Kong, mainland China, and the ASEAN markets. For residential customers, our disruptive Infinite-play strategy sets us apart with unparalleled value, choices, experiences, and engagement. And the best part is we are always striving for more.

AegisConnect AI

Building upon the success and momentum of our AegisConnect solution (first launched July 2023), we introduced AegisConnect AI in November 2023 to cater to the advanced security requirements of medium and large corporate clients. By leveraging Palo Alto Networks' AI-powered extended detection and response capabilities, AegisConnect AI effectively combats sophisticated network, endpoint, and cloud attacks for enterprises as our solution accurately identifies threats, delivers real-time insights, and scales threat intelligence distribution.

AegisConnect AI integrates key tech from Palo Alto Networks' suite of security solutions, including Next-Generation Firewall (NGFW), Secure Web Gateway (SWG), Cloud Access Security Broker (CASB), and Advanced Endpoint Protection (AEP). This comprehensive integration ensures that large enterprises have a unified and effective security solution to combat evolving cyber threats.

And just like our game-changing AegisConnect, AegisConnect AI takes connectivity and cybersecurity to the next level. Our one-stop solution combines world-class network management, cybersecurity technologies, high-speed fibre broadband, and 24/7 Security Operations Centre (SOC) oversight, delivering ultra-stable, ultra-secure, and easily manageable connectivity for medium to large enterprises.

HKBNES launches AegisConnect AI, powered by Palo Alto Networks, to address the surging cybersecurity needs in the commercial sector. From left: Wickie Fung, Managing Director, Hong Kong & Greater Bay Area of Palo Alto Networks; William Ho, Co-Owner and CEO — Enterprise Solutions

HKBNES Becomes Alibaba Cloud Landing Zone Partner

Cloud technology and digital transformation are critical in today's dynamic business environment. A cloud landing zone plays a crucial role in ensuring stability, improving operational efficiency, strengthening security, and optimising costs during cloud migrations. With our recognition as the first certified Alibaba Cloud Landing Zone Partner in Hong Kong, HKBNES has taken our expertise in cloud architecture to the next level to empower enterprises and their multidimensional needs for cloud-based IT architecture design and governance solutions.

HKBNES will support multiple key domains of Alibaba Cloud Landing Zone's cloud management framework, including resource planning, operation and maintenance, compliance and auditing, automation, security protection, financial management, network planning, and identity and access. Through these solutions, we will help our enterprise customers to efficiently design and manage their IT environments in the cloud.

Cloud computing has transitioned from a technology disruptor to a vital driver for sustaining business competitiveness. As global spending on public cloud services is expected to reach US$679 billion in 2024[1], customer demand for cloud solutions and expert support is surging. With our certification underscoring the strengthened partnership between HKBNES and Alibaba Cloud, we will leverage our extensive experiences and expertise to assist businesses in their cloud transformation journeys, empowering customers to capitalise on new market opportunities, particularly in the GBA market.

William Ho
Co-Owner and CEO — Enterprise Solutions

Breaking new ground in multi-cloud system integration, the HKBN Enterprise Solutions team is proud to be Hong Kong's first certified Alibaba Cloud Landing Zone Partner.

We are thrilled to certify HKBNES as our first Alibaba Cloud Landing Zone Partner in Hong Kong. With a highly successful track record of deploying multi-cloud system integration for leading conglomerates, financial institutions, and the public service sectors, HKBNES is positioned at the forefront to unlock even greater possibilities from cloud architecture and multi-cloud system integration in Hong Kong and beyond.

Leo Liu
Vice President of International Business and General Manager of North APAC Region, Alibaba Cloud

[1] Source: Gartner press release: Gartner Says Cloud Will Become a Business Necessity by 2028 (November 2023)

A Look at 1H2024

Fortinet Engage Partner Program

In January 2024, we proudly became APAC's first to meet all seven specialisations under Fortinet's prestigious Engage Partner Program, demonstrating our never-ending commitment to technical excellence.

Fortinet's Engage Partner Program empowers partners like us to gain value as trusted advisors who hold the cutting-edge expertise, services, and technologies to serve the digital transformation requirements of our customers. This comprehensive programme comprises seven specialisations that partners can attain across high-demand areas in today's fast-paced cybersecurity landscape, including SD-WAN, LAN Edge & SD Branch, Data Centre, Cloud Security, Zero Trust Network Access, Operational Technology and Security Operations.

Breaking ground with yet another first in Asia for HKBN!

> We congratulate HKBNES for being our first partner in APAC to achieve all seven specialisations in our Engage Partner Program. This remarkable achievement exemplifies HKBNES's commitment to technology excellence and establishes them as a leading partner for driving digital innovation and progress throughout the region. We are thrilled to maintain our partnership with HKBNES, working together to provide top-tier solutions that will empower businesses in Hong Kong during their transformation journeys.

Cherry Fung
Regional Director, Hong Kong, Macau and Mongolia, Fortinet

> In an era when technology and threats are evolving at an unprecedented pace, we're continuing our partnership with Fortinet to stay ahead of the industry, and to help more organisations across the region expedite their security and network strategies through unified and integrated solutions.

Martin Ip
Co-Owner, Chief Technology Officer and Vice President of Sales Engineering — Enterprise Solutions

RUCKUS AI-powered Managed Wi-Fi

As AI continues to reshape everyday life, HKBNES teamed up with RUCKUS Networks (RUCKUS) to launch Hong Kong's first RUCKUS AI-powered Managed Wi-Fi service.

RUCKUS AI revolutionises network management, delivering substantial productivity improvements for businesses globally. This includes impressive reductions of up to 70% in mean time to resolution and a 60% decrease in IT time. HKBNES is excited to provide these advantages to our customers, offering an AI-driven solution that proactively predicts and prevents potential Wi-Fi issues before they arise.

> We're thrilled to extend our strategic collaboration with HKBNES to bring our AI-powered Managed Wi-Fi solution to Hong Kong. This partnership leverages the strengths of both RUCKUS's industry-leading AI technology and HKBNES's exceptional connectivity capabilities. Together, we're delivering advanced AI capabilities for Wi-Fi management to empower businesses in Hong Kong.
>
> **Wilson Ching**
> *Regional Director, GC (China, HK, Macau and Taiwan), RUCKUS NETWORKS*

Priority Plus Home Wi-Fi Solution

Priority Plus, the latest collaboration between HKBN and TP-Link, is an enhanced managed solution for home connectivity. Priority Plus simplifies the Wi-Fi experience by offering an all-in-one home Wi-Fi solution powered by TP-Link's Aginet network management platform. With expedient remote diagnosis and support, users no longer have to worry about setting up routers or troubleshooting complex issues. Priority Plus ensures seamless network management, minimising problems and maximising performance for the entire household. For more about Priority Plus, please refer to page 15 of this report.

N mobile

Introduced in late 2023, N mobile is a refreshing new all-in-one mobile service platform that combines lifestyle and travel features with user customisation. With flexible pricing, partner rewards, and exclusive discounts, N mobile provides a superior service package experience focussed on comprehensive cross-border and overseas connectivity, including local and Greater Bay Area mobile data, Global SIM Travel Data service, Global Talk+ voice roaming app, and HKBN SAFE network security protection. For more about N mobile, please refer to page 14 of this report.

Kenneth She, Co-Owner-to-be and Chief Transformation Officer, showcased N mobile's unique fusion of travel & lifestyle at the launch event.

A Look at 1H2024

Celebrating Win-Wins with Technology Partners

Technology is at the heart of our ICT Powerhouse business at HKBN, and we take great pride in forging mutually beneficial partnerships with the world's leading tech providers. In November 2023, we proudly hosted our 2nd Annual HKBNES Partner Night. This exclusive event served as a unique platform to both showcase and strengthen the deep connections we have with our technology vendors — as well as recognise their tremendous support in our shared journey of growth.

Highlights of our Partner Night include:

- HKBNES's future roadmap for delivering ICT Powerhouse solutions across Hong Kong, mainland China and beyond
- We handed out awards to appreciate and recognise the excellence of our technology partners
- Connected and engaged with partners on a deeper level, enabling stronger collaborations in the future
- As innovation continues to be a key market priority, we showcased our relentless hunger for disruption and to grow alongside our partners

Magic happens when great talents come together! HKBN Enterprise Solutions CXOs and senior leaders rocked the house as hosts at HKBNES Partner Night 2023.

The Hong Kong Tennis Open 2024 — Official Network Partner

As the Official Network Partner of the highly anticipated Bank of China Hong Kong Tennis Open 2024, we demonstrated our expertise in delivering exceptional connectivity. Leveraging our position as a leader in high-performance Internet and wireless services, we ensured fans both locally and worldwide enjoyed an unparalleled experience while witnessing the exciting action at Victoria Park Tennis Stadium.

In collaboration with CommScope RUCKUS Networks (RUCKUS), we equipped the venue with cutting-edge outdoor wireless access points, providing comprehensive network coverage and supporting thousands of simultaneous device connections. Combined with HKBN's high-speed fibre broadband service, audiences enjoyed smooth and stable Internet connectivity for live streaming, capturing and sharing exciting moments, and staying connected with loved ones throughout the event.

As the Official Network Partner for the Bank of China Hong Kong Tennis Open 2024, HKBN worked together with HKCTA and RUCKUS to provide a world-class internet experience. (From left: Wilson Ching, RUCKUS NETWORKS Regional Director, GC (China, HK, Macau and Taiwan); Michael Cheng, Hong Kong, China Tennis Association President; Martin Ip, Co-Owner, Chief Technology Officer and Vice President of Sales Engineering, Enterprise Solutions.)

Talent Engagement

At HKBN, Talents are the driving force behind our success. We believe that in order to lead with Purpose, our Talents must bring their full passion, commitment, and alignment to work every day. That's why we go above and beyond to ensure that HKBNers are fully supported via our unique culture — which embraces diversity, inclusion, LIFE-work Priority and Talent wellness — with the necessary tools, development opportunities and incentives to thrive and succeed.

LIFE-work Priority & Talent Wellness

As a principle, we maintain that personal wellbeing and family always comes first before work — when Talents can spend quality time with friends and family, we believe they come to work more motivated and passionate to perform. Upholding this, we offer our Talents attractive benefits and flexibility for LIFE-work priority — instead of just work-life balance.

Walk Up Jardine House

This year, HKBN enthusiastically participated in the Walk Up Jardine House, a unique hybrid challenge event designed to engage participants through a combination of physical and virtual experiences. Demonstrating our can-do attitude and strong team spirit, we proudly achieved first place overall among all companies in Hong Kong in the virtual challenge. Our remarkable achievement is the result of our Talents who, over the course of two weeks, collectively walked a total of 835,243 steps using step machines placed at our offices.

Our Talents blazed through the "Walk Up Jardine House — Physical Race", organised by MINDSET Hong Kong. Fresh off our victory in the virtual race, our Elite Sports Team charged up 49 floors and 947 steps of Jardine House.

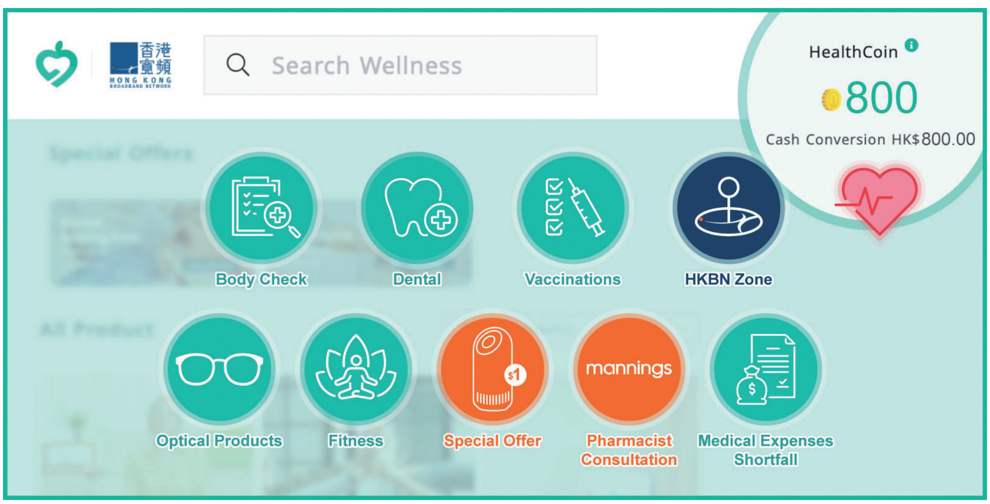
Inspiring future heroes! Our Smart Working Parents Club ignited a day of discovery for HKBNers and their little ones at the local fire-station.

In the spirit of bringing HKBN and our Talents good fortune, prosperity and plain old fun, we celebrated the Year of the Wood Dragon with traditional lion dance performances!

Digitalising our Approach to Talent Wellness

As technologists, we are always seeking innovative ways to make HKBN a better place for our Talents. This time, we harnessed the power of the MixCare Health platform to digitally redefine how we deliver wellness.

Moving beyond traditional medical insurance coverage, our disruptive approach empowers HKBNers to lead healthier lifestyles by providing them with a range of flexible options. They can now choose from wellness activities such as fitness or yoga classes, access prescription eyeglasses or medication, and more. The reimbursement process is simple, requiring just a few clicks. Moreover, our Talents gain access to a vibrant wellness marketplace, offering incredible discounts on dental care, health checks, and other services. They even enjoy exclusive HKBN flash offers, including $1 air purifiers, adding even more delight to their wellness journey.



Digital wellness at your fingertips! With MixCare, our Talents can now browse the latest wellness offers, redeem health & wellness benefits and much more.

Talent Learning & Development

As champions of change, we fully embrace lifelong learning and development to ensure that our Talents can thrive in today and tomorrow's competitive landscape. Our Talent development programmes include curated pathways and recommendations to help Talents grow and develop at every step of their careers — making HKBN one of the best in our industry at nurturing leaders. Besides providing Talents of every level a broad range of mandatory job-related knowledge and skills, leadership development and comprehensive training, we also offer tailor-made programmes for selected Talents.

The following are a sample of the initiatives we organised during the reporting period:

- **ES Sales Accelerator Training**, a mandatory training initiative aimed at improving our ES Sales Talents and their skills in areas like sales pitching, learning from rejection, understanding customer psychology and much more.
- **Enhance Team Synergy Workshop**, introduced in November 2023, is a dynamic programme that assessed individual communication styles and provided personalised 1-on-1 coaching to enhance rapport and foster a more cohesive and productive work environment.
- **Impactful Presentation Skills Workshops**, delivered across three sessions, these workshops helped empower Talents with the tools and techniques needed to deliver high impact presentations.
- **Sales Training in mainland China**, we custom developed sales training courses based on our respective departmental needs with an aim of improving Talents skillsets and proficiencies.

Talent Training
Regular training plays a crucial part in ensuring that our knowledge, best practices and skills stay up to date. In terms of required training for all Talents, we offer annual refreshers on job-specific areas like customer service, as well as ethics training covering anti-bribery, anti-corruption and whistleblowing.

All new joiners are required to complete training programmes which familiarise them with our company culture and policies, as well as to equip them with the necessary skills for day-to-day duties. These trainings cover topics like company culture and policy, IT basics, information security, ESG requirements, and more.

During the reporting period, a total of 27,378 hours of training were provided.

Unleashing the power within: year-round training helps our Talents sharpen their skills, knowledge and best practices.

Diversity & Inclusion

International Women's Day
As a strong advocate for diversity and representation, this year we organised a range of engaging workshops and events to commemorate International Women's Day. These initiatives aimed to celebrate women while promoting gender equality in our workplace. Through thought-provoking discussions and empowering sessions, we fostered an inclusive environment that recognised the value and perspectives women bring to the growth and success of HKBN.

Board Diversity
During the reporting period, we furthered our progress in diversity by expanding the composition of our Board of Directors. In line with our commitment to inclusivity, we proudly appointed three highly accomplished female Independent Non-executive Directors to join our board. By bringing in individuals with diverse backgrounds, perspectives, and expertise, we enhance the quality of decision-making and broaden the range of experiences shaping our Group's strategic direction.

Enhancing our Business

Making progress starts from transforming HKBN into a better company — not just in a few areas, but in every area — from our environmental impact and cybersecurity to technology infrastructure.

Delivering the best network experience

To maintain our leadership position in terms of performance, reliability and coverage, this year we continued to invest greatly in our network and our technologies. Standard procedures and escalation guidelines are also in place to ensure rigorous monitoring of our network performance across different service platforms.

Network Performance
Our Network Operation Centre (NOC) works around-the-clock to monitor and oversee our network performance. By applying innovative network monitoring tools and robotic processing automation (RPA), our NOC actively carries out health checks to ensure network quality is sound and to minimise troubleshooting timeframes. Our NOC also closely monitors WAN link utilisation and dynamically manages routing and capacity on-demand to ensure smoother delivery of broadband services.

To prevent outages, our Network Service team and world-class partners carry out regular evaluations across our various service platforms and equipment infrastructure. This helps to ensure a healthy status is maintained throughout — and when anomalies are identified, defective equipment gets quickly replaced.

A Look at 1H2024

Residential Solutions

Availability of Core Network	Availability of Access Network
100%	**99.9958%**

Enterprise Solutions

Availability of Core Network	Availability of Access Network
99.9998%	**99.9997%**

Network Coverage

Over the past several years, we have continuously expanded our residential and enterprise coverage. We have set a high priority to support the 5G base stations of mobile network operators by providing state-of-the-art fibre service with our strong network capacity advantages. We also focussed on newly developed residential and commercial buildings to ensure fibre service is in place for users when they move in. Part of our infrastructure strategy is also to accelerate our network's expansion across rural areas in Hong Kong, prioritising first any villages in close proximity to our existing fibre network coverage. During the reporting period, our fibre coverage was extended to 18,487 additional homes, of which 1,197 were in rural areas. Likewise, 27 commercial buildings were added to our fibre network coverage.

As at the end of 1H2024, our fibre network reached around 2,579,000 homes and 8,117 commercial buildings and facilities.

Network Improvements and Upgrades

Our world-class network requires the best hardware and software to be the best. Knowing this, we invested heavily towards upgrades and expansions on multiple platforms to ensure reliability, operability and scalability.

During the reporting period, we undertook the following network enhancement initiatives:

- Upgraded our GPON access, DWDM transmission, Metro Ethernet and IP routing for service sustainability
- Expanded network infrastructure via 10G broadband service and n x 100G network core to future-proof for growing demand from new services and ad-hoc usage surges
- Enhanced the power supply and cooling facilities at our essential hub sites

The Customer Experience

Every customer interaction is an opportunity to make a positive impression on how our brand is perceived and experienced. Through our commitment to deliver impactful customer experiences, we're taking a systematic approach to improve our self-service customer support functions. Across our Residential Solutions and Enterprise Solutions businesses, we continued implementing measures to enhance and redefine customer experiences. Our embrace of digital innovations is also making it easier for customers to do business with us.

Residential Solutions

When customers need assistance, they deserve fast, easy and effective service. Our customers can get help through multiple channels such as our customer service hotline, online platforms, email and social media. Since November 2020, we have utilised Chatbots to provide instant responses to general enquiries made online. At the same time, we also offer self-service tools that provide customers with flexibility to choose the assistance options they prefer. During the reporting period, we achieved an average answer rate of 95% across our enquiry channels.

Speed isn't only restricted to our Internet experience; it also applies to our service during installation and maintenance. With sufficient manpower in place, we make sure that customers can schedule an installation appointment within three calendar days. During the reporting period, the average lead time from receiving a customer request to completing the installation was 1.1 days. Meanwhile, 99% of maintenance appointments were arranged within two calendar days.

Enterprise Solutions
In addition to our customer service hotline and various other online platforms, we have dedicated managers and account serving relationship executives who are assigned to serve each Enterprise Solutions customer.

Enterprise customers can reach us through multiple ways via service hotline, online platforms, emails and other channels. During the reporting period, we achieved an average answer rate of 92% for our customer service hotline.

Listening to our Customers
We listen carefully to our customers and use their feedback to help us improve. The following highlights the many ways we gather practical feedback for our Residential Solutions and Enterprise Solutions businesses.

Residential Solutions
Following every contact with our customer service team, customers are invited to rate the level of their satisfaction, based on a score from 1 to 6. If the score is 2 or below, our team leaders will contact the customer to better understand why, and if necessary, carry out follow-up actions to rectify or improve the experience. During the reporting period, the average satisfaction scores of our combined customer service channels, which includes our customer service hotline, online platform and email, was 5.82 out of 6.

Additionally, we gather feedback on the customer experience by conducting satisfaction surveys with new customers, and via surveys conducted the next day after every installation or maintenance order. During the reporting period, our new broadband customers rated their satisfaction at 4.7 out of 6, while the score given to our installation and maintenance service was 5.74 out of 6. For scores of 3 or below, our team will contact the respective customer to follow-up.

Besides surveys, we have also adopted quality enhancement programmes such as mystery shopper and promoter booth assessments to evaluate the performance of our direct sales teams. During the reporting period, our mystery shopper assessment and promoter booth assessment results were respectively at 77.9 out of 100 and 85.8 out of 100.

Enterprise Solutions
To help us better understand customer expectations, monthly surveys are carried out to gather feedback on our products and services. During the reporting period, the average satisfaction scores we received from customers was 4.8 out of 6.

Selling Responsibly
Doing business the right way means we are committed to being fair, transparent and ethical about our sales and marketing practices. Standard policies and procedures ensure that all our marketing materials are compliant with the relevant laws and regulations, including the Trade Descriptions Ordinance in Hong Kong. All marketing materials are vetted and approved by our legal and/or senior management teams before engaging customers.

To ensure that our frontline Talents are up-to-date with our latest sales and marketing information, as well as on how to deal with customers fairly, we put extra effort on training all Talents involved with the sale of our products, services and solutions. In addition, all new sales-related Talents are required to attend trainings on Personal Data (Privacy) Ordinance, Trade Descriptions Ordinance and Code of Practices on Marketing Calls. Regular sales and marketing refresher trainings and quality improvement trainings are also provided to all sales-related Talents to ensure our standard of quality stays consistent across the business.

As at the end of the reporting period, 23,358 hours of product, sales, marketing, quality improvement, and ethics trainings were provided to our new Residential Solutions and Enterprise Solutions Talents.

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

Data Privacy

Customers trust us with their personal data. Maintaining and protecting their trust is a top priority for our business. With cyber threats on the rise, we continued to ramp up our security and best practises by implementing industry-leading data protection standards throughout our operations.

Strengthening our Information Security Capabilities

Improved security awareness for all Talents is the most effective way we can protect our operations from cyberattacks. All frontline new joiners are required to attend trainings on Personal Data (Privacy) Ordinance, which stresses the importance of following our internal policies, procedures and compliance guidelines.

On a regular basis, our Information Security team engages all Talents with insightful resources, including emails covering a wide range of security topics, from known vulnerabilities in smartphone platforms and best practice tips to actual cyberattacks reported in the news. Additionally, during the reporting period, we continued to conduct impromptu phishing assessments with a goal of bolstering our vigilance against external threats.

Besides cultivating a regimented culture of security for our Talents, we also shared Information Security awareness training materials with our contractors and suppliers, as well as organised free cybersecurity workshops and assessments for a number of social profit organisations, and volunteer sharing sessions for youths and the elderly.

Climate Action

HKBN is taking bold action to build a brighter, greener future for our environment. Recognising that we are not alone in facing this challenge, we actively seek smarter eco-solutions while engaging our Talents, customers, business partners, and wider communities to join us in making a greater impact.

Improving Energy Footprint and Waste Diversion

Throughout the reporting period, we continued to implement enhancements aimed at achieving our long-term goal of reducing electricity consumption and increasing waste diversion in a sustainable manner. These enhancements encompassed both behavioural changes among our Talents and physical changes applied across our facilities. Here are a few noteworthy examples of the work we undertook:

- We conducted third party energy audits in office and data centre to help further improve our energy saving efforts in the future.
- To promote energy efficiency, we implemented seasonal measures by strategically switching off 30% of office air conditioners during the winter months.
- We conducted an energy-saving assessment for our warehouse and shop facilities, and will use the findings to revamp the placement of our lighting systems with automated times for more efficient consumption.
- In a conscious effort to reduce our environmental impact, we made the decision to discontinue the use of e-signage at all our shops, and curtailed the use of e-signage at our office premises.
- Temperature sensors were installed at our office lift lobbies to regulate the air conditioning and maintain temperature at a default range.
- To minimise paper waste and promote a sustainable operating environment, we discontinued the use of several printers and paper shredders in our offices.
- We conducted a thorough waste audit and gained valuable insights to identify areas where we can enhance our waste management practices.
- Our internal Free2Share programme garnered over 1,600 items (memo pads, HDMI cables, and plastic plates) to be shared with fellow HKBNers and the community via GOODS-CO, an organisation dedicated to extending the life of second hand items.

Empowering our Communities

As digitalisation accelerates across every aspect of society, those who lack access and the skills to adapt will increasingly fall behind. By harnessing our competitive advantage in technology and telecommunications, we aim to bridge the digital divide within our communities through promoting and educating on digital literacy, cyber wellness, as well as by removing the barriers for digital access.

Digital Wellness for Youths

In collaboration with The Boys & Girls Clubs Association of Hong Kong, our dedicated HKBN VOOLunteers organised two engaging seminars for their youth members. These interactive sessions aimed to enhance their cybersecurity awareness, with a specific focus on social media literacy and the risks associated with AI deepfake technology and fraud.

Paving the way for a safer digital world, our VOOLunteers engaged kids on the importance of cybersecurity awareness.

Empowering the Elderly

In February 2024, we organised a meaningful volunteer activity to empower the elderly community with essential knowledge to safely navigate the digital world. Through this initiative, participants expressed an increased awareness of how to keep their personal information secure. This positive outcome is a testament to our successful efforts in fostering digital literacy and a safer usage of social media and technology within the community.

Spreading smiles and know-how! During the Lunar New Year, we organised a heartwarming visit at the Caritas Community Centre — Ngau Tau Kok, where our VOOLunteers brought joy, laughter, and plenty of cybersecurity tips for the elderly.

A Look at 1H2024

Suppliers & Partners

At HKBN, we believe the best business outcomes happen when all parties win. Rather than profit off one another, we're working with a diverse network of world-class global and local partners and suppliers — to prosper together. By nurturing strong, long-lasting and trusting relationships, we go beyond merely ensuring the continuity of our product and service supply to form win-win-win partnerships.

Supply Chain: Latest Enhancements

As a responsible business committed to supply chain sustainability, we took significant steps during the reporting period to strengthen our supplier relationships. This included revising our Supplier Code of Conduct (SCoC) and supplier questionnaire to incorporate important updates, such as our "No Gift Policy," our zero tolerance stance on workplace harassment, confidential information handling, anti-corruption measures, and more.

To address the increasing concerns surrounding cybersecurity, we collaborated with our information security team to conduct external audits in November 2023. These audits specifically focused on evaluating the security posture of our highest spend suppliers, aiming to assess the level of security risk within our supply chain. As a result, we identified suppliers who required improvements and promptly requested they take actions to enhance their security measures.

In January 2024, we initiated our inaugural ESG assessment, evaluating the performance of 62 SME suppliers. While our objective was to identify areas for improvement and enhance their ESG awareness and standards, the assessment revealed the following key areas needing attention: 1) climate change and greenhouse gas emissions; 2) environmental policy and management; and 3) human rights. To address these gaps, our procurement team will provide targeted training materials to assist these suppliers in enhancing their ESG practices.

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 30 to 60 which comprises the consolidated statement of financial position of HKBN Ltd. (the "Company") as of 29 February 2024 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 months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 29 February 2024 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

26 April 2024

Consolidated Income Statement

for the six months ended 29 February 2024 — unaudited (Expressed in Hong Kong dollars)

		Six months ended	
		29 February	28 February
		2024	2023
	Note	**$'000**	$'000
Revenue	3	**5,809,091**	6,707,216
Other net (loss)/income	4(a)	**(506)**	9,667
Network costs and costs of sales		**(3,772,148)**	(4,573,040)
Other operating expenses	4(b)	**(1,627,772)**	(1,746,248)
Finance costs	4(d)	**(400,712)**	(324,445)
Share of profits of associates		**–**	3,112
Share of losses of joint ventures	9(b)	**(165)**	(65,220)
Profit before taxation	4	**7,788**	11,042
Income tax (charge)/credit	5	**(6,254)**	12,196
Profit for the period attributable to equity shareholders of the Company		**1,534**	23,238
Earnings per share	6		
Basic		**0.1 cents**	1.8 cents
Diluted		**0.1 cents**	1.6 cents

The notes on pages 37 to 60 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 29 February 2024 — unaudited (Expressed in Hong Kong dollars)

	Six months ended	
	29 February 2024 $'000	28 February 2023 $'000
Profit for the period	**1,534**	23,238
Other comprehensive income for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong, with nil tax effect	**4,739**	(1,537)
Share of other comprehensive income of associates	**106**	447
Other comprehensive income for the period	**4,845**	(1,090)
Total comprehensive income for the period attributable to equity shareholders of the Company	**6,379**	22,148

The notes on pages 37 to 60 form part of this interim financial report.

Consolidated Statement of Financial Position

at 29 February 2024 — unaudited (Expressed in Hong Kong dollars)

	Note	At 29 February 2024 $'000	At 31 August 2023 $'000
Non-current assets			
Goodwill		**7,816,507**	7,816,507
Intangible assets		**2,568,989**	2,775,801
Property, plant and equipment	7	**3,268,233**	3,418,992
Right-of-use assets	8	**600,039**	689,568
Customer acquisition and retention costs		**468,962**	464,533
Interest in associates		**–**	4,332
Interest in joint ventures	9	**6,133**	6,284
Deferred tax assets		**105,928**	66,674
Other non-current assets		**73,099**	72,289
		14,907,890	15,314,980
Current assets			
Inventories		**123,864**	105,681
Trade receivables	10	**950,444**	909,394
Other receivables, deposits and prepayments	10	**430,714**	465,921
Contract assets		**272,942**	315,420
Amounts due from joint ventures		**155**	5,663
Tax recoverable		**16**	–
Financial assets at fair value through profit or loss	17	**12,774**	13,777
Cash and cash equivalents	11	**804,443**	1,016,769
		2,595,352	2,832,625
Current liabilities			
Trade payables	12	**971,816**	927,666
Other payables and accrued charges — current portion	12	**811,680**	869,699
Contract liabilities — current portion		**503,369**	573,977
Deposits received		**85,160**	83,277
Amounts due to an associate		**–**	4,332
Amounts due to joint ventures		**10,000**	10,000
Bank and other borrowings	13	**246,814**	284,861
Lease liabilities — current portion		**143,455**	150,910
Tax payable		**82,054**	193,843
Other current liabilities	14	**13,848**	13,575
		2,868,196	3,112,140
Net current liabilities		**(272,844)**	(279,515)
Total assets less current liabilities		**14,635,046**	15,035,465

Consolidated Statement of Financial Position

at 29 February 2024 — unaudited (Expressed in Hong Kong dollars)

	Note	At 29 February 2024 $'000	At 31 August 2023 $'000
Non-current liabilities			
Other payables and accrued charges — long-term portion	12	–	18,000
Contract liabilities — long-term portion		191,521	160,162
Deferred tax liabilities		629,422	684,672
Lease liabilities — long-term portion		317,908	385,105
Provision for reinstatement costs		54,054	54,003
Bank and other borrowings	13	10,676,892	10,671,853
Other non-current liabilities	14	3,572	10,588
		11,873,369	11,984,383
NET ASSETS		2,761,677	3,051,082
CAPITAL AND RESERVES	15		
Share capital		132	132
Reserves		2,761,545	3,050,950
TOTAL EQUITY		2,761,677	3,051,082

The notes on pages 37 to 60 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 29 February 2024 — unaudited (Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company							
	Note	Share capital $'000	Share premium $'000	Vendor Loan Notes (note 16) $'000	Capital reserve $'000	Other reserve $'000	Retained profits $'000	Exchange reserve $'000	Total $'000
Balance at 1 September 2022		132	427,882	2,349,204	40,803	596,420	1,527,522	(17,880)	4,924,083
Changes in equity for the six months ended 28 February 2023:									
Profit for the period		–	–	–	–	–	23,238	–	23,238
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong, with nil tax effect		–	–	–	–	–	–	(1,537)	(1,537)
Share of other comprehensive income of associates		–	–	–	–	–	–	447	447
Total comprehensive income		–	–	–	–	–	23,238	(1,090)	22,148
Dividend approved to equity shareholders of the Company in respect of the previous year	15(b)(ii)	–	(262,320)	–	–	–	–	–	(262,320)
Distribution to holders of Vendor Loan Notes		–	(33,464)	–	–	–	–	–	(33,464)
Balance at 28 February 2023 and 1 March 2023:		132	132,098	2,349,204	40,803	596,420	1,550,760	(18,970)	4,650,447
Changes in equity for the six months ended 31 August 2023:									
Loss for the period		–	–	–	–	–	(1,290,646)	–	(1,290,646)
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong, with nil tax effect		–	–	–	–	–	–	(13,213)	(13,213)
Share of other comprehensive income of associates		–	–	–	–	–	–	(773)	(773)
Exchange differences on translation of foreign operations transferred to consolidated income statement upon disposal		–	–	–	–	–	–	1,051	1,051
Total comprehensive income		–	–	–	–	–	(1,290,646)	(12,935)	(1,303,581)
Dividend declared to equity shareholders of the Company in respect of the current year	15(b)(i)	–	(98,634)	–	–	–	(163,686)	–	(262,320)
Distribution to holders of Vendor Loan Notes		–	(33,464)	–	–	–	–	–	(33,464)
Balance at 31 August 2023		132	–	2,349,204	40,803	596,420	96,428	(31,905)	3,051,082

Consolidated Statement of Changes in Equity

for the six months ended 29 February 2024 — unaudited (Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company							
	Note	Share capital $'000	Share premium $'000	Vendor Loan Notes (note 16) $'000	Capital reserve $'000	Other reserve $'000	Retained profits/ (Accumulated loss) $'000	Exchange reserve $'000	Total $'000
Balance at 1 September 2023		132	–	2,349,204	40,803	596,420	96,428	(31,905)	3,051,082
Changes in equity for the six months ended 29 February 2024:									
Profit for the period		–	–	–	–	–	1,534	–	1,534
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong, with nil tax effect		–	–	–	–	–	–	4,739	4,739
Share of other comprehensive income of associates		–	–	–	–	–	–	106	106
Total comprehensive income		–	–	–	–	–	1,534	4,845	6,379
Dividend approved to equity shareholders of the Company in respect of the previous year	15(b)(ii)	–	–	–	–	–	(262,320)	–	(262,320)
Distribution to holders of Vendor Loan Notes		–	–	–	–	–	(33,464)	–	(33,464)
Balance at 29 February 2024		132	–	2,349,204	40,803	596,420	(197,822)	(27,060)	2,761,677

The notes on pages 37 to 60 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 29 February 2024 — unaudited (Expressed in Hong Kong dollars)

	Six months ended	
	29 February 2024 $'000	28 February 2023 $'000
Operating activities		
Cash generated from operations	**1,006,841**	1,151,303
Tax paid:		
— Hong Kong Profits Tax paid	**(207,768)**	(227,640)
— Tax paid outside Hong Kong	**(4,783)**	(6,665)
Net cash generated from operating activities	**794,290**	916,998
Investing activities		
Payment for the purchase of property, plant and equipment	**(195,923)**	(292,356)
Proceeds from sale of property, plant and equipment	**219**	666
Net cash outflow in respect of deemed disposal of subsidiary	**(312)**	–
Interest received	**5,832**	4,702
Net cash used in investing activities	**(190,184)**	(286,988)
Financing activities		
Capital element of lease rentals paid	**(79,959)**	(78,015)
Interest element of lease rentals paid	**(11,545)**	(10,639)
Proceeds from bank and other borrowings, net of transaction costs	**216,527**	389,669
Repayment of bank and other borrowings	**(269,328)**	(529,993)
Repayment of other financial liabilities	**(7,021)**	(7,021)
Interest paid on bank and other borrowings and interest rate swap	**(367,976)**	(244,841)
Dividend paid to equity shareholders of the Company	**(262,320)**	(262,320)
Distribution to holders of Vendor Loan Notes	**(33,464)**	(33,464)
Net cash used in financing activities	**(815,086)**	(776,624)
Net decrease in cash and cash equivalents	**(210,980)**	(146,614)
Cash and cash equivalents at the beginning of the period	**1,016,769**	1,129,226
Effect of foreign exchange rate changes	**(1,346)**	(2,878)
Cash and cash equivalents at the end of the period	**804,443**	979,734

The notes on pages 37 to 60 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 26 April 2024.

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 2023, except for the accounting policy changes that are expected to be reflected in the 2024 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 2023. 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 29.

Going concern assumption

As at 29 February 2024, the current liabilities of the Group exceeded their current assets by approximately $273 million. Included in the current liabilities were (i) current portion of contract liabilities of $503 million recognised under Hong Kong Financial Reporting Standard ("HKFRS") 15 which will be gradually reduced through performance obligations being satisfied over the contract terms and (ii) current portion of lease liabilities of $143 million recognised under HKFRS 16 relating to leases with a lease term of more than 12 months and with a corresponding asset recorded in the non-current assets as right-of-use assets. Management of the Group anticipates the net cash inflows from their operations, together with the ability to draw down from available bank loan facilities, would be sufficient to enable the Group to meet their liabilities as and when they fall due. Accordingly, this unaudited condensed consolidated interim financial information has been prepared on a going concern basis.

2 Changes in accounting policies

The Group has applied the following new and amended HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform — Pillar Two model rules*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs which are relevant to the Group's financial statements are discussed below:

Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

2 Changes in accounting policies (continued)

Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities, but does not impact the overall deferred tax balances presented in the statement of financial position as the related deferred tax balances qualify for offsetting under HKAS 12.

Amendments to HKAS 12, *Income taxes: International tax reform — Pillar Two model rules*

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development ("OECD") (income tax arising from such tax laws is hereafter referred to as "Pillar Two income taxes"), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax including the estimated tax exposure to PillarTwo income taxes. The amendments are immediately effective upon issuance and require retrospective application.

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	
	29 February 2024 $'000	28 February 2023 $'000
Disaggregated by major products or service lines:		
Fixed telecommunications network services	**2,296,180**	2,326,218
International telecommunications services	**427,437**	519,777
Other services	**179,252**	181,866
Fees from provision of telecommunications services	**2,902,869**	3,027,861
Product revenue	**2,317,164**	3,161,818
Technology solution and consultancy services	**589,058**	517,537
Revenue from contracts with customers within the scope of HKFRS 15	**5,809,091**	6,707,216

3 Revenue and segment reporting (continued)

(a) Disaggregation of revenue (continued)

	Six months ended 29 February 2024 $'000	Six months ended 28 February 2023 $'000
Disaggregated by major categories:		
Residential Solutions revenue	**1,181,509**	1,196,941
Enterprise Solutions revenue	**2,310,418**	2,348,457
Enterprise Solutions related products revenue	**951,692**	1,039,731
Handset and other products revenue	**1,365,472**	2,122,087
	5,809,091	6,707,216
Disaggregated by geographical location of customers:		
Hong Kong	**5,267,918**	6,160,243
Mainland China	**296,010**	357,772
Other territories	**245,163**	189,201
	5,809,091	6,707,216

During the periods ended 29 February 2024 and 28 February 2023, product revenue is recognised at a point in time and revenue from the provision of telecommunications services is substantially recognised over time.

One customer of the Group contributed 22.5% of the Group's total revenue for the six months ended 29 February 2024.

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 most senior executive management reviews the Group's internal reporting for the purposes of assessing 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 resources allocation and performance assessment, the Group has presented the following two reportable segments. 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 telecommunications and technology solutions and consultancy services in Mainland China and Macau.

(i) Segment results, assets and liabilities

The Group's senior executive management monitors the results performance 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.

The performance measure used for reporting segment profit is 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.

In addition to receiving segment information concerning the reportable segment profit, management is provided with segment information concerning inter-segment sales, interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation, capital expenditures and income tax.

Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Segment assets and liabilities of the Group are not reported to the Group's chief operating decision makers regularly. As a result, reportable assets and liabilities have not been presented in the financial statements.

3 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

(ii) Telecom and technology solutions (non-Hong Kong) (continued)

(i) Segment results, assets and liabilities (continued)

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

	Telecom and technology solutions (Hong Kong)		Telecom and technology solutions (non-Hong Kong)		Total	
For the six months ended	29 February 2024 $'000	28 February 2023 $'000	29 February 2024 $'000	28 February 2023 $'000	29 February 2024 $'000	28 February 2023 $'000
Disaggregated by timing of revenue recognition						
Point in time	1,870,080	2,695,015	447,084	466,803	2,317,164	3,161,818
Over time	3,397,811	3,465,228	94,116	80,170	3,491,927	3,545,398
Revenue from external customers	5,267,891	6,160,243	541,200	546,973	5,809,091	6,707,216
Inter-segment revenue	27,476	28,291	148,871	154,524	176,347	182,815
Reportable segment revenue	5,295,367	6,188,534	690,071	701,497	5,985,438	6,890,031
Reportable segment profit	1,118,208	1,083,406	29,249	48,602	1,147,457	1,132,008

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

3 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

(ii) Telecom and technology solutions (non-Hong Kong) (continued)

(ii) Reconciliations between segment profit derived from Group's external customers and consolidated profit before taxation for the period

	Six months ended	
	29 February 2024 $'000	28 February 2023 $'000
Reportable segment profit derived from Group's external customers	**1,147,457**	1,132,008
Finance costs	**(400,712)**	(324,445)
Interest income	**5,832**	4,702
Depreciation	**(423,891)**	(466,287)
Amortisation of intangible assets	**(185,771)**	(195,991)
Amortisation of customer acquisition and retention costs	**(135,127)**	(138,945)
Consolidated profit before taxation	**7,788**	11,042

4 Profit before taxation

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

	Six months ended	
	29 February 2024 $'000	28 February 2023 $'000
(a) Other net loss/(income)		
Interest income	**(5,832)**	(4,702)
Net foreign exchange loss	**4,269**	15
Loss on disposal of subsidiary	**3,715**	–
Other income	**(1,646)**	(4,980)
	506	(9,667)

4 Profit before taxation (continued)

	Six months ended 29 February 2024 $'000	Six months ended 28 February 2023 $'000
(b) Other operating expenses		
Advertising and marketing expenses	**34,985**	32,864
Depreciation		
— Property, plant and equipment	**339,958**	368,175
— Right-of-use assets	**83,590**	96,729
Gain on disposal of property, plant and equipment, net	**(113)**	(472)
Gain on disposal of right-of-use assets, net	**–**	(53)
Recognition of loss allowance on trade receivables and contract assets	**41,830**	36,511
Talents costs (note 4(c))	**554,067**	609,817
Amortisation of intangible assets	**185,771**	195,991
Amortisation of customer acquisition and retention costs	**135,127**	138,945
Others	**252,557**	267,741
— Office rental and utilities	**29,806**	32,231
— Site expenses	**46,377**	40,932
— Bank handling charges	**18,945**	19,219
— Maintenance	**46,945**	61,845
— Subscription and license fees	**55,089**	56,679
— Legal and professional fees	**13,810**	12,687
— Printing, telecommunication and logistics expenses	**13,737**	20,973
— Others	**27,848**	23,175
	1,627,772	1,746,248

4 Profit before taxation (continued)

	Six months ended	
	29 February 2024 $'000	28 February 2023 $'000
(c) Talent costs		
Salaries, wages and other benefits	**652,849**	706,370
Contributions to defined contribution retirement plan	**51,821**	52,786
	704,670	759,156
Less: Talent costs capitalised as property, plant and equipment	**(23,951)**	(25,689)
Talent costs included in network costs cost of sales	**(126,652)**	(123,650)
	554,067	609,817

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

	Six months ended	
	29 February 2024 $'000	28 February 2023 $'000
(d) Finance costs		
Interest and finance charges on bank loans	**414,628**	316,342
Interest on other borrowings	**1,358**	2,467
Fair value gain on the interest-rate swap	**(27,098)**	(5,461)
Interest on lease liabilities	**11,545**	10,639
Interest on other liabilities	**279**	458
	400,712	324,445
(e) Other items		
Amortisation of intangible assets	**206,811**	217,031
Depreciation:		
— Property, plant and equipment	**339,958**	368,175
— Right-of-use assets	**83,933**	98,112
Rental charges on telecommunications facilities and computer equipment	**234,241**	227,670
Expenses relating to short-term leases and leases of low-value assets	**6,320**	6,975
Recognition of loss allowance on trade receivables and contract assets	**41,830**	36,511
Cost of inventories	**2,295,926**	3,004,833

5 Income tax (charge)/credit

	Six months ended	
	29 February 2024 $'000	28 February 2023 $'000
Current tax — Hong Kong Profits Tax	**(95,715)**	(93,800)
Current tax — Outside Hong Kong	**(5,029)**	(6,102)
Deferred tax	**94,490**	112,098
	(6,254)	12,196

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 29 February 2024 (six months ended 28 February 2023: 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 2023.

Taxation for subsidiaries outside Hong Kong 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 $1,534,000 (six months ended 28 February 2023: $23,238,000) and the weighted average number of ordinary shares in issue less shares held for the Co-Ownership Plan II, of 1,310,839,000 ordinary shares (six months ended 28 February 2023: 1,310,839,000 ordinary shares).

	Six months ended	
	29 February 2024 '000	28 February 2023 '000
Issued ordinary shares at 1 September 2022/2023	**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	**4,907**	4,907
Weighted average number of ordinary shares less shares held for the Co-Ownership Plan II	**1,310,839**	1,310,839

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 $1,534,000 (six months ended 28 February 2023: $23,238,000) 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 Vender Loan Notes, calculated as follows:

	Six months ended	
	29 February 2024 '000	28 February 2023 '000
Weighted average number of ordinary shares less shares held for the Co-Ownership Plan II	**1,310,839**	1,310,839
Add: effect of Vendor Loan Notes	**167,322**	167,322
Weighted average number of ordinary shares (diluted)	**1,478,161**	1,478,161

7 Property, plant and equipment

	At 29 February 2024 $'000	At 31 August 2023 $'000
Opening net book value	**3,418,992**	3,731,436
Exchange adjustments	**235**	(983)
Additions	**189,435**	403,364
Disposals (net carrying amount)	**(112)**	(627)
Depreciation charges for the period/year	**(339,958)**	(714,198)
Disposal of subsidiaries	**(359)**	–
Closing net book value	**3,268,233**	3,418,992

8 Right-of-use assets

	At 29 February 2024 $'000	At 31 August 2023 $'000
Opening net book value	**689,568**	705,607
Exchange adjustments	**185**	(2,028)
Additions	**8,207**	172,611
Modification	**(11,000)**	–
Disposals (net carrying amount)	**(2,988)**	–
Depreciation charges for the period/year	**(83,933)**	(186,622)
Closing net book value	**600,039**	689,568

During the six months ended 29 February 2024, the Group entered into a number of lease agreements for use of shop and office of $8,207,000 (six months ended 28 February 2023: $97,618,000).

9 Interest in joint ventures

(a) Details of the Group's interest in the joint ventures, which are accounted for using the equity method in the consolidated financial statements, are as follows:

Name of joint venture	Form of business structure	Place of incorporation/ establishment	Particulars of issued and paid up capital	Percentage of ownership interest held by a subsidiary	Principal activities and place of operation
BROADBANDgo Company Limited ("BROADBANDgo")	Limited liability company	Hong Kong	100 shares	60	Provision of broadband and Wi-Fi services in Hong Kong
TGgo Company Limited ("TGgo")	Limited liability company	Hong Kong	100 shares	40	Provision of cloud computing services in Hong Kong
HomePlus (Hong Kong) Limited ("HomePlus") *	Limited liability company	Hong Kong	500,000 shares	45.45	Provision of retail and e-commerce in Hong Kong
HomePlus Holding Limited ("HomePlus Holding") *	Limited liability company	Hong Kong	220,000,000 shares	45.45	Investment holdings in Hong Kong

BROADBANDgo,TGgo, HomePlus and HomePlus Holding are unlisted corporate entities whose quoted market prices are not available. In the opinion of the directors, these are arrangements whereby the Group and other parties contractually agree to share control of the arrangements, and have rights to the net assets of the arrangements. Accordingly, these investments have been accounted for as joint ventures.

* HomePlus and HomePlus Holding are in the process of winding up.

9 Interest in joint ventures (continued)

(b) Aggregate information of joint ventures that are not individually material:

	At 29 February 2024 $'000	At 31 August 2023 $'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**6,133**	6,284
Aggregate amounts of the Group's share of those joint ventures'		
— Loss and other comprehensive income for the period/year	**(165)**	(69,592)
— Total comprehensive income	**(165)**	(69,592)

10 Trade receivables and other receivables, deposits and prepayments

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

	At 29 February 2024 $'000	At 31 August 2023 $'000
Within 30 days	**472,497**	408,287
31 to 60 days	**197,546**	175,967
61 to 90 days	**101,229**	96,351
Over 90 days	**179,172**	228,789
Trade receivables, net of loss allowance	**950,444**	909,394
Other receivables, deposits and prepayments	**430,714**	465,921
	1,381,158	1,375,315

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.

All of the other receivables, deposits and prepayments are expected to be recovered or recognised as expense within one year.

11 Cash and cash equivalents

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

	At 29 February 2024 $'000	At 31 August 2023 $'000
Cash and cash equivalents in the consolidated cash flow statement	**804,443**	1,016,769

12 Trade payables, other payables and accrued charges

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

	At 29 February 2024 $'000	At 31 August 2023 $'000
Within 30 days	**427,721**	305,627
31 to 60 days	**197,720**	217,892
61 to 90 days	**103,615**	111,128
Over 90 days	**242,760**	293,019
	971,816	927,666
Trade payables	**971,816**	927,666
Other payables and accrued charges		
— Current portion	**811,680**	869,699
— Long-term portion	**–**	18,000
	1,783,496	1,815,365

13 Bank and other borrowings

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

	At 29 February 2024 $'000	At 31 August 2023 $'000
Bank borrowings		
— unsecured	**10,890,280**	10,907,770
Other borrowings		
— secured	**33,426**	48,944
	10,923,706	10,956,714
Amounts due within one year included in current liabilities	**(246,814)**	(284,861)
	10,676,892	10,671,853

13 Bank and other borrowings (continued)

(b) As at 29 February 2024, the bank and other borrowings were repayable as follows:

	At 29 February 2024 $'000	At 31 August 2023 $'000
Bank borrowings (unsecured)		
Within 1 year on demand	**216,527**	253,808
After 1 year but within 2 years	**5,215,386**	–
After 2 years but within 5 years	**5,458,367**	10,653,962
	10,890,280	10,907,770
Other borrowings (secured)		
Within 1 year on demand	**30,287**	31,052
After 1 year but within 2 years	**3,139**	17,892
	33,426	48,944
	10,923,706	10,956,714
Amounts due within one year included in current liabilities	**(246,814)**	(284,861)
	10,676,892	10,671,853

(i) 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, Metropolitan Light Company Limited ("MLCL"), Hong Kong Broadband Network Group Limited ("HKBNGL"), Hong Kong Broadband Network Limited ("HKBN"), HKBN Enterprise Solutions Development Limited ("HKBNESDL"), HKBN Enterprise Solutions Cayman Corporation ("HKBNESCC"), HKBN Enterprise Solutions HK Limited ("HKBNESHKL") and COL Limited, and repayable in full upon maturity on 24 November 2025. The loan interest rate was renewed to HIBOR plus a margin of 2.75% per annum from 4 January 2024.

(ii) 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 loan interest rate was renewed to HIBOR plus a margin of 2.75% per annum from 4 January 2024.

(iii) On 9 December 2021, HKBN entered into master buyer agreement for supply chain financing from a bank in Hong Kong. An aggregate amount of $109,037,000 (2023:$157,660,000) was utilised as of 29 February 2024. The bank charges a handling fee based 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 30 to 180 days from the date of utilisation.

13 Bank and other borrowings (continued)

(b) As at 29 February 2024, the bank and other borrowings were repayable as follows: (continued)

(iv) On 11 April 2022, HKBN entered into an import invoice financing agreement for supply chain financing from a bank in Hong Kong. An aggregate amount of $107,490,000 (2023: $96,149,000) was utilised as of 29 February 2024. The bank charges at HIBOR plus a margin of 1.15% of supplier's invoices applied. The facility was unsecured and covered by a guarantee arrangement issued by the Company. The agreement grants up to 120 days of payment term from the date of utilisation.

(v) The bank loans mentioned in note (i), (ii), (iii) and (iv) 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.

The bank loans mentioned in note (i) and (ii) above are subject to the fulfilment of covenants relating to certain balance sheet ratios of the Group. As at 29 February 2024 and 31 August 2023, the Group complied with all of the covenants relating to bank loans.

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 borrowings as of 29 February 2024 is 5.70% per annum (2023: 5.77%).

(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 29 February 2024 the aggregate book value of the assets was $8,469,000 (2023: $11,615,000) and the balance of other borrowings amounting to $2,363,000 (2023: $2,582,000) was recorded as a current liability and $Nil (2023: $1,077,000) 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 4.70% p.a. (2023: 0% to 4.70% p.a.).

(vii) The Group entered into financing arrangement contracts with third-party company, with contract terms of three years and four months. The Group has obtained a loan with principal amount of $100,160,000 at effective interest rate of 6% per annum. The loan was secured by assets of the Group amounting to $69,406,000 (2023: 81,868,000). The Group shall repay the interest and principal of the loan in 40 monthly instalments. As at 29 February 2024, the balance of other borrowings amounting to $27,924,000 (2023: $28,470,000) was recorded as a current liability and $3,139,000 (2023: $16,815,000) was recorded as a non-current liability on the Group's consolidated statement of financial position.

14 Other non-current and current liabilities

At 29 February 2024 and 31 August 2023, 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-bearing and repayable in 9 instalments 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 29 February 2024, 3,800,000,000 ordinary shares, with par value of $0.1 cent each, were authorised for issue. As at 29 February 2024, the Company had 1,311,599,356 (28 February 2023: 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	
	29 February 2024 $'000	28 February 2023 $'000
Interim dividend declared after the interim period of 15 cents per ordinary share (six months ended 28 February 2023: 20 cents per ordinary share) (Note)	**196,740**	262,320

Note: The amount of 2024 proposed interim dividend is based on the 1,311,599,356 (2023: 1,311,599,356) ordinary shares in issue as at the date of this interim report.

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

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

	Six months ended	
	29 February 2024 $'000	28 February 2023 $'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of 20 cents per ordinary share (six months ended 28 February 2023: 20 cents per ordinary share)	**262,320**	262,320

(c) Other reserve

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

15 Capital, reserves and dividends (continued)

(d) Equity-settled share-based transactions

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

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

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

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

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

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

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

On 30 January 2019, 329,000 RSUs were granted to Talents of the Group in Hong Kong by the Company under the Plan II. The directors estimated the weighted average fair value of each RSU of grant date to be $8.90.

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 $8.21.

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.

15 Capital, reserves and dividends (continued)

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

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

On 4 September 2019, the Company adopted the Plan III Plus and granted RSUs to directors and Talents of the Group in Hong Kong. The purpose of the Plan III Plus is to incentivise Talents and to recognise the continual support of relevant Talents to the Group and their effort in promoting the Group's long-term growth and development. The RSUs are the contingent rights to receive the Company's shares depending on the level of the adjusted available cash per share for distribution achieved, on a cumulative basis, during the 2019, 2020 and 2021 financial years, in respect of any shares purchased by the Talents, subject to certain terms, conditions and undertakings. The minimum level of the adjusted available cash per share for distribution required to be achieved by the Company before any RSU will be granted is an amount in excess of $2.53 on a cumulative basis over the 2019, 2020 and 2021 financial years of the Company. If the adjusted available cash per share for distribution, on a cumulative basis, over the 2019, 2020 and 2021 financial years of the Company reaches $3.03, RSUs will be granted to the grantees on the basis that the grantees would, subject to the satisfaction of the vesting conditions and on the vesting date, receive 1.33 award share for every purchased share. The granting of the RSUs will occur earlier than the publication of the annual results of the Company for the 2021 financial year if the maximum targeted accumulated adjusted available cash per share for distribution is achieved prior to the end of the 2021 financial year. Accumulated adjusted available cash per share for distribution in excess of $3.03 will not give rise to any further entitlement.

During the period ended 29 February 2024 and 28 February 2023, no 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.

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

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 years 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.

15 Capital, reserves and dividends (continued)

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

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

The Participants of the Co-Ownership Plan IV have elected to roll over to the Co-Ownership Plan IV a total of 9,487,929 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.

(iv) The Amended and Restated Co-Ownership Plan IV

The Co-Ownership Plan IV was originally adopted on 19 August 2021 (the "Adoption Date") to incentivise Participants to achieve a cumulative performance target over the 2022–2024 financial years of the Group. Due to macroeconomic downturn caused by the COVID-19 pandemic, and exacerbated by geopolitics and rising interest rates, the Company has changed the company-wide performance targets from being based on adjusted free cash flow to focusing on earnings and revenue. Accordingly, the Company considered it appropriate to extend the performance targets to cover the 2023–2025 financial years of the Company and better align the incentives of its Talents to the Company's overall performance targets. The Amended and Restated Co-Ownership Plan IV became effective on 11 May 2023 (the "Commencement Date").

The total maximum number of Shares that may underlie the RSUs to be granted pursuant to the Amended and Restated Co-Ownership Plan IV is 36,973,039 Shares (being approximately 2.50% of the Shares in Issue (on a fully diluted and as-converted basis) on the day of the general meeting of the Company approving the amendments and restatements of the Amended and Restated Co-Ownership Plan IV (as may be adjusted in the event of a subdivision or consolidation of the Shares). Since the Commencement Date and up to 31 August 2023, a total of 16,679,892 award shares have been granted under the Amended and Restated Co-Ownership Plan IV. The total number of Shares available for future grant under the Amended and Restated Co-Ownership Plan IV is 20,293,147 Shares, representing approximately 1.55% of the total number of issued Shares as at the date of this report.

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

16 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.

17 Fair value measurement of financial instruments

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

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

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

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

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

	Fair value at 29 February 2024	**Fair value measurement as at 29 February 2024 categorised into**		
		Level 1	**Level 2**	**Level 3**
	$'000	**$'000**	**$'000**	**$'000**
Recurring fair value measurement				
Financial assets:				
Derivative financial instrument:				
— Interest-rate swap	**12,774**	**–**	**12,774**	**–**

	Fair value at 31 August 2023	Fair value measurement as at 31 August 2023 categorised into		
		Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000
Recurring fair value measurement				
Financial assets:				
Derivative financial instrument:				
— Interest rate-swap	13,777	–	13,777	–

During the six months ended 29 February 2024, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2023: $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.

17 Fair value measurement of financial instruments (continued)

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

(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.

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 29 February 2024 and 31 August 2023.

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

(a) Capital commitments outstanding at 29 February 2024 not provided for in the interim financial report

At 29 February 2024, the Group had the following capital commitments:

	At 29 February 2024 $'000	At 31 August 2023 $'000
Contracted but not provided for		
Purchase of property, plant and equipment	**160,636**	199,955

In addition, the Group was committed at 29 February 2024 to enter into a new lease of six years that is not yet commenced. The monthly lease payments under the new lease amounted to $2,102,000–$2,303,000.

19 Contingent liabilities

	At 29 February 2024 $'000	At 31 August 2023 $'000
Bank guarantee in lieu of payment of utility deposits	**3,622**	3,622
Bank guarantee in lieu of performance guarantee	**278,822**	263,459
	282,444	267,081

At 29 February 2024 and 31 August 2023, 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

A subsidiary of the Group received a claim from a supplier regarding the early termination charge under several agreements. The Group considers the claim is not valid, and therefore, continues to deny the above liability. Based on the legal advice received, management believes that the probability of a successful claim is low. However, if the claim is successful, the potential exposure of the Group of the claim will be amounted to approximately $24 million. No provision has been made in respect of this claim.

20 Material related party transactions

Key management personnel remuneration

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

	Six months ended	
	29 February 2024 $'000	28 February 2023 $'000
Short-term employee benefits	**33,294**	20,160
Post-employment benefits	**1,826**	1,632
	35,120	21,792

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 29 February 2024, the Directors and chief executives of the Company had the following interests and short positions in the shares, underlying shares (in respect of positions held pursuant to equity derivatives), and debentures of the Company and its associated corporations (within the meaning of Part XV of the "Securities and Futures Ordinance" (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein; or (c) were otherwise required to be notified to the Company and the Stock Exchange pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") set out in Appendix 10 to the Listing Rules:

Long Position in Shares and Underlying Shares of the Company

Director	Note	Number of issued shares held	Interests in issued shares and underlying shares held	Approximately percentage of issued shares held to the total issued share capital of the Company	Approximately percentage of interests in issued shares and underlying shares held to the total issued share capital of the Company
Mr. Bradley Jay HORWITZ	(a)	2,800,000	2,800,000	0.21%	0.21%
Mr. Chu Kwong YEUNG	(b)	29,717,212	32,477,997	2.27%	2.48%

Notes:

(a) Mr. Bradley Jay HORWITZ held 2,800,000 shares in the Company.

(b) Mr. Chu Kwong YEUNG held a total of 32,477,997 interests in the Company, including (i) 29,717,212 shares in the Company (in which 2,760,785 shares were held by the plan trustee under the amended and restated Co-Ownership Plan IV) and (ii) 2,760,785 unvested restricted share units which were granted to him under the amended and restated Co-Ownership Plan IV.

Other than the interests disclosed above, none of the Directors nor the chief executives of the Company nor their associates had any interests or short positions in any shares, underlying shares (in respect of positions held pursuant to equity derivatives) or debentures of the Company or any of its associated corporations as at 29 February 2024.

RESTRICTED SHARE UNIT SCHEMES

To attract, retain and motivate skilled and experienced Talents, the Company adopted four Co-Ownership plans since its listing, namely Co-Ownership Plan II, Co-Ownership Plan III (was terminated and replaced by Co-Ownership Plan III Plus), Co-Ownership Plan III Plus (naturally expired in October 2023) and Co-Ownership Plan IV (was amended and replaced by the amended and restated Co-Ownership Plan IV (the "Amended and Restated Co-Ownership Plan IV") on 11 May 2023).

As at 29 February 2024, Co-Ownership Plan II and the Amended and Restated Co-Ownership Plan IV were the existing restricted share unit ("RSU") schemes held by the Company.

Co-Ownership Plan II

The Co-Ownership Plan II was adopted by the Company in 2015 as an incentive arrangement to attract, retain and motivate skilled and experienced Talents for the development of the Group. The RSUs are held by the independent trustee until the end of each vesting period at the cost of the Company. The shares will be transferred to the participants upon vesting.

Purpose

The purpose of the Co-Ownership Plan II is to attract skilled and experienced Talents, to incentivise them to remain with the Group and to motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company, while encouraging them to be long-term holders of the Company's shares.

Participant

The Board may, at its discretion, invite any Director, director of subsidiaries of the Group or Talents who the Board considers, have contributed or will contribute to the Group to participate in the Co-Ownership Plan II. An eligible Talent will receive an invitation from the Board during the relevant invitation period, and such person will become a participant upon the acceptance of an invitation to participate in the Co-Ownership Plan II (the "CO2 Participants").

Administration

The Co-Ownership Plan II is subject to the administration of the Board and the trustee in accordance with the scheme rules and the trust deed.

Term

The Co-Ownership Plan II shall be valid and effective for the period commencing on 12 March 2015 (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.

Total number of shares available for issue
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 the Listing Date 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).

In order to enable the Co-Ownership Plan II trustee to release shares to the CO2 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 0.43% of the total issued share capital of the Company as at 29 February 2024. The Co-Ownership Plan II trustee will hold such shares on trust until their release to the CO2 Participants upon vesting of the RSUs and the termination of the scheme.

Since its commencement date of the Co-Ownership Plan II and up to 29 February 2024, a total of 5,251,862 award shares have been granted under the Co-Ownership Plan II. The total number of shares available for future grant under the Co-Ownership Plan II is 414,804 shares, representing approximately 0.03% of the total number of issued shares as at 29 February 2024. As there is no CO2 Participant under the Co-Ownership Plan II, no shares will be granted under the scheme.

Maximum entitlement
The Co-Ownership Plan II has a matching ratio of 7:3 (i.e. 3 RSUs would be granted for every 7 purchased shares). The maximum investment amount is limited to one year of the annual compensation package of each CO2 Participant.

Vesting date and condition
The CO2 Participants shall be entitled to receive the awarded shares vested in him/her in accordance with the vesting schedule and the vesting conditions specified by the Board. The vesting schedule would be 25%-25%-50% upon each anniversary over 3 years after the date of grant.

Consideration on acceptance of RSU
No consideration.

Basis of determining the purchase price of shares awarded
Not applicable.

Voting, dividend, transfer and other rights
The RSUs do not carry any right to vote at general meetings of the Company, or any dividend, transfer or other rights (the award shares underlying the RSUs granted including those arising on the winding-up of the Company) is attached to the RSUs. No grantee shall enjoy any of the rights of a shareholder by virtue of the grant of an RSU pursuant to the Co-Ownership Plan II, unless and until the legal and beneficial title of the award share underlying the RSU have been allotted and issued to the grantee.

Movement of RSU

No RSUs were granted, forfeited, vested and lapsed, and accordingly, no new shares were allotted and issued during the six months ended 29 February 2024. The number of award shares available for grant under the scheme mandate limit of the Co-Ownership Plan II remained at 414,804 shares as at 29 February 2024.

Since its commencement date and up to 29 February 2024, the number of shares that have been issued in respect of the awards granted under the Co-Ownership Plan II was 5,251,862 shares, representing 0.40% of the weighted average number of shares in issue as at 29 February 2024.

The Amended and Restated Co-Ownership Plan IV

The Co-Ownership Plan IV was originally adopted on 19 August 2021 (the "Adoption Date") to incentivise participating Talents to achieve a cumulative performance target over the 2022–2024 financial years of the Company. Due to macroeconomic downturn caused by the COVID-19 pandemic, and exacerbated by geopolitics and rising interest rates, the Company changed the company-wide performance targets from being based on adjusted free cash flow to focusing on earnings and revenue. Accordingly, the Company adopted the Amended and Restated Co-Ownership Plan IV in 2023. The commencement date of the Amended and Restated Co-Ownership Plan IV was on 11 May 2023. Details of the scheme are contained in the circular of the Company dated 6 April 2023.

Purpose

The purposes of the Amended and Restated Co-Ownership Plan IV are to (i) incentivise skilled and experienced Talents to remain with the Group and to motivate them to strive for the future development and expansion of the Group in the post COVID-19 time in order to create value for the shareholders, by providing them with a co-investment opportunity to acquire equity interests in the Company, while encouraging them to be long term holders of the Shares; and (ii) adjust the basis upon which award shares will be granted under the Amended and Restated Co-Ownership Plan IV by reference to the changing business environment and circumstances of the Company and the changing performance targets of the Company.

Participant

The eligible Talent who is entitled to participate in the Amended and Restated Co-Ownership Plan IV include: (i) Talents who were existing participants of the Co-Ownership Plan IV, (ii) any Executive Director, (iii) any Talent of the Company or any member of the Group that is of point 3 grade (supervisory level or equivalent) or above and who has not given a notice of resignation to any member of the Group or who has not been given a notice of termination of employment by any member of the Group, and (iv) any individual who the Company reasonably contemplates would fall within class (iii) (provided that his/her participation is conditional upon him/her falling within class (iii) during the relevant invitation period). An eligible Talent will receive an invitation from the Board during the relevant invitation period, and such person will become a participant upon the acceptance of an invitation to participate in the Amended and Restated Co-Ownership Plan IV (the "Amended CO4 Participants").

Administration

The Amended and Restated Co-Ownership Plan IV is subject to the administration of the Board and the trustee in accordance with the scheme rules and the trust deed.

Term

The Amended and Restated Co-Ownership Plan IV shall be valid and effective for the period commencing on the commencement date and expiring on the date falling 5 years from the Adoption Date or such earlier date as it is terminated in accordance with the terms of the Amended and Restated Co-Ownership Plan IV.

Total number of shares available for issue

The total maximum number of shares that may underlie the RSUs to be granted pursuant to the Amended and Restated Co-Ownership Plan IV is 36,973,039 shares (being approximately 2.50% of the shares in Issue (on a fully diluted and as-converted basis) on the day of the general meeting of the Company approving the amendments and restatements of the Amended and Restated Co-Ownership Plan IV (as may be adjusted in the event of a subdivision or consolidation of the shares) (the "CO4 Scheme Mandate Limit").

Since the commencement date and up to 29 February 2024, a total of 16,679,892 RSUs (entitling the grantees (the "Grantee") to receive 16,679,892 award shares) have been granted under the Amended and Restated Co-Ownership Plan IV.

During the six months ended 29 February 2024, 3,394,495 RSUs have been forfeited and the number of award shares that may be issued in respect of the RSUs granted under the Amended and Restated Co-Ownership Plan IV would be 13,285,397 shares. The total number of shares available for underlying future grant of RSUs under the Amended and Restated Co-Ownership Plan IV is 23,687,642 shares, representing approximately 1.81% of the total number of issued shares as at 29 February 2024.

Maximum entitlement

The maximum entitlement for the award shares is determined on a 1:1 basis. One share purchased for an Amended CO4 Participant will entitle him/her to one RSU and one RSU will potentially entitle a Grantee to receive one award share under the Amended and Restated Co-Ownership Plan IV (assuming that all of the vesting conditions are satisfied).

The total investment amount of an eligible Talent comprising of (i) the total investment value of his/her rollover shares (determined according to the average closing price per share based on the daily closing prices of the shares as quoted on the Stock Exchange for the five (5) trading days immediately preceding the commencement date) together with (ii) the new investment amount which such eligible Talent will pay for making purchases of additional shares under the Amended and Restated Co-Ownership Plan IV (in each case, if any), must in aggregate be: (A) equal to or exceed one-sixth (1/6th) of the annual remuneration package of such eligible Talent; and (B) not more than two times of the annual remuneration package of such eligible Talent.

Vesting date and condition

On the basis that the shares purchased for and on behalf of the Grantees under the Amended and Restated Co-Ownership Plan IV are continued to be held by the plan trustee until a vesting date, vesting of RSUs granted to each Grantee should occur on each of the following vesting dates upon the satisfaction of the corresponding vesting conditions:

Vesting Date	Vesting Condition	Portion of an RSU Becoming Vested
The date which is 12 months from the date of grant after the first invitation period	(1) EBITDA for 2023 financial year is not less than hk$2,615,000,000; and (2) capital expenditure for 2023 financial year is not more than $550,000,000	0.15 (or 15%)
The date within 10 business days from the date of publication of the Company's annual results for 2024 financial year	(1) EBITDA for 2024 financial year is not less than $2,746,000,000; and (2) capital expenditure for 2023 financial year and 2024 financial year in aggregate is not more than $1,100,000,000	0.35 (or 35%)
The date within 10 business days from the date of publication of the Company's annual results for 2025 financial year	(1) EBITDA for 2025 financial year represents not less than $2,801,000,000 (being a compound annual growth rate of approximately 3.5% from the EBITDA target of $2,615,000,000 for 2023 financial year); and (2) capital expenditure for 2023 financial year, 2024 financial year and 2025 financial year in aggregate is not more than $1,650,000,000	A = 0.5 x (B–$2,801,000,000)/C A — the portion of an RSU becoming vested B — actual EBITDA for 2025 financial year and capped at $2,883,000,000 C — equals to $82,000,000, which is the difference of $2,883,000,000 and $2,801,000,000

Consideration on acceptance of RSU

No consideration.

Basis of determining the purchase price of shares awarded

Not applicable.

Voting, dividend, transfer and other rights

The RSUs do not carry any right to vote at general meetings of the Company, or any dividend, transfer or other rights (the award shares underlying the RSUs granted including those arising on the winding-up of the Company) is attached to the RSUs. No Grantee shall enjoy any of the rights of a shareholder by virtue of the grant of an RSU pursuant to the Amended and Restated Co-Ownership Plan IV, unless and until the legal and beneficial title of the award share underlying the RSU have been allotted and issued to the Grantee.

Movement of RSU

Details of the movements of the RSUs granted under the Amended and Restated Co-Ownership Plan IV during the six months ended 29 February 2024 are as follows:

Participant	Date of grant	Overview of RSUs								
		Granted	Unvested as at 1 September 2023	Granted during the period	Forfeited during the period	Vested during the period	Lapsed during the period	Unvested as at 29 February 2024	Aggregate of number of RSUs as % to the issued share capital of the Company	Aggregate of number of RSUs as % to the CO4 Scheme Mandate Limit
Chu Kwong YEUNG, Executive Director	30 August 2023	2,760,785	2,760,785	0	0	0	0	2,760,785	0.21%	7.47%
Ni Quiaque LAI, Executive Director*	30 August 2023	2,971,599	2,971,599	0	2,971,599	0	0	0	0.00%	0.00%
Directors of the Company's subsidiaries	30 August 2023	845,850	845,850	0	0	0	0	845,850	0.06%	2.29%
Other Participants	30 August 2023	10,101,658	10,101,658	0	422,896	0	0	9,678,762	0.74%	26.18%
Total		16,679,892	16,679,892	0	3,394,495	0	0	13,285,397	1.01%	35.94%

* Mr. Ni Quiaque LAI resigned as an Executive Director of the Company on 28 February 2024.

On 1 September 2023, the number of award shares available for grant under the scheme mandate limit of the original Co-Ownership Plan IV (prior to its amendments becoming effective) was 20,293,147 shares. On 29 February 2024, the number of award shares available for grant under the scheme mandate limit of the Amended and Restated Co-Ownership Plan IV was 23,687,642 shares.

Since the commencement date and up to 29 February 2024, the number of shares that may be issued in respect of the award shares granted under the Amended and Restated Co-Ownership Plan IV (taking into account of shares rolled over from the original Co-Ownership Plan IV) would be 13,285,397 shares, representing 1.01% of the weighted average number of shares in issue as at 29 February 2024.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the "Restricted Share Unit Schemes" above, at no time during 1H2024 was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 29 February 2024, 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 in Shares and Underlying Shares of the Company

Name of shareholder	Note	Number of issued shares held	Interests in issued shares and underlying shares held	Approximately percentage of issued shares held to the total issued share capital of the Company	Approximately percentage of interests in issued shares and underlying shares held to the total issued share capital of the Company
Canada Pension Plan Investment Board	(a)	182,405,000	182,405,000	13.91%	13.91%
GIC Private Limited	(b)	104,510,760	104,510,760	7.97%	7.97%
Mr. David BONDERMAN	(c)	144,966,345	228,627,451	11.05%	17.43%
Mr. James George COULTER	(d)	144,966,345	228,627,451	11.05%	17.43%
Mr. Michael ByungJu KIM	(e)	144,966,345	228,627,451	11.05%	17.43%
Mr. Bryan Byungsuk MIN	(f)	144,966,345	228,627,451	11.05%	17.43%

Notes:

(a) Canada Pension Plan Investment Board held 182,405,000 shares in the Company.

(b) GIC Private Limited held 104,510,760 shares in the Company.

(c) 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 interests in the Company, in which 83,661,106 shares were under convertible instruments, and was accordingly deemed to be interested in the shares held by the aforesaid companies.

(d) 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 interests in the Company, in which 83,661,106 shares were under convertible instruments, and was accordingly deemed to be interested in the shares held by the aforesaid companies.

(e) 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 interests in the Company, in which 83,661,106 shares were under convertible instruments, and was accordingly deemed to be interested in the shares held by the aforesaid companies.

(f) 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 interests in the Company, in which 83,661,106 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 was not notified of any other relevant interests or short positions in the shares or underlying shares (in respect of positions held pursuant to equity derivatives) of the Company as at 29 February 2024.

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 1H2024.

INTERIM DIVIDEND

The Company seeks to provide stable and sustainable returns to the shareholders of the Company (the "Shareholders"). In determining the dividend amount, the Board will follow the Company's dividend policy and take into account the Group's financial performance, investment and funding requirements, early debt repayment, prevailing economic and market conditions, and other factors that the Board may consider relevant and appropriate. In general, the Company targets to pay dividends in an amount of not less than 75% of the adjusted free cash flow. The Board will review the dividend policy and payout ratio as appropriate from time to time.

Consistent with the Company's dividend policy stated above, the Board has resolved to declare the payment of an interim dividend of 15 cents (28 February 2023: 20 cents) per share for 1H2024 to the Shareholders whose names appear on the register of members of the Company on Monday, 27 May 2024. The interim dividend will be payable in cash on or around Wednesday, 5 June 2024.

Based on the terms and conditions of the vendor loan notes issued by the Company to TPG Wireman, L.P. and Twin Holding Ltd with a principal amount of $970,468,828 each (the "Vendor Loan Notes"), the holders of Vendor Loan Notes are entitled to receive a cash amount payable by the Company equal to $25,098,332 based on the 15 cents interim dividend per ordinary share declared by the Company for the six months ended on 29 February 2024, as if the holders of the Vendor Loan Notes are holders of 167,322,212 ordinary shares in the Company as of the record date for such interim dividend. Such cash amount will be paid by the Company to the holders of Vendor Loan Notes on or around Wednesday, 5 June 2024, being the date on which the interim dividend for the six months ended 29 February 2024 will be paid by the Company.

REVIEW OF INTERIM FINANCIAL INFORMATION

The Audit Committee of the Company has reviewed with the management and the external auditor the unaudited interim results of the Group for 1H2024, 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 1H2024 has been reviewed by the Company's external auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the HKICPA and reviewed by the Audit Committee of the Company.

UPDATE ON DIRECTOR'S INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of the Directors of the Company since the publication of the Company's 2023 annual report is set out below:

Ms. Cordelia CHUNG has been appointed as an Independent Non-executive Director and a member of the Nomination Committee and the Remuneration Committee of the Company with effect from the conclusion of the annual general meeting of the Company held on 15 December 2023 (the "2023 AGM").

Ms. Kit Yi Kitty CHUNG has been appointed as the chairman of the Audit Committee and a member of the Nomination Committee of the Company with effect from the conclusion of the 2023 AGM.

Mr. Bradley Jay HORWITZ has been appointed as the chairman of the Remuneration Committee of the Company with effect from the conclusion of the 2023 AGM.

Ms. Ming Ming Anna CHEUNG has been appointed as a member of the Remuneration Committee of the Company with effect from the conclusion of the 2023 AGM.

Mr. Ni Quiaque LAI has resigned as (i) an Executive Director; (ii) a member of the Environmental, Social and Governance Committee of the Company; and (iii) the Chief Executive Officer of the Group with effect from 28 February 2024.

Mr. Chu Kwong YEUNG has been appointed as (i) a member of the Environmental, Social and Governance Committee of the Company; and (ii) the Chief Executive Officer of the Group with effect from 28 February 2024.

Mr. Chu Kwong YEUNG has been appointed as an Independent Non-executive Director, the chairman of the Nomination Committee, a member of the Audit Committee and the Remuneration Committee of Hung Fook Tong Group Holdings Limited (stock code: 1446) with effect from 25 March 2024.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions as set out in the "Corporate Governance Code" contained in Appendix 14 to the Listing Rules during 1H2024.

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 1H2024.

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

Hong Kong, 26 April 2024

Chairman and Independent Non-executive Director

Mr. Bradley Jay HORWITZ

Executive Directors

Mr. Chu Kwong YEUNG
Mr. Ni Quiaque LAI (1)

Non-executive Directors

Mr. Liyang ZHANG
Ms. Shengping YU
Mr. Agus TANDIONO (2)

Independent Non-executive Directors

Ms. Cordelia CHUNG (3)
Ms. Kit Yi Kitty CHUNG (4)
Ms. Ming Ming Anna CHEUNG (4)
Ms. Edith Manling NGAN (2)
Mr. Stanley CHOW (5)
Mr. Yee Kwan Quinn LAW (5)

Company Secretary

Ms. Chung Man CHENG

Authorised Representatives

Mr. Chu Kwong YEUNG (6)
Ms. Chung Man CHENG
Mr. Ni Quiaque LAI (1)

Composition of the Board Committees of the Company *(as at the date of this report)*

Director	Audit Committee	Nomination Committee	Remuneration Committee	Environmental, Social and Governance Committee
Mr. Bradley Jay HORWITZ	Member	Chairman	Chairman	
Mr. Chu Kwong YEUNG				Member
Mr. Liyang ZHANG	Member		Member	
Ms. Shengping YU		Member		
Ms. Cordelia CHUNG		Member	Member	
Ms. Kit Yi Kitty CHUNG	Chairman	Member		Member
Ms. Ming Ming Anna CHEUNG			Member	Chairman

Notes:

(1) Resigned on 28 February 2024.

(2) Resigned on 13 September 2023.

(3) Appointed on 15 December 2023.

(4) Appointed on 13 September 2023.

(5) Retired on 15 December 2023.

(6) Appointed on 28 February 2024.

Corporate Information

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Grand Cayman KY1-1104
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

12th Floor, Trans Asia Centre
18 Kin Hong Street, Kwai Chung
New Territories
Hong Kong

Auditor

KPMG
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
8th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

Cayman Principal Share Registrar and Transfer Office

MAPLES FUND SERVICES (CAYMAN) LIMITED
P.O. Box 1093
Boundary Hall
Cricket Square
Grand Cayman KY1-1102
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

COMPUTERSHARE HONG KONG INVESTOR SERVICES LIMITED
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Principal Bankers

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3 Garden Road, Central
Hong Kong

STANDARD CHARTERED BANK (HONG KONG) LIMITED
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www.hkbnltd.net

Stock Code

1310

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