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 29 FEBRUARY 2020

(Unless otherwise stated, all monetary figures from 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 (collectively, the "**Group**") for the six months ended 29 February 2020 ("**1H2020**"). These results were based on the unaudited consolidated interim financial statements for 1H2020, 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, EBITDA and Adjusted Free Cash Flow ("**AFF**") continued to grow year-on-year 101%, 77% and 47%, respectively, to $4,457 million, $1,283 million and $440 million. The substantial year-on-year increase was mainly contributed by:
  - ➢ consolidating six months of results of HKBN Enterprise Solutions Development Ltd and its subsidiaries (collectively "**WTT Group**") with revenue and EBITDA contribution of $1,104 million and $509 million;
  - ➢ consolidating two and a half months of results of JOS Group* with revenue and EBITDA contribution of $836 million and $57 million; and
  - ➢ reducing operating lease expenses of $106 million in the calculation of EBITDA, after adopting HKFRS 16.
- The Board has recommended the payment of an interim dividend of 37 cents per share (1H2019:34 cents per share), resulting in a 9% year-on-year increase.

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

SHAREHOLDER LETTER

Dear Fellow HKBN Shareholders,

#ToughTimesTogether

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

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

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

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

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

Sincerely yours,

William Yeung
Co-Owner and Executive Vice-chairman

NiQ Lai
Co-Owner and Group CEO

Scan QR code for our full list of Co-Owners

KEY FINANCIAL AND OPERATIONAL SUMMARY

Table 1: Financial highlights

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

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

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

* In the six months ended 28 February 2019 ("**1H2019**") capital expenditure excluded $191 million payment for the purchase of properties in Shatin and excluded $296 million paid on acquisition of Cosmo True Limited, a property holding company holding the two network centres currently occupied by the Group, which were completed in September 2018.

KEY FINANCIAL AND OPERATIONAL SUMMARY (CONTINUED)

Table 2: Operational highlights

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

Notes:

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

(2) Adjusted Net Profit means profit for the period plus amortisation of intangible assets (net of deferred tax credit and direct cost incurred in corresponding period) and other non-recurring item. Other non-recurring item, in the period under review, include transaction costs in connection with business combination, loss on extinguishment of senior notes and deferred tax recognised on unused tax losses.

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

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

(5) Adjusted Free Cash Flow means EBITDA less capital expenditure, customer acquisition and retention costs, net interest paid, income tax paid, premium paid on senior notes redemption, lease payments in relation to right-of-use assets, changes in working capital and other non-cash items. Working capital includes other non-current assets, inventories, trade receivables, finance lease receivables, other receivables, deposits and prepayments, contract assets, amounts due from joint ventures, amounts due to joint ventures, trade payables, contract liabilities, and deposits received. Other non-cash items, in the period under review, include amortisation of obligations under granting of rights, change in fair value of contingent consideration and Co-Ownership Plan II related non-cash items.

(6) Our market share in broadband or voice services in Hong Kong, for residential or enterprise business, is calculated by dividing the number of broadband or voice subscriptions we have at a given point in time by the total number of corresponding broadband or voice subscriptions recorded by the Office of the Communications Authority ("**OFCA**") at the same point in time. Based on the latest disclosure from OFCA for December 2019 market data, total market figures from January 2019 onwards were revised to reflect the adjustments filed by the Internet Service Provider(s).

(7) Calculated by dividing the sum of the monthly broadband churn rate for each month of the given financial period by the number of months in the financial period. Monthly broadband churn rate is calculated by the sum of the number of residential broadband subscription terminations in a month divided by the average number of residential broadband subscriptions during the respective month and multiplying the result by 100%.

(8) ARPU means average revenue per user per month. Calculated by dividing the revenue generated in the relevant period from services subscribed by residential broadband subscribers, which include broadband services and any bundled voice, IP-TV and/or other entertainment services (excluding revenue from IDD and mobile services), by the number of average residential broadband subscriptions and further dividing by the number of months in the relevant period. Average residential broadband subscriptions are calculated by dividing the sum of such subscriptions at the beginning of the period and the end of the period by two. Our use and computation of residential ARPU may differ from the industry definition of ARPU due to our tracking of revenue generated from all services subscribed by residential broadband subscribers. We believe this gives us a better tool for observing the performance of our business as we track our residential ARPU on a bundled rather than standalone basis.

(9) Calculated by dividing the sum of the monthly broadband churn rate for each month of the given financial period by the number of months in the period. Monthly broadband churn rate is calculated by the sum of the number of enterprise broadband subscription terminations in a month divided by the average number of enterprise broadband subscriptions during the respective month and multiplying the result by 100%.

(10) ARPU means average revenue per user per month. Calculated by dividing the revenue generated in the relevant period from the enterprise telecom and technology solutions business (excluding revenue from IDD, product resell and mobile services) by the average number of enterprise customers and further dividing by the number of months in the relevant period. Average number of enterprise customers is the sum of: i) number of enterprise telecom customers, as calculated by dividing the sum of enterprise telecom customers at the beginning of the period and the end of the period by two, and; ii) the number of enterprise technology solutions customers, which represents the number of unique customers with billing transactions on technology solutions related services during the financial period. This metric may be distorted by the impact of certain particularly large contracts we have with enterprise customers. Enterprise ARPU calculation for the period ended 29 February 2020 includes the relevant revenue and average number of enterprise customers of WTT Group, JOS Group and HKBN for the six months ended 29 February 2020. As such, the enterprise ARPU may be different if WTT Group's full year information was used. For information, the Enterprise ARPU for the Group for the month February 2020 was $2,985.

(11) Mobile (without broadband services) ARPU means average revenue per user per month. Calculated by dividing the revenue generated in the relevant period from services subscribed by residential mobile subscribers (without broadband services), which include all services revenue (excluding IDD and broadband services), by the number of average residential mobile subscriptions (without broadband services) and further dividing by the number of months in the relevant period. Average residential mobile subscriptions (without broadband services) are calculated by dividing the sum of such subscriptions at the beginning of the period and the end of the period by two. Our use and computation of Mobile (without broadband services) ARPU may differ from the industry definition of ARPU due to our tracking of revenue generated from all services subscribed by residential mobile subscribers (without broadband services). We believe this gives us a better tool for observing the performance of our business as we track our residential mobile ARPU on a bundled rather than standalone basis.

(12) Mobile (with broadband services) ARPU means average revenue per user per month. Calculated by dividing the revenue generated in the relevant period from services subscribed by residential mobile subscribers (with broadband services), which include all services revenue (excluding IDD services), by the number of average residential mobile subscriptions (with broadband services) and further dividing by the number of months in the relevant period. Average residential mobile subscriptions (with broadband services) are calculated by dividing the sum of such subscriptions at the beginning of the period and the end of the period by two. Our use and computation of Mobile (with broadband services) ARPU may differ from the industry definition of ARPU due to our tracking of revenue generated from all services subscribed by residential mobile subscribers (with broadband services). We believe this gives us a better tool for observing the performance of our business as we track our residential mobile ARPU on a bundled rather than standalone basis.

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

BUSINESS REVIEW

The Group continued to deliver a solid set of operational and financial results for the period ended 29 February 2020. HKBN completed JOS Acquisition (as defined in page 12 of this announcement) on 13 December 2019 and has further bolstered our offering and capabilities as the largest alternative telecom with complete integrated telecom and technology solutions capabilities in Hong Kong. Residential business continued to thrive as we relentlessly delivered customer-focused, integrated and high value-for-money services to our customers, which rewarded the Group with higher ARPU at a low monthly churn rate in return. Taking into consideration six months and two and a half months of results of WTT Group and JOS Group, respectively, our Group revenue, EBITDA and AFF increased year-on-year by 101%, 77% and 47%, respectively, to $4,457 million, $1,283 million and $440 million.

- Enterprise revenue increased by 190% year-on-year to $2,276 million after consolidating six months and two and a half months of operating results of WTT Group and JOS Group, respectively in 1H2020. Enterprise revenue, before accounting for WTT Group and JOS Group, increased by 25% year-on-year to $982 million. Total number of enterprise customers increased year-on-year to 104,000 while our enterprise ARPU increased from $1,508 to $2,775. The Group had fully integrated WTT Group since its completion in April 2019. Sales teams from WTT Group have been consolidated and new commission scheme has been in place. Since then, we have secured big wins with over $1 billion of total contract value for different services to be realised ranging from 2 to 15 years from a variety of different industries. Despite a short period of two and a half months after completion in mid-December 2019, the integration of JOS Group have been substantially completed. Talents from JOS Group had new incentive schemes which are helping drive the growth of AFF in addition to revenue growth. Throughout both integrations, our top management has relentlessly engaged key customers and vendors to understand their needs and challenges. This will help transform the enlarged group into an integrated telecom and technology solutions provider that can offer one-stop customised solutions to our customers. Separately the JOS Acquisition greatly enhanced our capabilities in the enterprise segment, which has enabled us to provide a comprehensive suite of telecom and technology solutions at competitive value to our growing customer base. We see many more growth opportunities as we streamline our combined operations and fully exploit the upsell potential through integration.

- Residential revenue grew by 2% year-on-year to $1,252 million from the successful execution of a quad-play strategy that increased ARPU while achieving subscription growth. Our customer base has shown good receptiveness to our quad-play offerings whereby our triple/quad-play upsell has reached 50% of our total broadband customers as of 29 February 2020. Historical full base residential ARPU has increased by 3% year-on-year, from $184/month in 1H2019 to $190/month in 1H2020, while our monthly churn rate remained low. Our market share by broadband subscriptions remained stable at approximately 38% as at 29 February 2020 (based on the latest available OFCA statistics).

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

  As always, the Group will continue to extend our integrated multi-play price strategy to deliver unprecedented household savings and service convenience to disrupt the legacy broadband, fixed-voice, content and mobile standalone segments.

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

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

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

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

Finance costs increased by 229% year-on-year from $87 million to $286 million mainly due to the interest on senior notes of $134 million after the consolidation of WTT Group in 1H2020 and the one-off loss on extinguishment of senior notes of $43 million.

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

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

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

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

OUTLOOK

The successful completion of the JOS Acquisition shall greatly enhance the combined Group's capabilities, in terms of extended customer reach, wider service offerings and enhanced market competition in the enterprise space. HKBN had proven success in integrating five add-on acquisitions since our management buyout in 2012. As both businesses are highly complementary, we are confident that the combined organisation will deliver both operational and financial synergies to shareholders.

Market competition continues to be intense for our existing business. We shall focus on harvesting our substantially invested network by upselling more services to our monthly billing relationships in both enterprise and residential space, as well as driving sustainable growth in revenue, EBITDA and AFF through the following initiatives:

- Further penetrate the enterprise market through our broad range of business-imperative services and more network capacity;

- Seamlessly execute the integration of WTT Group, in order to maximise the potential synergy benefits and to better serve the business community. Management targets to achieve over $300 million synergy per annum by the year ending 31 August 2021;

- Fully integrate the sales team and back-end support functions of JOS Group in transforming the Group to a truly integrated telecom and technology solutions powerhouse;

- Continue to foster our Talent-oriented Co-Ownership culture that aligns risks and rewards with shareholders;

- To expand our quad-play bundle plans to multi-play to drive ARPU and subscription growth and disrupt the legacy broadband, fixed-voice, multimedia content and mobile standalone services; and

- To further lower finance costs by refinancing relatively expensive senior notes and deleverage to below 4x net debt to EBITDA ratio to enjoy a better interest rate grid of existing bank facilities.

LIQUIDITY AND CAPITAL RESOURCES

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

- The Group's gearing ratio, which was expressed as a ratio of the gross debt over total equity, was 1.5x as at 29 February 2020 (31 August 2019: 1.3x).

- The Group's net debt to EBITDA ratio as computed in accordance with the terms of the Group's various loan facilities is approximately 4.2x (31 August 2019: 4.2x). The ratio is stable as EBITDA growth compensates the increase in net debt after the JOS Acquisition is mainly due to the financing for the acquisition of JOS Group.

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

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

HEDGING

The Group's policy is to hedge the currency and interest rate risk arising from non-Hong Kong dollar denominated assets/liabilities and the variable interest rates of the debt instruments and facilities by entering into currency forward and interest-rate swaps, respectively. The Chief Executive Officer and Chief Financial Officer are primarily responsible for overseeing the hedging activities. Under their guidance, the Group's finance team is responsible for planning, executing and monitoring the hedging activities. The Group would not enter into hedging arrangements for speculative purposes.

The Group entered into an currency forward to buy USD at 7.778 in the principal amount of US$621 million with an international financial institution that matures on 30 November 2020. Benefiting from the hedging arrangement, the Group substantially fixed the USD/HKD exchange exposure until maturity of the instrument.

The Group entered into an interest-rate swap arrangement in the principal amount of $2,635 million with an international financial institution for a term of 1.8 years from 31 August 2018 to 29 May 2020. Benefiting from the hedging arrangement, the Group substantially fixed the HIBOR interest rate exposure at 2.26% per annum.

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

CHARGE ON GROUP ASSETS

As at 29 February 2020 and 31 August 2019, no assets of the Group were pledged to secure its loans and banking facilities.

CONTINGENT LIABILITIES

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

EXCHANGE RATES

All of the Group's monetary assets and liabilities are primarily denominated in either Hong Kong dollars ("**HKD**") or United States dollars ("**USD**"). Given the exchange rate of the HKD to the USD has remained close to the current pegged rate of HKD7.80 = USD1.00 since 1983, management does not expect significant foreign exchange gains or losses between the two currencies.

The Group is also exposed to a certain amount of foreign exchange risk based on fluctuations between the HKD and the Renminbi arising from its operations. In order to limit this foreign currency risk exposure, the Group ensures that the net exposure is kept to an acceptable level of buying or selling foreign currencies at spot rates where necessary to address.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 23 August 2019, HKBN Group Limited ("**HKBNGL**"), an indirect wholly-owned subsidiary of the Company, (as purchaser) and JTH (BVI) Limited ("**JTH**") (as seller), amongst others, entered into the share purchase agreement (the "**Share Purchase Agreement**"), pursuant to which, among other things, HKBNGL conditionally agreed to purchase, and JTH conditionally agreed to sell, the entire issued share capital of HKBN JOS Holdings (C.I.) Limited (formerly known as "Jardine OneSolution Holdings (C.I.) Limited"), Adura Hong Kong Limited and Adura Cyber Security Services Pte. Ltd. (collectively, the "**Target Companies**") for a consideration of US$50 million (representing approximately $392 million) in cash (subject to certain Closing and post-Closing adjustments) ("**JOS Acquisition**"). The condition precedent as set out in the Share Purchase Agreement was satisfied and the completion of JOS Acquisition took place on 13 December 2019. The Target Companies have become direct wholly-owned subsidiaries of HKBNGL and indirect wholly-owned subsidiaries of the Company. Please refer to the announcements of the Company dated 23 August 2019 and 13 December 2019, and the circular of the Company dated 21 November 2019 for further details.

Save as disclosed, the Group did not make any significant investments, acquisitions or disposals in relation to its subsidiaries and associated companies during 1H2020.

TALENT REMUNERATION

As at 29 February 2020, the Group had 5,861 permanent full-time Talents (31 August 2019: 4,131 Talents). The Group provides remuneration package consisting of basic salary, bonus and other benefits. Bonus payments are discretionary and dependent on both the Group's and individual performances. The Group also provides comprehensive medical insurance coverage, competitive retirement benefits schemes, and Talent training programmes.

RESTRICTED SHARE UNIT SCHEMES

To attract, retain and motivate skilled and experienced Talents, the Company adopted three Co-Ownership plans, namely Co-Ownership Plan II, Co-Ownership Plan III and Co-Ownership Plan III Plus on 21 February 2015, 27 December 2017 and 4 September 2019 respectively. Co-Ownership is a powerful expression of the commitment and belief our Talents have in the Group. Unlike the more traditional approach of giving stock options to a very limited group of senior executives, the Company's Co-Ownership is open to all supervisors and above level Talents (approximately 25% of the Group's total Talent base), spanning the Group's operations including but not limited to Hong Kong and China.

Co-Ownership Plan II

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

The total number of shares that may underlie the RSUs granted pursuant to the Co-Ownership Plan II shall be (i) 10% of the shares in issue on 12 March 2015 (the "**Listing Date**"), the date on which the Company was listed on The Stock Exchange 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 are then matched with free shares at a certain ratio vested over three years.

Details of movements of the Co-Ownership Plan II during 1H2020 are as follows:

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

Co-Ownership Plan III

To provide additional means for the Company to incentivise Talents and to recognise the continual support of relevant Talents to the Group and their effort in promoting the Group's long-term growth and development, the Company adopted the Co-Ownership Plan III on 27 December 2017. For details of the Co-Ownership Plan III, please refer to the announcement of the Company dated 2 November 2017 and the circular of the Company dated 16 November 2017.

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

Co-Ownership Plan III Plus

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

Under the Co-Ownership Plan III Plus, the granting of the RSUs to the eligible participants depends on the level of the adjusted available cash per share for distribution achieved, on a cumulative basis, during the 2019, 2020 and 2021 financial years. The minimum level of the adjusted available cash per share for distribution required to be achieved by the Company before any RSU will be granted is an amount in excess of $2.53 on a cumulative basis over the 2019, 2020 and 2021 financial years of the Company. If the adjusted available cash per share for distribution, on a cumulative basis, over the 2019, 2020 and 2021 financial years of the Company reaches $3.03, RSUs will be granted to the grantees on the basis that the grantees would, subject to the satisfaction of the vesting conditions and on the vesting date, receive 1.33 award share for every purchased share. The granting of the RSUs will occur earlier than the publication of the annual results of the Company for the 2021 financial year if the maximum targeted accumulated adjusted available cash per share for distribution is achieved prior to the end of the 2021 financial year. Accumulated adjusted available cash per share for distribution in excess of $3.03 will not give rise to any further entitlement.

Additionally, Co-Ownership Plan III Plus also contains a Corporate Social Investment element whereby the HKBN Talent CSI Fund Limited (the "**Charitable Fund**") is included as a participant in the scheme. On 27 February 2020, the Executive Directors of the Company donated a total of 4,000,000 shares to the Charitable Fund. With their contributions to the Charitable Fund, the Co-Ownership Plan III Plus would reserve RSUs to be contributed to the Charitable Fund with respect to the 4,000,000 shares donated by the Executive Directors, and such RSUs will entitle the Charitable Fund to receive not more than 5,320,000 awarded shares under the terms of the scheme. Talents may, at their own discretion, make contributions to the Charitable Fund by directing the plan trustee to transfer any part of their award shares receivable upon the vesting of the RSUs to the Charitable Fund. The Company considers that this charitable element of the scheme would support the Company's core purpose: "Make our Home a Better Place to Live".

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

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

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

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

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of 37 cents (28 February 2019: 34 cents) per share for 1H2020 to the Shareholders whose names appear on the register of members of the Company on Monday, 18 May 2020. The interim dividend will be payable in cash on Tuesday, 26 May 2020.

The dividend policy of the Company is to pay dividends in an amount of not less than 90% of the AFF with an intention to pay 100% of the AFF in respect of the relevant year/period, after adjusting for potential debt repayment, if required. The Company has recommended to pay above this range at 124% (including distribution to Vendor loan notes) for this interim period in order to normalize the one-off premium paid on senior notes redemption and the annual tax payments in 1H2020 over the whole financial year.

Based on the terms and conditions of the Vendor loan notes, the holders of Vendor loan notes were entitled to receive a cash amount payable by the Company equal to $61,909,218 based on the 37 cents interim dividend per ordinary share declared by the Company for the six months ended on 29 February 2020, as if the holders of the Vendor loan notes were holders of 167,322,212 ordinary shares in the Company as of the record date for such final dividend. Such cash amount will be paid by the Company to the holders of Vendor loan notes on 26 May 2020, being the date on which the 2020 interim dividend will be paid by the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 14 May 2020 to Monday, 18 May 2020, both days inclusive, during which period no transfer of shares will be effected. 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, 13 May 2020 in order to establish the identity of the Shareholders who are entitled to qualify for the interim dividend.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

REVIEW OF INTERIM FINANCIAL INFORMATION

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

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

CORPORATE GOVERNANCE

The Company has complied with all the code provisions as set out in the "Corporate Governance Code and Corporate Governance Report" (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange throughout 1H2020 except for the following deviation:

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code 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 complied with the Model Code throughout 1H2020.

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 1H2020 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, 22 April 2020

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

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

Non-executive Directors
Ms. Deborah Keiko ORIDA
Mr. Zubin Jamshed IRANI
Mr. Teck Chien KONG

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

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

UNAUDITED CONSOLIDATED INTERIM FINANCIAL INFORMATION
CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 29 FEBRUARY 2020

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

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

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 29 FEBRUARY 2020

	Six months ended	
	29 February 2020	28 February 2019 *(Note)*
	$'000	*$'000*
Profit for the period	**131,584**	199,445
Other comprehensive income for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong, with nil tax effect	**4,368**	3,515
Total comprehensive income for the period	**135,952**	202,960
Attributable to:		
Equity shareholders of the Company	**136,635**	202,960
Non-controlling interests	**(683)**	–
Total comprehensive income for the period	**135,952**	202,960

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

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 29 FEBRUARY 2020

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

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 29 FEBRUARY 2020

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

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

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 29 February 2020 but is extracted from that interim financial report which has been prepared in accordance with the Listing Rules, including compliance with HKAS 34, *Interim financial reporting*, issued by the HKICPA. It was authorised for issue on 22 April 2020.

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

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

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

The financial information relating to the financial year ended 31 August 2019 that is included in the interim financial report as comparative information does not constitute the Group's financial statements for that financial year but is derived from those financial statements.

Going concern assumption

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

2 CHANGES IN ACCOUNTING POLICIES

(a) Overview

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

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

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(a) Overview (Continued)

HKFRS 16, *Leases*

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

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

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

(b) Changes in the accounting policies

(i) New definition of a lease

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

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

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

(ii) Lessee accounting

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

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

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(b) Changes in the accounting policies (Continued)

(ii) Lessee accounting (Continued)

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

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

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

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

(iii) Lessor accounting

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

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

Determining the lease term

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

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(d) Transitional impact

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

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

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

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

The following table reconciles the operating lease commitments as at 31 August 2019 to the opening balance for lease liabilities recognised as at 1 September 2019:

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

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

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

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(d) Transitional impact (Continued)

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

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

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(d) Transitional impact (Continued)

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

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

(e) Lease liabilities

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

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

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(f) Impact on the financial result of the Group

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

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

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

3 REVENUE AND SEGMENT REPORTING

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

(a) Disaggregation of revenue

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

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

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

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

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

3 **REVENUE AND SEGMENT REPORTING (Continued)**

(b) Segment reporting

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

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

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

(i) Telecom and technology solutions (Hong Kong)

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

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

Include the provision of telecom and technology solutions and consultancy services in China, Macau, Singapore and Malaysia.

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

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

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

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

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

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

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

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

4 PROFIT BEFORE TAXATION

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

	Six months ended 29 February 2020	28 February 2019 *(Note)*
	$'000	*$'000*
(a) Other net income		
Interest income	**(1,532)**	(1,504)
Net foreign exchange (gain)/loss	**(2,807)**	2,641
Amortisation of obligations under granting of rights	**(4,512)**	(4,512)
Change in fair value of contingent consideration	**815**	166
Fair value gain on currency swap	**(1,065)**	–
Other income	**(9,912)**	(7,535)
	(19,013)	(10,744)
(b) Other operating expenses		
Advertising and marketing expenses	**213,829**	189,844
Depreciation		
– Property, plant and equipment	**361,770**	214,040
– Investment properties	**4,005**	–
– Right-of-use assets	**84,114**	–
(Gain)/loss on disposal of property, plant and equipment, net	**(2,853)**	21
Impairment losses on trade receivables	**8,751**	21,305
Talents costs (note 4(c))	**508,649**	263,557
Amortisation of intangible assets	**296,930**	61,741
Amortisation of customer acquisition and retention costs	**145,204**	107,858
Transactions costs in connection with business combination	**6,569**	1,598
Others	**254,882**	199,679
	1,881,850	1,059,643
(c) Talents costs		
Salaries, wages and other benefits	**713,139**	466,010
Contributions to defined contribution retirement plan	**45,735**	30,853
Equity-settled share-based payment expenses	**1,093**	1,434
Cash-settled share-based payment expenses	**1,875**	346
	761,842	498,643
Less: Talent costs capitalised as property, plant and equipment	**(29,506)**	(16,309)
Talent costs included in advertising and marketing expenses and amortisation of customer acquisition and retention costs	**(223,687)**	(218,777)
Talent costs included in other operating expenses	**508,649**	263,557
Talent costs included in network costs and cost of sales	**93,071**	–
	601,720	263,557

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

4 PROFIT BEFORE TAXATION (continued)

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

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

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

5 INCOME TAX CREDIT/(CHARGE)

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

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

6 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $132,239,000 (six months ended 28 February 2019: $199,445,000) and the weighted average number of ordinary shares in issue less shares held for the Co-Ownership Plan II, of 1,310,419,855 ordinary shares (six months ended 28 February 2019: 1,003,590,000 ordinary shares).

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

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $132,239,000 (six months ended 28 February 2019: $199,445,000) and the weighted average number of ordinary shares in issue less shares held for the Co-Ownership Plan II after adjusting for the dilutive effect of the Company's Co-Ownership Plan II, calculated as follows:

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

7 BUSINESS COMBINATION AND ACQUISITION OF A SUBSIDIARY

a. Business combination during the period ended 29 February 2020

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

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

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

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

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

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

Acquisition-related costs

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

Revenue and profit contribution

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

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

b. Acquisition of a subsidiary during the period ended 28 February 2019

On 26 September 2018 ("CTL Acquisition date"), HKBNGL acquired the entire interest of Cosmo True Limited ("CTL") which is principally engaged in property investment in Hong Kong at a cash consideration of $329,219,000 ("CTL Acquisition").

The CTL Acquisition would help the Group to secure the location site of its own network centres, which save future rental expenses and avoid the need for relocation.

The major assets of CTL are property, plant and equipment which are leased by the Group, and accordingly, the transaction has been accounted as the acquisition of assets.

The following table summarises the consideration paid for CTL, the fair values of assets acquired and liabilities assumed at CTL Acquisition date.

	$'000
Cash consideration	329,219
Identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	329,295
Prepayments, deposits and other receivables	439
Trade receivables	631
Other payables and accruals	(132)
Deferred tax liabilities	(1,014)
Total identifiable net assets	329,219

An analysis of net cash outflow in respect of the CTL Acquisition is as follows:

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

8 TRADE RECEIVABLES

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

	At 29 February 2020 $'000	At 31 August 2019 $'000
Within 30 days	**458,207**	217,558
31 to 60 days	**335,792**	113,655
61 to 90 days	**251,224**	59,638
Over 90 days	**460,612**	166,588
	1,505,835	557,439

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

9 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 29 February 2020 $'000	At 31 August 2019 $'000
Within 30 days	**312,339**	124,247
31 to 60 days	**172,296**	46,783
61 to 90 days	**210,704**	35,734
Over 90 days	**141,599**	159,212
	836,938	365,976

10 DIVIDENDS

(a) Dividend payable to equity shareholders of the Company attributable to the period

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

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

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

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