HKBN Ltd.

香港寬頻有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1310)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 28 FEBRUARY 2023

(Unless otherwise stated, all monetary figures in this announcement are in Hong Kong dollars.)

The board of directors (the "**Board**") of HKBN Ltd. (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 28 February 2023 ("**1H2023**"). These results were based on the unaudited consolidated interim financial statements for 1H2023, which were prepared in accordance with the Hong Kong Accounting Standard ("**HKAS**") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

- Revenue of $6,707 million and after excluding the four months impact in 1H2022 of the Disposal Group#, year-on-year growth is 2%.
- EBITDA (Adjusted) of $1,196 million decreased year-on-year by 6%.
- The Board has recommended an interim dividend payment of 20 cents per share (1H2022: 40 cents per share).

*On 3 January 2022, we completed the disposal of 60% of the issued share capital of HKBN JOS (SINGAPORE) PTE. LTD. and HKBN JOS (MALAYSIA) SDN. BHD. (collectively, the "**Disposal Group**") to StarHub Ltd..*

ICT Powerhouse

Dear Fellow HKBN Shareholders,

Telecom for Profits x SI for Growth

Today, our Telecom segment delivers the majority of our group's total profits. As Telco specialists with 30 years of experience, we stand proud. However, whilst we love telecommunications, if HKBN doesn't evolve into a full-fledged Information and Communication Technologies (ICT) company, our telecom business will, like any industry, mature over time and this is why we vertically acquired System Integrator Jardine One Solution (JOS) in 2019 so that we can transform from a Telecom-only + System Integration (SI)-only into an integrated ICT Powerhouse.

Telecom + SI = ICT Powerhouse

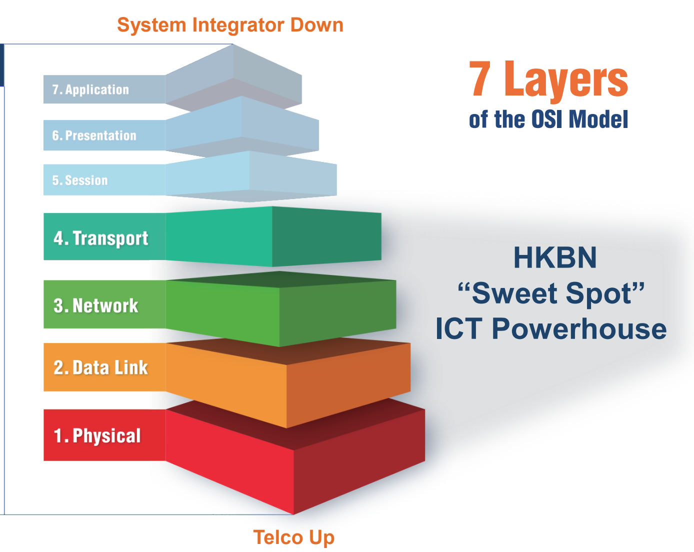
Today, our core Telecom-only business commands ~75% gross profit margin in a highly concentrated market whereas the traditional SI-only business commands ~25% gross profit in a vibrant highly fragmented high-growth market. Our strategy, as articulated in Figure 1 below, is to leverage our SI capacity to pull up the growth in our Telecom business. Telecom-only is a commodity as buyers can easily set their performance requirements into a Service Level Agreement (SLA) and then tender out to carriers who must bid with the only differentiator being price. ICT projects are far more complex as they are customised in partnership with decision-making "Chief Information Officer" level customers, and price only plays a minority element of their total purchase decision. Being the ICT partner to our CIO customers means that we help them plan their forward 3-year budgets rather than merely fight for an allocation of their existing telecom budget which is typically amounts to only 5%–10% of the total ICT budget (for context, SI spend is typically 10–20x more than that on telecom-only).

With our integrated Telecom and SI capacity, if we manage our sales pipeline properly, we will have the luxury to prioritise the most profitable total solution deals that we can replicate via repeated modular deployments. For example, the network security needs of one major bank are mostly similar to those of other major banks and even for smaller financial institutions, i.e. this is how we can maximise an existing solutions deal by Ford "Model-T" our processes. SI-only competitors do not have HKBN's scale and reach to do this. In the 7-layer of Open Systems Interconnection (OSI) model, our sweet spot is towards the lower infrastructure-heavy layers which requires very large capital investment, something that standalone SI competitors cannot replicate. Our sweet spot is where the gross margins are highest due to the reliance on heavy infrastructure and where our barriers of entry are most effective, i.e. between HKBN, New World Telecom and Wharf T&T, we have invested tens of billions of Hong Kong dollars into our network since 1995. In short, we are evolving into an ICT Powerhouse by using SI to pullup the growth in our Fixed Telecom Network Services (FTNS) business, and using FTNS as a foundation for SI profitability.

Figure 1: Typical Players Traditional Segments Focus

General Attributes

Relative Complexity	Talent Scalability	Barrier of Entry	Profitability
High: Applications require high level of customisation	Low: High complexity means highly Talent-intensive	Very Low: SI-only industry tends to be highly fragmented market	Low: ~25% Gross Profit due to prolonged project delivery
Low: Networks tend to be modular	High: Talents are scalable as network is modular	Massive barriers of entry: City-wide fibre network costs tens of HKD billions and decades to build	High: ~75% Gross Profit protected due to heavy investment cost



ICT vs Medical Industry

The 7-layer of OSI is a technical explanation of our strategy. A layman explanation would be to make an analogy using medical industry. ICT and medical industries are both massive and growing. In medicine, there are:

- specialists such as heart surgeons who maybe great at what they do but this is not scalable, i.e., this is the top of the 7-layer of OSI model, which we do not focus on.

- a wide range of General Practitioner clinics large and small, as barriers of entry to this segment are low, hence the profit ceiling is also low, i.e., the middle layers of the 7-layer of OSI model served by highly fragmented big and small SI-only providers.

- segments that require heavy upfront investment in equipment, such as a Lasik machine. Lasik surgery is mission critical[1] as it impacts our eyesight, but the procedure is highly scalable. The gross profit margin per Lasik session is incredibly high, as there are very little machine related variable costs involved, i.e., this is the bottom layer of the 7-layer of OSI model, which is the sweet spot where our Legal Unfair Competitive Advantage (LUCA) is most obvious.

While the above focuses on the similarities between the ICT and medical industry, where we are different is that our Lasik machine, i.e. our Tri-versity fibre network is a best of breed combination of HKBN, New World Telecom and Wharf T&T fibre networks, which costs tens of billions of Hong Kong dollars invested over 25 years.

HKBN Fibre Network = 25 Years to Build a HK$ Tens of Billions Lasik Machine

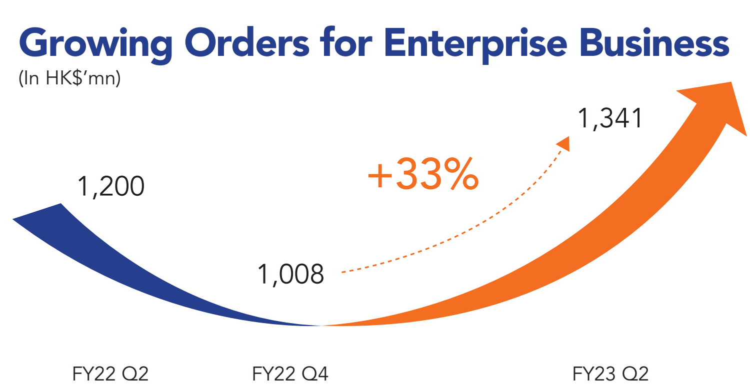
1. *We (William and NiQ) had Lasik surgery done on our eyes and we went for the best Lasik doctor, rather than the cheapest.*

Checkout our Enterprise Sales Order[2]

The majority of our business, be it residential or enterprise, maintains on ~2-year contract. For example, if we sign a 2-year $2,400 service contract, we will typically recognise this as $100/month x 24 months. As such, there is ~2-year "latency" in our actions today and the full impact on our results. Consistent with this, is that the COVID-19 impact from two years ago is only now being detoxed out of our current results. The upside of this ~2-year latency is that we have great transparency in our forward business sales order.

As can be seen below in Figure 2: Enterprise Solutions (ES) Orders, our total quarterly signed contract sum has shown very strong momentum since the 4th quarter (June to August 2022) of Financial Year to 31 August 2022. We are confident that as we build and enhance our teams, this momentum will accelerate as we achieve flywheel status.

Figure 2:
ES Orders



2. *ES Order refers to contracts signed but not yet recognised as revenue.*

Executing "Make our Home a Better Place to Live"

COVID-19 made it abundantly clear that digital transformation is a business need rather than a luxury. As per how we democratised international calls in the 1990s and fibre Internet access in the 2000s, we believe digital technologies should be also made affordable for all companies, big and small. We've continued to invest heavily in our technology capabilities and Talent pool through COVID-19, so that all companies — from small-medium enterprises, to multinational conglomerates to Non-Government Organisations (NGO) — can worry less about their ICT support functions and focus more on their front-line capabilities. Beyond our fiber, we aim to amplify a bigger positive impact to our community to "**Make our Home a Better Place to Live**". In particular, we are pleased to offer NGOs our full suite of services at cost, as our sustainable social contribution to empower NGOs to make a bigger positive impact to our "Home".

Executing our Flywheel Transformation into an ICT Powerhouse

In business, the flywheel effect happens when small wins build on each other over time and eventually gain so much momentum that growth almost seems to happen by itself. COVID-19, beyond just slowing our business, also slowed our transformative integration of JOS (which was acquired in December 2019). During COVID-19, Talents were hesitant to move but since post COVID-19, our transformation has really accelerated; 6 of the top 14, or 43%, of the most senior executives in our Enterprise Solutions have joined us in the past 10 months. The ~2-year revenue lag as explained above, together with the ramp-up time of new executives joining, means that the flywheel elements that we are seeing operationally today, will take 1–2 years to play out into our business performance.

Confidently yours on behalf of 5,000 HKBNers,

William YEUNG
Co-Owner and Executive Vice-chairman

NiQ LAI
Co-Owner and Group CEO

KEY FINANCIAL AND OPERATIONAL SUMMARY

Table 1: Financial highlights

	For the six months ended		
	28 February 2023	28 February[#] 2022	**Change YoY**
Key financials *($'000)*			
Revenue	**6,707,216**	6,803,050	-1%
– Enterprise Solutions	**2,348,457**	2,290,870	+3%
– Enterprise Solutions related product	**1,039,731**	1,294,917	-20%
– Residential Solutions	**1,196,941**	1,224,398	-2%
– Handset and other product	**2,122,087**	1,992,865	+6%
Profit for the period	**23,238**	304,330	-92%
Adjusted Net Profit [1,2]	**102,208**	479,790	-79%
EBITDA (Adjusted)* [1,3]	**1,195,742**	1,277,783	-6%
Adjusted Free Cash Flow [1,4]	**367,648**	715,990	-49%
Reconciliation of Adjusted Net Profit [1,2]			
Profit for the period	**23,238**	304,330	-92%
Amortisation of intangible assets	**195,991**	209,153	-6%
Deferred tax arising from amortisation of intangible assets	**(32,100)**	(33,693)	-5%
Deferred tax recognised on unused tax losses	**(84,921)**	–	+100%
Adjusted Net Profit	**102,208**	479,790	-79%
Reconciliation of EBITDA & Adjusted Free Cash Flow [1,3,4]			
Profit for the period	**23,238**	304,330	-92%
Finance costs	**324,445**	106,420	>100%
Interest income	**(4,702)**	(1,535)	>100%
Income tax (credit)/charge	**(12,196)**	80,357	>100%
Depreciation (Adjusted)*	**466,287**	470,530	-1%
Amortisation of intangible assets (Adjusted)*	**195,991**	210,783	-7%
Amortisation of customer acquisition and retention costs	**138,945**	148,658	-7%
Gain on disposal of subsidiaries	**–**	(41,760)	-100%
Share of loss of discontinued operation	**63,734**	–	+100%
EBITDA (Adjusted)*	**1,195,742**	1,277,783	-6%
Capital expenditure	**(304,234)**	(291,603)	+4%
Net interest paid	**(240,139)**	(98,435)	>100%
Other non-cash items	**–**	(4,300)	-100%
Income tax paid	**(234,305)**	(150,084)	+56%
Customer acquisition and retention costs	**(120,573)**	(125,710)	-4%
Lease payments in relation to right-of-use assets	**(88,654)**	(112,986)	-22%
Changes in working capital	**159,811**	221,325	-28%
Adjusted Free Cash Flow	**367,648**	715,990	-49%

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

\# *The certain figures had been adjusted to conform to current period's presentation and to provide comparative amounts.*

KEY FINANCIAL AND OPERATIONAL SUMMARY (CONTINUED)

Table 2: Operational highlights

	For the six months ended			
	28 February 2023	31 August 2022	28 February 2022	**Change YoY**
Enterprise business				
Commercial building coverage	**8,033**	8,006	7,932	+1%
Subscriptions *('000)*				
– Broadband	**119**	119	120	-1%
– Voice	**401**	413	421	-5%
Enterprise customers [5] *('000)*	**103**	105	106	-3%
Residential business				
Fixed telecommunications network services business				
Residential homes passed *('000)*	**2,543**	2,513	2,489	+2%
Subscriptions *('000)*				
– Broadband	**915**	897	889	+3%
– Voice	**411**	432	458	-10%
Residential ARPU [6]	**$179**	$181	$187	-4%
Mobile business				
Subscriptions *('000)*	**241**	241	242	-0%
Residential customers *('000)*	**980**	976	983	-0%
Total full-time permanent Talents	**4,834**	4,864	4,700	+3%

Notes:

(1) EBITDA, Adjusted Free Cash Flow ("**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 period plus amortisation of intangible assets (net of deferred tax credit and direct cost incurred in corresponding period) and deferred tax recognised on unused tax losses.

(3) EBITDA means profit for the period plus finance costs, income tax charge, depreciation, amortisation of intangible assets (net of direct cost incurred in corresponding period), amortisation of customer acquisition and retention costs, gain on disposal of subsidiaries, share of loss of discontinued operation and 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, changes in working capital and other non-cash items. Working capital includes other non-current assets, inventories, trade receivables, finance lease receivables, other receivables, deposits and prepayments, contract assets, amounts due from joint ventures and associates, amounts due to joint ventures, trade payables (including amount utilised for supply chain financing), contract liabilities, and deposits received. Other non-cash items, in the period under review, include amortisation of obligations under granting of rights and Co-Ownership Plan II related non-cash items.

(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.

BUSINESS REVIEW

The majority of our business, be it residential or enterprise, is typically 2-year contract based. For example, if we sign a 2-year $2,400 service contract, we will typically recognise this as $100/month x 24 months. As such there is ~2-year "latency" in our actions today and the full impact on our results. Consistent with this, is that the COVID-19 impact from two years ago is only now being detoxed out of our current results. The upside of this ~2-year latency is that we have great transparency in our forward business pipeline.

Our 1H2023 results should be viewed with the ~2-year latency in mind, the COVID-19 impact from 2 years ago is now flowing through to our reported revenues and the post COVID-19 activity pick-up will take ~2 years to be fully recognised. As such, our current performance should be viewed with timing mismatch in mind.

On a raw basis, our Revenue, EBITDA (Adjusted) and AFF, decreased year-on-year by 1%, 6% and 49% and at $6,707 million, $1,196 million and $368 million respectively. We consider our raw basis numbers to give a distorted view of our underlying continuing operational performance.

- Enterprise Solutions revenue increased year-on-year by 3% to $2,348 million, mainly contributed by an increase in wholesale IDD revenue.

- Residential Solutions revenue slightly decreased year-on-year by $27 million, or 2%, to $1,197 million, amid intense market competition.

- Handset and other product revenue increased year-on-year by 6% to $2,122 million, attributable to the sales of smartphone products that complement our mobile business.

Network costs and costs of sales increased year-on-year by $73 million, or 2%, to $4,573 million, mainly due to an increase in cost of wholesale IDD and offset by the decrease in cost of inventories. Changes in network costs and cost of sales were in line with revenue.

Other operating expenses decreased year-on-year by $94 million, or 5%, to $1,746 million, which is the combined effects of streamlined costs by $54 million, a decrease in amortisation of intangible assets by $13 million, and a decrease in recognition of loss allowance in trade receivables and contract assets by $23 million.

Finance costs increased year-on-year by 205% from $106 million to $324 million. This was mainly caused by an increase in fair value change on interest-rate swap by $85 million and an increase of interest and finance charges on bank and other borrowings (net with interest on interest-rate swap) and interest on lease liabilities by $132 million and $1 million respectively.

Income tax decreased year-on-year by 115% from tax charge of $80 million to tax credit of $12 million, which was due to the recognition of deferred tax assets arising from unused tax losses of the Group's subsidiary and in line with the decrease in profit before tax.

As a result of the aforementioned factors, profit attributable to equity shareholders decreased year-on-year by 92% from $304 million to $23 million.

Adjusted Net Profit, excluding the impact of amortisation of intangible assets (net of deferred tax credit) and the deferred tax recognised on unused tax losses, decreased year-on-year by 79% to $102 million. This was mainly due to an increase in finance costs by $218 million and an increase in share of losses of joint ventures during 1H2023.

EBITDA (Adjusted) decreased year-on-year by 6% from $1,278 million to $1,196 million, mainly due to a decrease in gross profits and partly offset by lower operating expenses as a result of operational enhancements.

AFF decreased year-on-year by 49% from $716 million to $368 million, mainly caused by a decrease in EBITDA (Adjusted) by $82 million, an increase in capital expenditure, net interest paid, income tax paid, a decrease in working capital inflow by $12 million, $142 million, $84 million, $61 million, respectively, and which were offset by a decrease in other non-cash items of $4 million, customer acquisition and retention cost of $5 million and lease payment in relation to right-of-use assets of $24 million.

OUTLOOK

In business, the flywheel effect happens when small wins build on each other over time and eventually gain so much momentum that growth almost seems to happen by itself. COVID-19, beyond slowing our business, also slowed our transformative integration of JOS (which was acquired in December 2019). During COVID-19, Talents were hesitant to move but since post COVID-19, our transformation has really accelerated; 6 of the top 14, or 43%, of the most senior executives in our Enterprise Solutions have joined us in the past 10 months. The ~2-year revenue lag as explained above, together with the ramp-up time of new executives joining, means that the flywheel elements that we are seeing operationally today, will take 1–2 years to play out into our business performance.

1H2023 already showed a marked sequential improvement over 2H2022 and we are confident that this J-curve turnaround will continue with 2H2023 being better than the 1H2023.

LIQUIDITY AND CAPITAL RESOURCES

As at 28 February 2023, the Group had total cash and cash equivalents of $980 million (31 August 2022: $1,129 million) and gross debt of $11,745 million (31 August 2022: $11,865 million), which led to a net debt position of $10,765 million (31 August 2022: $10,736 million). Lease liabilities of $538 million (31 August 2022: $518 million) was included as debt as at 28 February 2023 in accordance with the terms of the Group's various loan facilities. The Group's gearing ratio, which was expressed as a ratio of the gross debt over total equity, was 2.5x as at 28 February 2023 (31 August 2022: 2.4x).

The Group's net debt to EBITDA ratio as computed in accordance with the term of the Group's various loan facilities was approximately 4.8x as at 28 February 2023 (31 August 2022: 4.6x). The average finance cost calculated as the interest and coupon charges over the average borrowing balance was 3.9% (31 August 2022: 2.7%). The average weighted maturity of the Group's borrowings was 2.8 years as at 28 February 2023 (31 August 2022: 3.3 years).

Cash and cash equivalents consisted of cash at bank and in hand. There was no pledged bank deposit as at 28 February 2023 and 31 August 2022. As at 28 February 2023, the Group had an undrawn revolving credit facility of $1,727 million (31 August 2022: $1,713 million).

Under the liquidity and capital resources condition as at 28 February 2023, the Group could fund its capital expenditures and working capital requirements for the period with internal resources and the available banking facilities.

HEDGING

The Group's policy is to partially hedge the currency and interest rate risk arising from non-Hong Kong dollar denominated assets/liabilities and the variable interest rates of the debt instruments and facilities by entering into currency forward and interest-rate swaps, respectively. The Group Chief Executive Officer and Chief Operating Officer – Enterprise Solutions 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 $3,900 million with an international financial institution for a term of 2.6 years from 30 October 2020 to 31 May 2023. Benefiting from the hedging arrangement, the Group fixed the HIBOR interest rate exposure at 0.399% per annum.

Interest-rate swap arrangements are recognised initially at fair value and remeasured at the end of each reporting period. Neither of the financial instruments qualify for hedge accounting under HKFRS 9, *Financial instruments*, and therefore, it is accounted for as held for trading and measured at fair value through profit or loss.

CHARGE ON GROUP ASSETS

As at 28 February 2023, the Group pledged assets to secure the other borrowings of $67 million (31 August 2022: $88 million).

CONTINGENT LIABILITIES

As at 28 February 2023, the Group had total contingent liabilities of $350 million (31 August 2022: $227 million) in respect of bank guarantees provided to suppliers and customers and utility vendors in lieu of payment of utility deposits. The increase of $123 million was mainly due to increase of performance guarantee issued to the Group's suppliers and customers.

EXCHANGE RATES

All the Group's monetary assets and liabilities are primarily denominated in either Hong Kong dollars ("**HKD**") or United States dollars ("**USD**"). Given the exchange rate of HKD to the USD has remained close to the current pegged rate of HKD7.80 = USD1.00 since 1983, management does not expect significant foreign exchange gains or losses between the two currencies. The Group is also exposed to a certain amount of foreign exchange risk based on fluctuations between HKD and Renminbi arising from its operations. In order to limit this foreign currency risk exposure, the Group ensures that the net exposure is kept to an acceptable level of buying or selling foreign currencies at spot rates where necessary.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

The Group did not make any significant investments, acquisitions or disposals in relation to its subsidiaries and associated companies during 1H2023.

TALENT REMUNERATION

As at 28 February 2023, the Group had 4,834 permanent full-time Talents (31 August 2022: 4,864 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.

RESTRICTED SHARE UNIT SCHEMES

As at 28 February 2023, the Company adopted four Co-Ownership plans, namely Co-Ownership Plan II, Co-Ownership Plan III (was terminated and replaced by Co-Ownership Plan III Plus)*, Co-Ownership Plan III Plus and Co-Ownership Plan IV on 21 February 2015, 27 December 2017, 4 September 2019 and 21 October 2021 respectively to attract, retain and motivate skilled and experienced Talents. Co-Ownership is a powerful expression of the commitment and belief our Talents have in the Group. Unlike the more traditional approach of giving stock options to a very limited group of senior executives, the Company's Co-Ownership plans are open to Talents at supervisory level and above, spanning the Group's operations across Hong Kong, Macau and Mainland China.

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

Co-Ownership Plan II

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

The total number of shares that may underlie the RSUs granted pursuant to the Co-Ownership Plan II shall be (i) 10% of the shares in issue on 12 March 2015 (the "**Listing Date**"), the date on which the Company was listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or (ii) 10% or less of the shares in issue as at the date following the date of approval of the renewed limit (as the case may be). The Co-Ownership Plan II shall be valid and effective for the period commencing on the Listing Date and expiring on the tenth anniversary thereof or such earlier date as it is terminated in accordance with the terms of the Co-Ownership Plan II, after which period no further RSUs shall be offered or granted.

In order to enable the Co-Ownership Plan II trustee to release shares to participants upon vesting of each RSU, the Company allotted and issued, on the Listing Date, by way of capitalisation issue 5,666,666 shares to the Co-Ownership Plan II trustee. Such shares represented approximately 0.56% of the total issued share capital of the Company on the Listing Date. The Co-Ownership Plan II trustee will hold such shares on trust until their release to participants upon vesting of the RSUs.

On Talents' own volition, they invested their personal savings in the amount of between two to twelve months of salary to acquire the Company's shares at full market price. The shares were then matched with free shares at a certain ratio vested over three years.

No RSUs were granted, forfeited, vested during 1H2023.

Co-Ownership Plan III Plus

Co-Ownership Plan III Plus is a replacement of Co-Ownership Plan III which was adopted by the Company on 4 September 2019.

Under the Co-Ownership Plan III Plus, the granting of the RSUs to the eligible participants depends on the level of the adjusted available cash per share for distribution achieved, on a cumulative basis, during the 2019, 2020 and 2021 financial years. The minimum level of the adjusted available cash per share for distribution required to be achieved by the Company before any RSU would be granted is an amount in excess of $2.53 on a cumulative basis over the 2019, 2020 and 2021 financial years of the Company. If the adjusted available cash per share for distribution, on a cumulative basis, over the 2019, 2020 and 2021 financial years of the Company reaches $3.03, RSUs would be granted to the grantees on the basis that the grantees would, subject to the satisfaction of the vesting conditions and on the vesting date, receive 1.33 award share for every purchased share. Details of the scheme are contained in the circular of the Company dated 29 July 2019.

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

Co-Ownership Plan IV

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

Details of the movement of rollover and purchased shares under the Co-Ownership Plan IV during 1H2023 are as follows:

Participants	Number of shares under Co-Ownership Plan IV as at 1 September 2022	Purchased during 1H2023	Granted during 1H2023	Forfeited during 1H2023	Vested during 1H2023	Number of shares under Co-Ownership Plan IV as at 28 February 2023
Executive Directors of the Company:						
— Mr. Chu Kwong YEUNG	1,899,565	–	–	–	–	1,899,565
— Mr. Ni Quiaque LAI	1,607,570	–	–	–	–	1,607,570
Directors of the Company's subsidiaries	800,531	–	–	280,057	–	520,474
Other participants	8,395,588	–	–	598,297	–	7,797,291
Total	**12,703,254**	**–**	**–**	**878,354**	**–**	**11,824,900**

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 considers it appropriate to adjust the performance targets in the Co-Ownership Plan IV to better align the incentives of its Talents to the Company's overall performance targets.

In January 2023, the Board proposed to adopt an amended and restated Co-Ownership Plan IV (the "**Amended and Restated Co-Ownership Plan IV**") to (i) revise the performance targets for the vesting of RSUs for participating Talents; (ii) extend the performance targets to cover the 2023 to 2025 financial years of the Company; and (iii) incorporate changes that are required by virtue of the amendments to Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") taking effect on 1 January 2023.

The effectiveness of the Amended and Restated Co-Ownership Plan IV is subject to (i) the passing of a resolution by the shareholders of the Company at a general meeting to approve the adoption of the Amended Co-Ownership Plan IV with the Scheme Mandate Limit; and (ii) the Listing Committee of the Stock Exchange granting or confirming the approval for the listing of, and permission to deal in, all the new shares which may be allotted and issued under the scheme mandate limit. Please refer to the announcement of the Company dated 19 January 2023 for further details.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of 20 cents (28 February 2022: 40 cents) per share for 1H2023 to the shareholders whose names appear on the register of members of the Company on Monday, 22 May 2023. The interim dividend will be payable in cash on or around Wednesday, 31 May 2023.

The Company seeks to provide stable and sustainable returns to the shareholders of the Company. In determining the dividend amount, the Board will 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 Boards 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.

Based on the terms and conditions of the Vendor Loan Notes, the holders of Vendor Loan Notes are entitled to receive a cash amount payable by the Company equal to $33,464,442 based on the 20 cents interim dividend per ordinary share declared by the Company for the six months ended on 28 February 2023, 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, 31 May 2023, being the date on which the 2023 interim dividend will be paid by the Company.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the proposed interim dividend, the register of members of the Company will be closed from Thursday, 18 May 2023 to Monday, 22 May 2023, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Wednesday, 17 May 2023.

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 listed securities of the Company during 1H2023.

REVIEW OF INTERIM FINANCIAL INFORMATION

The Audit Committee has reviewed with the management and the external auditor the unaudited interim results of the Group for 1H2023, 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 1H2023 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.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions as set out in the "Corporate Governance Code and Corporate Governance Report" contained in Appendix 14 to Listing Rules during 1H2023.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its code of conduct for dealings in securities of the Company by Directors. Having made specific enquiries with all Directors, they confirmed that they had complied with the Model Code during 1H2023.

SUBSEQUENT EVENT

Reference is made to the announcements of the Company dated 2 March 2023 and 2 April 2023, the Board has received a preliminary non-binding letter of interest from I Squared Asia Advisors Pte Ltd. stating its interest in pursuing a transaction with the Company involving a possible offer (the "**Possible Offer**") which, if it proceeds, it expects may be consummated through HGC Global Communications Limited and/or one of its affiliates (the "**Potential Offeror**"). The Company is in discussions with the Potential Offeror, but has not formed any view about the Possible Offer nor reached any agreement with the Possible Offeror. Further announcement(s) will be made by the Company as and when appropriate or required in accordance with the Listing Rules and the Takeovers Code (as the case may be).

In addition, Mr. Hongfei YU has been appointed as an alternate director to Ms. Shengping YU during her absence with effect from 1 March 2023.

Saved as disclosed, no significant events occurred after the end of the reporting period.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hkbnltd.net). The interim report of the Company for 1H2023 will be despatched to the shareholders of the Company and made available on the same websites in due course.

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

Hong Kong, 26 April 2023

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

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

Non-executive Directors
Mr. Agus TANDIONO
Ms. Shengping YU
Mr. Zubin Jamshed IRANI

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

Alternate Director
Mr. Hongfei Yu *(alternate to Ms. Shengping Yu)*

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

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2023

	Note	Six months ended 28 February 2023 $'000	28 February 2022 $'000
Revenue	*3*	**6,707,216**	6,803,050
Other net income	*4(a)*	**9,667**	37,085
Network costs and costs of sales		**(4,573,040)**	(4,499,739)
Other operating expenses	*4(b)*	**(1,746,248)**	(1,839,751)
Finance costs	*4(d)*	**(324,445)**	(106,420)
Share of profits/(losses) of associates		**3,112**	(744)
Share of losses of joint ventures		**(65,220)**	(8,794)
Profit before taxation	*4*	**11,042**	384,687
Income tax credit/(charge)	*5*	**12,196**	(80,357)
Profit for the period attributable to equity shareholders of the Company		**23,238**	304,330
Earnings per share			
Basic	*6*	**1.8 cents**	23.2 cents
Diluted	*6*	**1.6 cents**	20.6 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2023

	Six months ended	
	28 February 2023	28 February 2022
	$'000	*$'000*
Profit for the period	**23,238**	304,330
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	**(1,537)**	7,079
Share of other comprehensive income of associates	**447**	–
Exchange differences on translating foreign operations transferred to consolidated income statement upon disposal	**–**	(1,917)
Other comprehensive income for the period	**(1,090)**	5,162
Total comprehensive income for the period attributable to equity shareholders of the Company	**22,148**	309,492

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 28 FEBRUARY 2023

	Note	At 28 February 2023 $'000	At 31 August 2022 $'000
Non-current assets			
Goodwill		**9,016,507**	9,016,507
Intangible assets		**2,985,576**	3,202,607
Property, plant and equipment		**3,555,365**	3,731,436
Right-of-use assets		**704,961**	705,607
Customer acquisition and retention costs		**494,673**	513,045
Interest in associates		**60,479**	56,920
Interest in joint ventures		**6,284**	17,110
Loan to associates		**15,359**	15,359
Deferred tax assets		**71,036**	26,724
Other non-current assets		**76,343**	98,531
		16,986,583	17,383,846
Current assets			
Inventories		**134,022**	111,478
Trade receivables	7	**1,040,245**	967,414
Other receivables, deposits and prepayments		**459,998**	463,892
Contract assets		**289,514**	237,189
Amount due from associates		**944**	25
Amount due from joint ventures		**18,398**	57,449
Tax recoverable		**192**	192
Cash and cash equivalents		**979,734**	1,129,226
Financial assets at fair value through profit or loss		**27,564**	76,387
		2,950,611	3,043,252
Current liabilities			
Trade payables	8	**963,721**	778,651
Other payables and accrued charges – current portion		**898,302**	960,778
Contract liabilities – current portion		**579,131**	600,097
Deposits received		**88,656**	89,144
Amounts due to an associate		**4,517**	4,542
Amounts due to joint ventures		**10,000**	10,000
Bank and other borrowings		**422,898**	297,703
Lease liabilities – current portion		**149,136**	136,271
Tax payable		**106,033**	240,428
Other current liabilities		**13,393**	13,214
		3,235,787	3,130,828
Net current liabilities		**(285,176)**	(87,576)
Total assets less current liabilities		**16,701,407**	17,296,270

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 28 FEBRUARY 2023

	At 28 February 2023 $'000	At 31 August 2022 $'000
Non-current liabilities		
Other payables and accrued charges – long-term portion	**36,000**	54,000
Contract liabilities – long-term portion	**153,920**	145,807
Deferred tax liabilities	**732,884**	800,662
Lease liabilities – long-term portion	**389,073**	381,850
Provision for reinstatement costs	**54,285**	52,492
Bank and other borrowings	**10,667,378**	10,913,214
Other non-current liabilities	**17,420**	24,162
	12,050,960	12,372,187
NET ASSETS	**4,650,447**	4,924,083
CAPITAL AND RESERVES		
Share capital	**132**	132
Reserves	**4,650,315**	4,923,951
TOTAL EQUITY	**4,650,447**	4,924,083

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL INFORMATION:

1 BASIS OF PREPARATION

The unaudited consolidated interim financial information set out in this announcement does not constitute the Group's interim financial report for the six months ended 28 February 2023 but is extracted from that interim financial report which 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 2023.

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 2022, except for the accounting policy changes that are expected to be reflected in the 2023 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 2022. 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.

Going concern assumption

As at 28 February 2023, the current liabilities of the Group exceeded their current assets by approximately $285 million. Included in the current liabilities were current portion of contract liabilities of $579 million recognised under Hong Kong Financial Reporting Standard ("**HKFRS**") 15 which will gradually reduce over the contract terms through the satisfaction of performance obligations and current portion of lease liabilities of $149 million recognised under HKFRS 16 which is the amount related to leases that has a lease term more than 12 months and with a corresponding asset recorded in the non-current assets as right-of-use assets. Management of the Group anticipates the net cash inflows from their operations, together with the ability to draw down from available bank loan facilities, would be sufficient to enable the Group to meet their liabilities as and when they fall due. Accordingly, this unaudited condensed consolidated interim financial information has been prepared on a going concern basis.

2 CHANGES IN ACCOUNTING POLICIES

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

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

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

3 REVENUE AND SEGMENT REPORTING

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

(a) Disaggregation of revenue

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

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

	Six months ended	
	28 February 2023	28 February 2022
	$'000	*$'000*
Disaggregated by major products or service lines:		
Fixed telecommunications network services	**2,326,218**	2,322,403
International telecommunications services	**519,777**	442,584
Other services	**181,866**	183,256
Fees from provision of telecommunications services	**3,027,861**	2,948,243
Product revenue	**3,161,818**	3,287,782
Technology solution and consultancy services	**517,537**	556,524
Revenue from contracts with customers within the scope of HKFRS 15	**6,707,216**	6,792,549
Rental income from leasing business	**–**	10,501
	6,707,216	6,803,050

3 REVENUE AND SEGMENT REPORTING (Continued)

(a) Disaggregation of revenue (Continued)

	Six months ended	
	28 February 2023	28 February 2022
	$'000	*$'000*
Disaggregated by major categories:		
Residential Solutions revenue	**1,196,941**	1,224,398
Enterprise Solutions revenue	**2,348,457**	2,290,870
Enterprise Solutions related product revenue	**1,039,731**	1,294,917
Handset and other product revenue	**2,122,087**	1,992,865
	6,707,216	6,803,050

One customer of the Group contributed 21.2% of the Group's total revenue for the six months ended 28 February 2023.

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, Macau, Singapore and Malaysia.

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

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

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

In addition to receiving segment information concerning EBITDA, 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 these financial statements.

3 REVENUE AND SEGMENT REPORTING (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.

For the six months ended	Telecom and technology solutions (Hong Kong)		Telecom and technology solutions (non-Hong Kong)		Total	
	28 February 2023	28 February 2022	**28 February 2023**	28 February 2022	**28 February 2023**	28 February 2022
	$'000	*$'000*	**$'000**	***$'000***	***$'000***	*$'000*
Disaggregated by timing of revenue recognition						
Point in time	**2,695,015**	2,716,360	**466,803**	571,422	**3,161,818**	3,287,782
Over time	**3,465,228**	3,333,061	**80,170**	182,207	**3,545,398**	3,515,268
Revenue from external customers	**6,160,243**	6,049,421	**546,973**	753,629	**6,707,216**	6,803,050
Inter-segment revenue	**28,291**	34,605	**154,524**	151,392	**182,815**	185,997
Reportable segment revenue	**6,188,534**	6,084,026	**701,497**	905,021	**6,890,031**	6,989,047
Reportable segment profit (EBITDA)	**1,083,406**	1,241,405	**48,602**	63,237	**1,132,008**	1,304,642

(c) Reconciliation between segment profit derived from Group's external customers and consolidated profit before taxation

	Six months ended	
	28 February 2023	28 February 2022
	$'000	*$'000*
Reportable segment profit derived from Group's external customers	**1,132,008**	1,304,642
Finance costs	**(324,445)**	(106,420)
Interest income	**4,702**	1,535
Depreciation	**(466,287)**	(457,259)
Amortisation of intangible assets	**(195,991)**	(209,153)
Amortisation of customer acquisition and retention costs	**(138,945)**	(148,658)
Consolidated profit before taxation	**11,042**	384,687

4 PROFIT BEFORE TAXATION

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

	Six months ended	
	28 February	28 February
	2023	2022
	$'000	*$'000*
(a) Other net income		
Interest income	**(4,702)**	(1,535)
Net foreign exchange loss	**15**	8,090
Amortisation of obligations under granting of rights	**–**	(4,512)
Gain on disposal of subsidiaries	**–**	(26,859)
Other income	**(4,980)**	(12,269)
	(9,667)	(37,085)
(b) Other operating expenses		
Advertising and marketing expenses	**186,987**	172,472
Depreciation		
– Property, plant and equipment	**368,175**	355,454
– Investment properties	**–**	3,953
– Right-of-use assets	**96,729**	95,018
(Gain)/loss on disposal of property, plant and equipment, net	**(472)**	650
Gain on disposal of right-of-use assets, net	**(53)**	–
Recognition of loss allowance on trade receivables and contract assets	**36,511**	59,887
Talents costs *(note 4(c))*	**455,694**	509,624
Amortisation of intangible assets	**195,991**	209,153
Amortisation of customer acquisition and retention costs	**138,945**	148,658
Others	**267,741**	284,882
– Office rental and utilities	**32,231**	41,145
– Site expenses	**40,932**	47,176
– Bank handling charges	**19,219**	21,467
– Maintenance	**61,845**	60,827
– Subscription and license fees	**56,679**	54,786
– Legal and professional fees	**12,687**	11,871
– Printing, telecommunication and logistics expenses	**20,973**	23,804
– Others	**23,175**	23,806
	1,746,248	1,839,751

4 PROFIT BEFORE TAXATION (Continued)

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

(c) Talent costs

	Six months ended 28 February 2023 $'000	Six months ended 28 February 2022 $'000
Salaries, wages and other benefits	**749,917**	830,001
Contributions to defined contribution retirement plan	**52,786**	64,003
Equity-settled share-based payment expenses	**–**	145
Cash-settled share-based payment expenses	**–**	67
	802,703	894,216
Less: Talent costs capitalised as property, plant and equipment	**(25,689)**	(24,901)
Talent costs included in advertising and marketing expenses and amortisation of customer acquisition and retention costs	**(197,670)**	(160,048)
	579,344	709,267
Talent costs included in other operating expenses	**455,694**	509,624
Talent costs included in network costs and costs of sales	**123,650**	199,643
	579,344	709,267

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

(d) Finance costs

	Six months ended 28 February 2023 $'000	Six months ended 28 February 2022 $'000
Interest and finance charges on bank loans	**316,342**	126,237
Interest on other borrowings	**2,467**	480
Interest on the interest-rate swap, net	**(54,284)**	5,623
Fair value loss/(gain) on the interest-rate swap	**48,823**	(36,024)
Interest on lease liabilities	**10,639**	9,473
Interest on other liabilities	**458**	631
	324,445	106,420

4 PROFIT BEFORE TAXATION (Continued)

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

(e) Other items

	Six months ended 28 February 2023 $'000	Six months ended 28 February 2022 $'000
Amortisation of intangible assets	**217,031**	241,246
Depreciations:		
– Property, plant and equipment	**368,175**	355,454
– Investment properties	**–**	3,953
– Right-of-use assets	**98,112**	97,852
Rental charges on telecommunications facilities and computer equipment	**188,901**	205,537
Expenses relating to short-term leases and leases of low-value assets	**6,975**	6,654
Recognition of loss allowance on trade receivables and contract assets	**36,511**	59,887
Research and development costs	**16,395**	16,521
Cost of inventories	**3,004,833**	3,087,159
Write-down of inventories	**–**	48

5 INCOME TAX CREDIT/(CHARGE)

	Six months ended 28 February 2023 $'000	Six months ended 28 February 2022 $'000
Current tax – Hong Kong Profits Tax	**(93,800)**	(112,262)
Current tax – Outside Hong Kong	**(6,102)**	(8,572)
Deferred tax	**112,098**	40,477
	12,196	(80,357)

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% to the six months ended 28 February 2023 (six months ended 28 February 2022: 16.5%), except for one subsidiary of the Group which is a qualifying corporation under the two-tired 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 2022.

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

6 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $23,238,000 (six months ended 28 February 2022: profit of $304,330,000) 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 2022: 1,310,746,000 ordinary shares).

	Six months ended	
	28 February 2023	28 February 2022
	'000	*'000*
Issued ordinary shares at 1 September 2021/2022	**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**	4,814
Weighted average number of ordinary shares less shares held for the Co-Ownership Plan II	**1,310,839**	1,310,746

(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 $23,238,000 (six months ended 28 February 2022: profit of $304,330,000) and the weighted average number of ordinary shares in issue less shares held for the Co-Ownership Plan II after adjusting for the dilutive effect of the Company's Co-Ownership Plan II, calculated as follows:

	Six months ended	
	28 February 2023	28 February 2022
	'000	*'000*
Weighted average number of ordinary shares less shares held for the Co-Ownership Plan II	**1,310,839**	1,310,746
Add: Effect of the Vendor Loan Notes	**167,322**	167,322
Weighted average number of ordinary shares (diluted)	**1,478,161**	1,478,068

7 TRADE RECEIVABLES

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

	At 28 February 2023	At 31 August 2022
	$'000	*$'000*
Within 30 days	**485,791**	418,724
31 to 60 days	**208,549**	177,519
61 to 90 days	**114,285**	104,103
Over 90 days	**231,620**	267,068
	1,040,245	967,414

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.

8 TRADE PAYABLES

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

	At 28 February 2023	At 31 August 2022
	$'000	*$'000*
Within 30 days	**327,927**	262,486
31 to 60 days	**273,907**	146,918
61 to 90 days	**122,400**	134,080
Over 90 days	**239,487**	235,167
	963,721	778,651

9 DIVIDENDS

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

	Six months ended	
	28 February 2023	28 February 2022
	$'000	*$'000*
Interim dividend declared after the interim period of 20 cents per ordinary share (six months ended 28 February 2022: 40 cents per ordinary share) *(Note)*	**262,320**	524,640

Note: The amount of 2023 proposed interim dividend is based on the 1,311,599,356 (2022: 1,311,599,356) ordinary shares in issue as at the date of this interim report.

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

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

	Six months ended	
	28 February 2023	28 February 2022
	$'000	*$'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 2022: 37.5 cents per ordinary share)	**262,320**	491,850