

*For immediate release*

## **HKBN Announces Solid Results for the 6 months ended 28 Feb 2022 A Solid Foundation for Realising Synergies and Meeting Challenges**

(Hong Kong - 21 April 2022) HKBN Ltd. (“HKBN” or the “Company”; SEHK stock code: 1310) today announced solid operational and financial results for the six months ended 28 February 2022 (“1H2022”). Despite a challenging economic environment posed by the prolonged pandemic, HKBN’s performance remained solid through synergies from business integrations and strategic collaborations with business partners. Key highlights of 1H2022 results include:

- Revenue, EBITDA (Adjusted) and Adjusted Free Cash Flow (“AFF”) continued to grow year-on-year at 9%, 1% and 94%, respectively, to HK\$6,803 million, HK\$1,320 million and HK\$758 million; half-on-half compared to 2H2021, the growth in 1H2022 is more pronounced with 30%, 5%, 2% respectively.
- Revenue increased by 9% year-on-year to HK\$6,803 million, mainly driven by significant growth in smartphone sales and growth from Enterprise Solutions related product revenue. As a result, EBITDA (Adjusted) increased by 1% year-on-year to HK\$1,320 million.
- The Board has recommended the payment of an interim dividend of 40 HK cents per share (1H2021: 39 HK cents per share), resulting in a 3% year-on-year increase.

### **Enterprise: Unique partnerships boosting market share and competitiveness**

Despite a gloomy economic outlook brought by COVID-19, HKBN continued to grow its market share and expand its ICT capabilities through mergers and partnerships to become a leading telecom and technology solutions provider in Hong Kong. This solid foundation via partnerships provides HKBN competitive advantages to thrive in the challenging business environment. The pandemic has made remote working even more critical than ever. In response, HKBN introduced various innovative solutions that included the inaugural Microsoft W365, exclusive Cisco Umbrella bundled solutions, cross-border FixIT, cybersecurity, cloud solutions, and more. Through these solutions, companies can run their businesses remotely and securely at affordable costs.

### **Residential: Infinite-play poses strong returns**

Despite intense price competition, Residential Solutions revenue remained stable at HK\$1,224 million due to HKBN’s Infinite-play with partners strategy, which includes exclusively teaming up with Disney+, ultra-fast 5G mobile services and Wi-Fi 6 router bundles. Monthly churn rate remained low at 0.9% and subscriptions increased to 889,000. Mobile ARPU increased by 3% to HK\$111/month as HKBN launched best-in-town 5G mobile offers for both entry level and high usage customers. HKBN will continue to bring more innovative 5G plans to continue its growth strategy in the mobile segment.

## Powerful partnerships to foster upsell, expand market share and sustain growth

William Yeung and NiQ Lai, Co-Owners of HKBN Group said, “By launching exclusive offers with our business partners, we can upsell infinite products and services to our massive customer base of 1-in-3 households and 1-in-2 active companies in Hong Kong. In addition to driving customer loyalty and expanding our base, this Partnership+ strategy will sustain our growth through connecting world class vendors to our customers at minimum distribution cost. Furthermore, as a Purpose-driven company, we ‘eat what we cook before we sell it’. We recently transformed our 2016 ‘Something from Nothing’ energy plus cost savings programme into an Enterprise-grade solution, to uplift the ESG performance for our corporate customers.”

For more details of HKBN’s results in 1H2022, please refer to the announcement:

[https://reg.hkbn.net/WwwCMS/upload/pdf/en/e\\_FY22\\_InterimResultsAnnouncement.pdf](https://reg.hkbn.net/WwwCMS/upload/pdf/en/e_FY22_InterimResultsAnnouncement.pdf)

## Appendix: Shareholder Letter



**Photo caption:** HKBN announced 1H2022 solid resilient growth across all business fronts. (From left) HKBN Co-Owner and Group CEO NiQ Lai and HKBN Co-Owner and Executive Vice-chairman William Yeung.

—End—

## Appendix

### Shareholder Letter

Dear Fellow Shareholders,

#### Partnership+

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

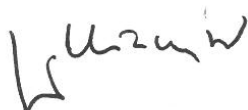
Metcalf's Law is a concept used in computer networks and telecommunications to represent the value of the total network. Metcalfe's Law states that a network's impact is the square of the number of nodes in the network. We believe Metcalfe's Law applies to our Partnership+ approach. By getting partners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

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

In Enterprise, we are partnering for unique collaborations or exclusive deals with a large number of multi-nationals such as Cisco, Microsoft, Apple, PwC DarkLab, Alibaba Cloud, AWS, UiPath, etc. We bring these big global names more direct sales channels in Hong Kong, mainland China (where we have 10 regional offices in major cities like Beijing, Shanghai, Guangzhou, Shenzhen and Macau), and in Singapore plus Malaysia via our jointly operated associates with StarHub. Our telecom services monthly Average Revenue Per User is HK\$2,905 across our ~110,000 entire Enterprise customers base whereas system integration customers on average consume 10 times more comparing to standalone telecom service; this discrepancy shows inherent upside when we upsell system integration services and managed services to our telecom customer base. By working with partners, this is how we will transform our Enterprise business from traditional telecom services to Information and Communications Technologies (ICT).

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

Sincerely yours,



**William Yeung**  
Co-Owner and Executive Vice-chairman



**NiQ Lai**  
Co-Owner and Group CEO