香港寬頻
HONG KONG
BROADBAND NETWORK

HKBN Ltd.
香港寬頻有限公司

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

GROW BEYOND

Interim Report 2023

GROW BEYOND

Mainland China's reopening of borders with Hong Kong and the rest of the world perfectly underscores why HKBN must Grow Beyond: opportunities remain strong for our business to thrive outside of connectivity and outside of Hong Kong, with digital transformation increasingly becoming an existential must for enterprise customers everywhere. Driven by this potential, we continue to focus on maximising the impact of our suite of ICT solutions and on making our company more agile, diversified, intelligent, sustainable and anti-fragile against future challenges.

CONTENTS

Unless otherwise stated, all monetary figures from this report are in Hong Kong dollars. This report is published in both English and Chinese. Where the English and the Chinese texts conflict, the English text shall prevail.

Dear Fellow Shareholders,

ICT Powerhouse

Telecom for Profits x SI for Growth

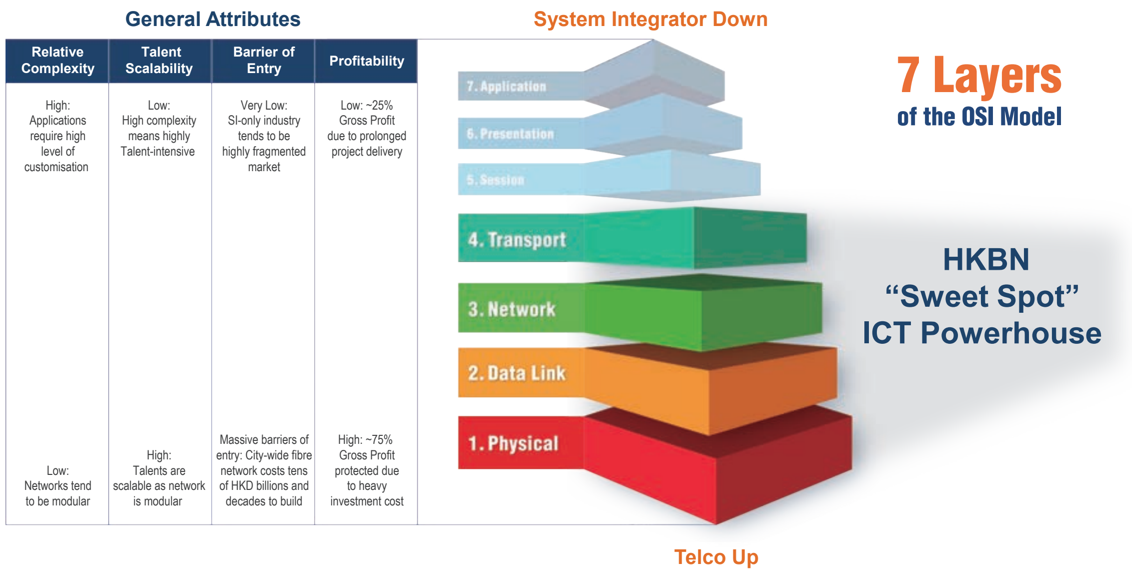
Today, our Telecom segment delivers the majority of our group's total profits. As Telco specialists with 30 years of experience, we stand proud. However, whilst we love telecommunications, if HKBN doesn't evolve into a full-fledged Information and Communication Technologies (ICT) company, our telecom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

Telecom + SI = ICT Powerhouse

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

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

Figure 1: Typical Players Traditional Segments Focus



ICT vs Medical Industry

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

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

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

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

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

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

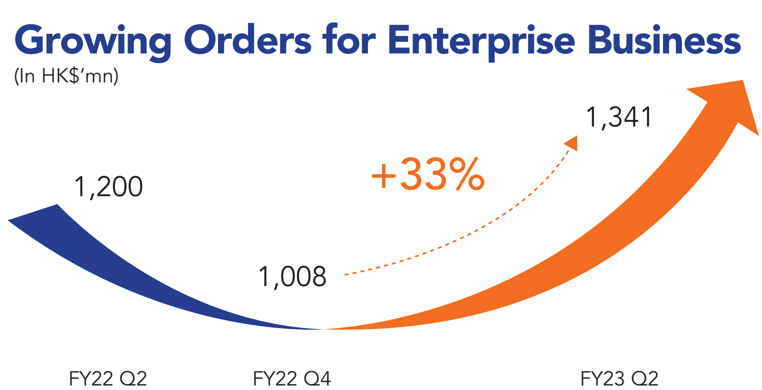
HKBN Fibre Network = 25 Years to Build a HK$ Tens of Billions Lasik Machine

Checkout our Enterprise Sales Order[2]

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

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

Figure 2: ES Orders



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

Executing "Make our Home a Better Place to Live"

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

Executing our Flywheel Transformation into an ICT Powerhouse

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

Confidently yours on behalf of 5,000 HKBNers,

William YEUNG
Co-Owner and Executive Vice-chairman

NiQ LAI
Co-Owner and Group CEO

MAKE OUR HOME A BETTER PLACE TO LIVE

At HKBN, we believe all the Purpose in the world means nothing without action. Whilst there are many companies and organisations that have an inspiring purpose, far fewer have the culture, commitment and Talents to consistently make their purpose sustainably felt. Mindful of this, we make huge efforts in ensuring that Purpose is not just a hollow mission statement, but deeply embedded across our entire operation.

In everything we do, our Core Purpose: "**Make our Home a Better Place to Live**" is always omnipresent. HKBN is built on making purposeful profits; our business is at its best when we're creating positive impacts for our stakeholders. As such, our Environmental, Social and Governance ("ESG") approach is consciously aligned with HKBN Group's overall strategy. This ensures that in all aspects of our business, actions are rigorously executed with a responsible commitment to environment, society and governance that goes far beyond merely fulfilling legal and regulatory requirements.

Since the introduction of our initial ESG framework in 2018, there have been profound transformational changes in the way societies and people live, work, learn, play and do business. Knowing that our business has a big impact in the regions we operate, we have continued to push forward by regularly reassessing what matters most to HKBN and our stakeholders through engaging discussions with a wide array of internal and external parties.

Out of these activities, not only did we identify the key areas to address, but we also redefined our strategy by fully embracing our unique edge as a major technology provider. Instead of driving impact merely from within HKBN, we believe there are much greater possibilities that can come from empowering the ESG of our enterprise and residential customers, as well as other stakeholder groups like NGOs and social enterprises in our communities, our suppliers & value chain partners, and more.

To broaden our impacts, we adopted a bold vision to "Lead as an Innovative ESG Enabler" with a strategic focus on priorities under three "Ts", namely *Talent Co-Ownership*, *Technology for Good*, and *Transforming Business*.

AAA from MSCI ESG Ratings*

In what's yet another thumbs up for our sustainability journey, Morgan Stanley Capital International (MSCI), one of the world's leaders in financial and ESG ratings, has upgraded our ESG performance with a highest possible **AAA rating.** With this rating, which is based on a broad range of factors measuring resilience to long-term ESG risks, HKBN's ESG has been elevated amongst the top 9% of telcos worldwide and further solidifies our position as the sustainability leader within our industry in Hong Kong.

"At HKBN's FY22 Annual Results Announcement in October 2022, we spoke proudly about our commitment to outperform and balance doing business with doing better in ESG. While we were already the leader in ESG amongst our local industry peers, in just a few short months, we've widened the gap again with the highest possible AAA rating from MSCI," said William Yeung, our Co-Owner and Executive Vice-chairman.

* https://reg.hkbn.net/WwwCMS/upload/pdf/en/2022_disclaimer.pdf

Table 1: Financial Highlights

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

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

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

Table 2: Operational Highlights

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

Notes:

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

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

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

(4) AFF means EBITDA less capital expenditure, customer acquisition and retention costs, net interest paid, income tax paid, lease payments in relation to right-of-use assets, changes in working capital and other non-cash items. Working capital includes other non-current assets, inventories, trade receivables, finance lease receivables, other receivables, deposits and prepayments, contract assets, amounts due from joint ventures and associates, amounts due to joint ventures, trade payables (including amount utilised for supply chain financing), contract liabilities, and deposits received. Other non-cash items, in the period under review, include amortisation of obligations under granting of rights and Co-Ownership Plan II related non-cash items.

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

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

Business Review

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

Our results for the six months ended 28 February 2023 ("**1H2023**") should be viewed with the ~2-year latency in mind, the COVID-19 impact from 2 years ago is now flowing through to our reported revenues and the post COVID-19 activity pick-up will take ~2 years to be fully recognised. As such, our current performance should be viewed with timing mismatch in mind.

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

- Enterprise Solutions revenue increased year-on-year by 3% to $2,348 million, mainly contributed by an increase in wholesale IDD revenue.
- Residential Solutions revenue slightly decreased year-on-year by $27 million, or 2%, to $1,197 million, amid intense market competition.
- Handset and other product revenue increased year-on-year by 6% to $2,122 million, attributable to the sales of smartphone products that complement our mobile business.

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

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

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

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

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

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

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

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

Outlook

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

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

Liquidity and Capital Resources

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

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

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

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

Hedging

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

The Group entered into an interest-rate swap arrangement in the principal amount of $3,900 million with an international financial institution for a term of 2.6 years from 30 October 2020 to 31 May 2023. Benefiting from the hedging arrangement, the Group fixed the HIBOR interest rate exposure at 0.399% per annum.

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

Charge on Group Assets

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

Contingent Liabilities

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

Exchange Rates

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

Significant Investments, Acquisitions and Disposals

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

Talent Remuneration

As at 28 February 2023, the Group had 4,834 permanent full-time Talents (31 August 2022: 4,864 Talents). The Group provides remuneration package consisting of basic salary, bonus and other benefits. Bonus payments are discretionary and dependent on both the Group's and individual performances. The Group also provides comprehensive medical insurance coverage, competitive retirement benefits schemes, and Talent training programmes.

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

Communications Authority of Hong Kong

- 2022 CAHK STAR Award

  — Best Fixed Network Operator

  — Cybersecurity Excellence Award

HK Chamber of Commerce in Guangdong

- Gold Pilot Award 2022

  — Outstanding Enterprise Award

East Week

- Hong Kong Service Awards 2023 — Internet Services

HK01

- 01 Gold Medal Awards 2022 — Outstanding Integrated Communications and Diverse Value-Added Services Provider

Aruba

- FY22 Top Performing Aruba Partner

Ruckus

- Elite Solution Provider Award

Zhaopin.com

- China Preferred Employer of the Year 2022

Fortinet

- Strategic Project 2022

Cisco

- FY22 Managed Service Partner of the Year

Special Feature | **Connectivity Beyond**

As a business that's working in overdrive to diversify, our long-term goal is to become the leading end-to-end ICT Powerhouse serving customers with a full array of competitive solutions, services, products and even experiences. Simultaneously, our connectivity services and solutions remain a critical foundation for our business, as well as a major engagement advantage in drawing customers to HKBN.

Rather than stay complacent in the connectivity space, our Group continues to aggressively invest in expanding our backbone infrastructure and the reach of our network coverage for residential and commercial areas — pushing performance and value far past the status quo.

To differentiate HKBN from our competitors, we're going all-out to offer customers more than just typical connectivity.

With **Connectivity Beyond**, we strive to exceed expectations by delivering an unprecedented bandwidth experience together with world's first dual guarantee*, one-stop Wi-Fi service and more added-value choices for households; and for enterprises, we're enriching our connectivity services with dual-link redundancy and multi-angle cyber defense, offering business-critical complementary solutions.

* We are the first telecommunications provider in the world to offer compensation in Hong Kong dollars for the "Fibre Broadband Dual Guarantee", and the only telecommunications provider in Hong Kong to offer guaranteed speeds for designated 100M to 2000M fibre broadband services. (As of 24th April 2023)

Connectivity Beyond Strategy

Launched upgraded **2000M fibre broadband** service, putting Hongkongers at the forefront of Internet experiences worldwide

Our **Commercialised Dual-link Network** to offer industry-first connectivity experiences

Introduced the **World's first Money-back Dual Guarantee*** for speed and latency

New **valued-added bundles** now include one-stop tailored packages featuring connectivity + various other solutions

Offer more **Infinite-Play options**: mobile, OTT entertainment and tech & lifestyle shopping

Launching **Multi-angle Cyber Protection and Intelligent Management** to enhance network reliability, defense and monitoring

Connectivity Beyond ensures that our customers get far more than just legacy service. Instead, we're going above and beyond to deliver disruptive breakthroughs like upgraded 2000M service over a single connection, a money-back dual guarantee that addresses today's household needs for ultra-fast and lagless Internet, and more. For enterprise customers, **Connectivity Beyond** means we're a lot more than just a company that only installs a fibre connections, but instead, we're a trusted partner that helps each enterprise business run its network, provide around-the-clock cybersecurity, and monitor its operation and continuity 24/7.

William Yeung
our Co-Owner
and Executive Vice-chairman

NiQ Lai
our Co-Owner
and Group CEO

* We are the first telecommunications provider in the world to offer compensation in Hong Kong dollars for the "Fibre Broadband Dual Guarantee", and the only telecommunications provider in Hong Kong to offer guaranteed speeds for designated 100M to 2000M fibre broadband services. (As of 24th April 2023)

The way of doing business has changed. Connected digitalisation, new business models, evolving customer behaviors, the accelerated adoption of new technologies like cloud computing and AI, the threat of cybersecurity, and so much more, have all become key drivers in transforming how companies operate today.

System Integration ("SI") is the process of aligning all physical and virtual systems and components (both legacy and new) of a company into an unified infrastructure that ensures the business can operate cohesively and efficiently as one. Whether it's a small startup or a well-established blue-chip enterprise, no serious business can survive without SI to bring its systems up to date for areas like online shopping, e-payments, e-deliveries, collaboration between local and regional offices, and so on.

> In our accelerated journey to become Enterprise Solutions 2.0, we've worked hard at maximising the performance of our core business units, streamlining efficiency and our portfolio of solutions so that we can address customer needs in the best and most profitable way possible. For the past nine months or so, we have significantly restructured our focus on core strengths like Fixed Telecom Network Services (FTNS), cloud and data centre, cybersecurity and our one-stop ability to deliver SI and digital transformation.
>
> HKBN Enterprise Solutions (HKBNES) has always been a market leader in SI. A big part of our growth in SI and digital transformation is coming from improved efficiency and leadership. Our end-to-end expertise in tech specialisation, from multi-cloud architecture, data centres and secured connectivity to bespoke customisation of applications and even sustainable ESG-enabling solutions, is why customers trust and partner with us. Over the past several months, we've hired a number of elite industry leaders to streamline our SI delivery, bringing a more organised, methodical synergy in how we deploy our strengths at every stage of the journey for better customer outcomes.

William Ho

our CEO — Enterprise Solutions

SI Pre-sales

Led by our new Enterprise Solutions Chief Technology Officer and Vice President of Sales engineering Martin Ip, our SI Pre-sales division functions to oversee strategic planning of resources, investments and making analysis of where technology and market trends are heading. This involves continuously engaging in highly critical feedback loops with vendor partners, as well as customers to determine the most optimal approaches and inform our solutions deployment strategies.

About Martin

Martin is a veteran leader in technology development, go-to-market strategy planning for technical solutions and services. Bringing invaluable insights and expertise from 20+ years of experience in the technology field, he is widely recognised for achieving success in numerous technology infrastructure projects completed across Hong Kong, Macau and other ASEAN regions.

Our Pre-sales specialised teams include:

- FTNS Pre-sales and Provisioning
- Large Scale FTNS & ICT Architecture
- Vendor Management
- Mass Market ICT Architecture & Deployment
- Product Management

SI Post-sales (Managed Services & Maintenance Support Business)

Led by our new Vice-president — Technical Services Kenneth Leung, our SI Post-sales Managed Services & Maintenance Support Business division works closely to optimally align our technical capabilities with each client's transformation needs, ensuring quality and smooth delivery for a total commitment on customer satisfaction.

About Kenneth

With nearly 30 years of exposure in the IT industry, Kenneth is devoted to utilising his technical experience to turn technology into real-world executable solutions. A former COO of IBM's Greater China Business, Kenneth holds deep knowledge of cross-border business and how it can benefit clients looking to expand beyond their local territory.

Our Post-sales (Managed Services & Maintenance Support Business) specialised teams include:

- Technical Support
- Retail Solutions
- Deskside Managed Services
- Helpdesk
- Server/Storage & Data Centres
- Desktop Computer
- Business Development & Support
- Service & Project Management
- Fields Delivery Services
- System & Application Maintenance
- Network Maintenance
- POS/Kiosk/Printer

SI Post-sales (Project Services)

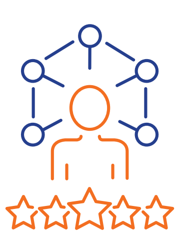
Led by our new Vice-president — Service Delivery Jackal Chau, our SI Post-sales Project Services division works on integration and transformation projects that require highly complex technical expertise and roadmap planning. From cloud migration and multi-cloud capabilities, to large-scale project management and the complexities of expanding digitally in mainland China, as well as bespoke enterprise applications, the entire team brings its end-to-end strengths to consistently deliver quality, best-fit ideas and resourcefulness for each customer.

About Jackal

With deep experiences in managing and delivering complex infrastructure mega-projects for the West Kowloon infrastructure build out, the Hong Kong Jockey Club, the Hong Kong International Airport, and countless data centre migrations, Jackal holds tremendous expertise as a IT leader. Prior to joining HKBN, he managed over 300+ technical professionals as Head of Operations and Service Delivery at Macroview Telecom (now a part of HGC Group).

Our Post-sales (Project Services) specialised teams include:

- Service Management
- e-Security
- Service Delivery
- Project Management
- Cloud Solutions Architect
- Enterprise Applications & Data
- Development
- Cloud Service Delivery
- Solutions Support
- IT Architecture



"Our two dedicated Post-sales divisions provide exceptional expertise for each client's unique needs. When necessary, they work silo-lessly to provide cross-disciplinary expertise to solve any challenge at hand. We're a well-oiled machine designed to deliver one-stop hyper-specialisation, backed by dedicated teams who provide expert level technical know-how across so many complicated areas," says William Ho.

As a big proponent of the idea that change drives growth, our Residential Solutions business remains solidly resilient because we opted long ago to always stay hungry. Rather than focus only on our connectivity strengths, we invested in diversification so that our journey of engagement never stops. Our approach addresses customers and their loyalty with an Infinite-play of services, add-ons, options, rewards and even OTT platforms, all built on a relationship of trust that promises disruption, quality and value.

Our Residential Solutions business maintains a recurring billing relationship with more than one million households, or 1-in-3 families in Hong Kong.

"With competition in our industry more intense than ever, we compete by outworking our peers to take partnerships or disruptive ideas and turn them into breakthrough services and options that draw great appeal for consumers. Whether its upgraded 2000M fibre broadband, or our priced-to-disrupt 5G plans, or our Shoppy online shopping platform, HKBN's vision is to position ourselves as the company for everything consumers want. From lifestyle shopping to ultra-fast fibre to the very best in OTT entertainment, Infinite-play has something for everyone."

Elinor Shiu
our Co-Owner and CEO — Residential Solutions

With Infinite-play, we aim for:

Win-win-win partnership synergies
Our massive customer base enables us to negotiate better deals, and deliver higher value products and services sourced from major vendors, service platform partners, as well as our own enterprise customers (via Barter & Bundle arrangements), who in turn profit from expanded reach and exposure.

Unified HKBN ecosystem for customers
With roughly 2.8 persons in the average Hong Kong household, our ever-growing range of services, products and options enables our base of one million household customers to spend, save and enjoy unified billing and even shopping experiences through the HKBN ecosystem.

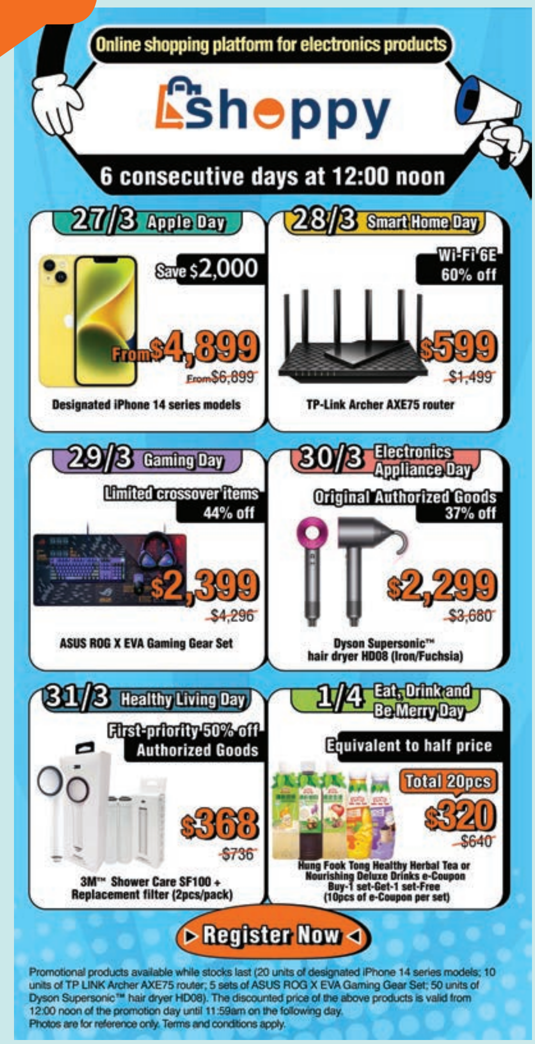
One-stop value and simplicity
Instead of paying a premium for services separately, customers benefit from the phenomenal savings and simplicity of consolidating their services under one HKBN bill.

More choices, more bundles, broader appeal
From cybersecurity to smart home solutions and entertainment, members in a household can purchase our services standalone or on a choose-their-own bundle plan featuring broadband, home telephone, mobile and services like myTV SUPER, Disney+, Netflix, Wi-Fi routers-as-a-service, travel data roaming solutions, HKBN PROTECT cybersecurity, HKBN Smart, and more.

Shoppy

The launch of our online shopping platform Shoppy brings our diversification strategy to new levels as we obsessively focus on value, user lifestyle needs and the power of choices. An expanded rebrand and upgrade of HKBN Jetso Zone, Shoppy lets consumers discover all the benefits of being a user of My HKBN. With Shoppy, consumers can buy gadgets, shop or pre-order the latest Apple or Samsung products, kit out their homes with smart living appliances and devices, and enjoy user-exclusive deals, fast home delivery and more.

Coinciding with Shoppy's launch in March 2023, we celebrated with six days of phenomenal deals that included whopping $2,000 discounts on selected iPhone 14 series models, more than half off Wi-Fi 6E routers, nearly 40% off Dyson hairdryers, and so much more. As an important platform in our Residential Solutions strategy, our goal is to continuously build and grow Shoppy into Hong Kong's most powerful electronics and lifestyle products hub. To learn more about Shoppy, please visit www.shoppy.hkbn.net.



Newest updates to Infinite-play

Upgraded 2000M fibre broadband

While most of the world is content with high-speed 1000M service, we have again pushed the limits to give consumers the choice to enjoy ultra-fast 2000M fibre on a single line. With more and more members in every household now dependent on data hungry activities like 4K video streaming, low latency online gaming, video conferencing and more — and often all at the same time — our upgraded bandwidth gives households just what they need today and in the future.

Roaming and Pocket Wi-Fi

With travel restrictions now fully lifted, the resumption of business and leisure travel is seeing traffic steadily return to pre-pandemic levels. So as more and more travellers seek out roaming data options, we kicked off timely campaigns to market and sell services like HKBN's roaming plans and our highly popular Pocket Wi-Fi device rental services.

As an ICT powerhouse focussed on customers first, every day we make it our mission to invest great efforts — from leveraging world-class partnerships and our end-to-end technology expertise, to making use of our deep know-how for doing business cross-regionally and our knack for delivering disruption in the consumer space — to engage, enable and satisfy. For Enterprise customers, our ability to operate with speed, agility and scale are helping businesses drive, and even unlock new opportunities in Hong Kong, in mainland China and in the ASEAN markets. For Residential customers, our Infinite-play strategy continues to lead the industry in terms of the value, choices, experiences and engagement we bring to consumers — and there's more to come.

Digital Transformation Customer Partnerships

As companies invest by revamping and/or aligning their technology systems, infrastructure, connectivity and more, digital transformation can fundamentally supercharge efficiency, productivity and even innovation, whilst help businesses enjoy the advantage of "digital speed" agility and scalability to meet the demands of their customers — and easily pivot when needed — in a fast moving market environment.

HKBN's unique ability to bring end-to-end transformation, ranging from System Integration, cybersecurity-backed fibre connectivity to multi-cloud solutions, AI, our tri-carrier powered fibre services, and managed IT solutions, gives us a huge proficiency advantage to help enterprise customers — no matter the industry or sector — at every point of the transformation journey.

In the past 6+ months, we have entered into a variety of customer partnerships to empower change and growth for a number of high-profile retail groups, as well as for Hong Kong's leading food and restaurant platform, as they aggressively transform with expansion in mind across mainland China and Asia.

City Chain

Ryan Li, our Co-Owner and Director — Marketing, Residential Solutions (pictured left); Wallace Kwan, City Chain Executive Director and Chief Financial Officer (middle); and Mikron Ng, our Co-Owner and Chief Commercial Officer — Business Market and China Business, Enterprise Solutions (right) celebrated our respective partnership.

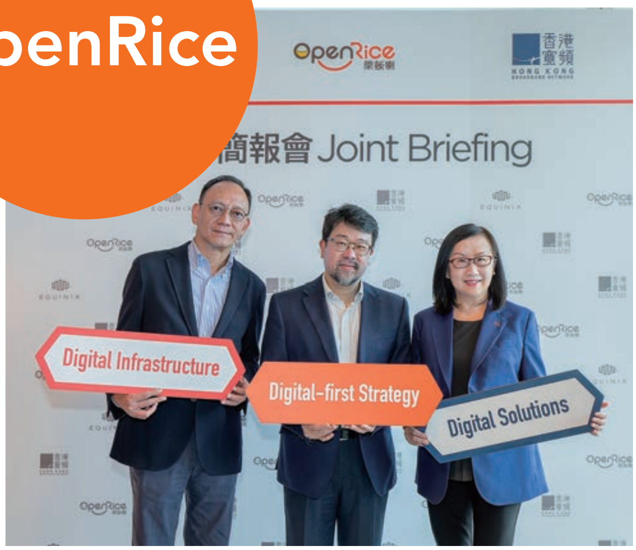
In joint collaboration with City Chain, Hong Kong's leading watch retailer, HKBNES will provide our network infrastructure services for its entire network of stores across the city. Services include ultra-reliable business fibre broadband, upgraded Wi-Fi network, telecommunications and more. With an eye on future growth needs, our alliance includes possible expansion to encompass City Chain's branches in the Greater Bay Area and Asia Pacific region.

Optical 88

HKBNES will provide our network infrastructure services to Hong Kong's leading optical retailer, Optical 88 and eGG Optical Boutique, serving the group's entire line of around 80 stores. Our long-term partnership will see us provide solutions that include ultra-reliable business fibre broadband, upgraded Wi-Fi network, telecommunications and more. With pandemic restrictions now effectively fully lifted, our collaboration may include broader plans to encompass their branches in the Greater Bay Area and Asia Pacific region.

Ryan Li, our Co-Owner and Director — Marketing, Residential Solutions (pictured left); Ben Cheng, Optical 88 Group Managing Director (middle); and Mikron Ng, our Co-Owner and Chief Commercial Officer — Business Market and China Business, Enterprise Solutions (right).

OpenRice



At our in-person joint press conference; Larry Tam, Managing Director, Equinix Hong Kong (pictured left); Joe Yau, Chief Executive Officer and Chief Technology Officer at OpenRice (middle); and Almira Chan, our Co-Owner and Chief Operating Officer — Enterprise Solutions (right).

In partnership with OpenRice, Hong Kong's most popular dining platform, and Equinix, Inc., the world's digital infrastructure company, HKBNES will help to further enhance infrastructure for OpenRice's all-encompassing O2O foodtech services platform. Our collaboration will enable OpenRice to further support Hong Kong's F&B industry as restaurants accelerate their focus on delivering seamless online-to-offline (O2O) experiences for consumers.

Through our powerful suite of digital solutions and connectivity services, this collaboration paves the way for OpenRice's Booking Service to further expand across the Asia-Pacific markets beyond Hong Kong, including Singapore, Taiwan, Thailand and Japan, supporting F&B customers in those regions to grow their business by offering seamless and enjoyable O2O dining experiences via OpenRice.

Hung Fook Tong

HKBNES will embark on a new five-year strategic collaboration serving as health and wellness retailer Hung Fook Tong's (HFT) major telecom and technology solutions provider in Hong Kong. We will also provide comprehensive telecom and system integration services, including network infrastructure upgrade, professional managed IT services and technical support, POS system optimisation and office hardware upgrades, as well as our ESG-based IoT energy monitoring system. This comprehensive collaboration will help accelerate HFT's digital transformation, enhancing technology and operational efficiency as the retailer continues to evolve how it serves and engages consumers.

Dr. Ricky Szeto (4th from left), CEO & Executive Director of HFT, and William Yeung (5th from left), our Co-Owner & Executive Vice-chairman, are leading both of our respective teams to grow and transform through strategic win-win.

HKBNES Vendor Partner Night

Collaborate.Win.Grow.

To celebrate the support of our technology partners, we held the inaugural HKBNES Partner Night 2022, a first of its kind event.

World-class technology partnerships are at the heart of our ability to bring disruptive innovation for customers. From one end of our solutions delivery chain to the other, some of the industry's strongest tech partnerships are driving our Group forward, especially as we aggressively grow our System Integration (SI) and Digital Transformation business even further, serving a greater range of needs for businesses in Hong Kong, mainland China and the ASEAN region.

To celebrate the incredible support — as well as our unique win-win relationships — of our technology partners, in December 2022 we held the inaugural HKBNES Vendor Partner Night 2022, a first of its kind event that saw us, as a SI provider, present technology awards to our vendor partners (conventionally only vendors conferred awards to their clients).

Highlights of our Vendor Partner Night include:

- Shared HKBNES' roadmap for SI and Digital Transformation as core growth drivers across Hong Kong, mainland China and beyond
- Presented awards to recognise the outstanding excellence of our technology partners
- Partners awarded include world-class leaders such as Apple, AWS, Cisco, Dell, Fortinet, H3C, HP, Huawei, Lenovo, Microsoft, Nokia Shanghai Bell, Oracle, Palo Alto, Ruckus, VMware and others
- Connected and shared insights; made our strong partner relationships even stronger
- Showcased our full confidence in growing with partners, as we look to unlock more opportunities in Hong Kong, mainland China and beyond

Hong Kong International Tennis Challenge

With the tournament venue playing host to demonstrate the power of our network, we offered all attendees 12 months of complimentary home broadband service.

After 20 years, the Bank of Communications Hong Kong International Tennis Challenge 2022 made its long awaited return to Hong Kong in late December 2022.

Commemorating the 25th anniversary of the Hong Kong Special Administrative Region's establishment, the three-day tournament was held at Victoria Park Tennis Stadium. HKBN supported this landmark event as the Official Network Sponsor, working closely with our technology partner, Ruckus, to deliver a massive scale ultra-high-speed network and Wi-Fi connectivity experience for thousands of attendees.

Broadband + OTT Switching Offer

In February 2023, Cable TV announced that it would surrender its pay TV licence (six years ahead of schedule) and terminate its pay TV service by 1 June 2023. As the only telco provider in Hong Kong to offer myTV Gold, Disney+ and Netflix OTT entertainment, we pounced on the opportunity with unbeatable switching deals to entice Cable TV's customer base. Our phenomenal offers featured our industry-leading home fibre broadband service with a choice of one OTT streaming service, all for only $99/month on a 24-month contract.

Shoppy

Like so many of our Residential Solutions' Infinite-play options, the launch of online shopping platform Shoppy continues our vision for diversification, to deepen consumer engagement through obsessively focussing on value, user experiences and the power of choices. An expanded rebrand and upgrade of HKBN Jetso Zone, Shoppy features the latest selection of technology and lifestyle products, ranging from Apple's roster of must-have products to our portfolio of smart living gadgets and appliances, to bring consumers what they want, with integrated unified experiences for My HKBN users. For more about Shoppy, please refer to page 19 of this report.

Mainland China: Open for Business

The complete lifting of COVID-19 restrictions in mainland China means companies can continue to grow their businesses as consumer spending thrives once again. This also means the outlook for more newer and bigger opportunities is bright and exciting — for HKBN and our enterprise customers both in Hong Kong and across the mainland.

As the transformation of our Enterprise Solutions business continues, which began last year with the hiring of our new CEO — Enterprise Solutions William Ho, we anticipated and geared up for growth by aggressively adding new team members as well as setting up strategic offices in many of the mainland's major cities. Today, our presence in the mainland is unleashing a wide range of customer-centric projects and solutions which leverage our unique ability to deliver technology expertise silo-free out of Hong Kong, Macau and mainland China, based on the regional needs of each client.

Critical Success in the GBA

As a sign of our growing success in mainland China, we recently received the 2022 Golden Pilot Award, our first-ever major business and technology recognition from the Greater Bay Area region. Organised by the Hong Kong Chamber of Commerce in Guangdong Province with full support from the Hong Kong and Guangdong governments, the award itself highlighted HKBN as the only information technology company in the region to be named an "Outstanding Company".

Through our extensive network of technology partners, outstanding brand awareness, professional service and wide-ranging solutions, we have stood out for the comprehensive ICT and transformation work we've done to enable customers and their growth needs in the mainland and in the Guangdong-Hong Kong-Macao Greater Bay Area.

JOS Shanghai Solutions Day

In March 2023, HKBN JOS joined hands with major leading tech players Palo Alto, Sangfor, Fortinet, Dell, Trellix and others, for a showcase event focussed on deeper engagement with mainland enterprises. Our Solutions Day event, held in Shanghai, presented a wide spectrum of insights and sharing on how companies can take full advantage of mainland China's reopening through digital transformation, as well as keep their businesses digitally protected. With hot topic challenges such as information security, device security, application security, firewall, load balancing, rising concerns over AI security and much more, our Solutions Day event allowed each customer to gain expert insights into what's next and how they can get there.

At HKBN, our Talents are the driving force behind everything we do. To lead in Purpose and over-achieve our ESG goals, we need our Talents to come to work with their full passion, commitment and alignment. And so, every day we make sure HKBNers feel fully supported by our unique culture, and have all the right tools, development opportunities and incentives to succeed.

Talent Interest Alignment

We believe magic happens when our Talents hold a real stake in our near and long-term goals. And having "skin-in-the-game" via Co-Ownership and pain/GAIN further deepens their motivation.

HKBN Co-Ownership

Co-Ownership is our key Legal Unfair Competitive Advantage ("LUCA") which defines HKBN's unique strengths. Unlike the more traditional approach of giving stock options to a very limited group of senior executives, our Co-Ownership is open to all supervisor-and-above-level Talents, spanning operations across Hong Kong, Macau, and mainland China, covering approximately 40% of Talents in the Group.

To participate in the scheme, Talents can choose to invest between 2 and 24 months of salary to acquire HKBN shares at full market price. The shares are then matched with free shares vested at a certain ratio after 3 years, only if key company performance targets are met.

The first batch of enrolment for our Co-Ownership Plan IV ("CO4") was opened in November 2021, and a total of 471 Talents have joined the CO4 scheme, representing a powerful commitment from our supervisory-and-above-level Talents to drive our Purpose and business success. Following a change in the company's performance targets, an amendment to the CO4 scheme was proposed, and approved by the shareholders of the company.

Skin-in-the-game Co-Ownership

Recognising Talent excellence with fairly rewarded remuneration

At HKBN, our remuneration packages are equitable, competitive, and measure up to local market conditions. We offer total rewards which comprise both monetary and non-monetary inducements, representing an all-around package to HKBNers. Apart from monetary compensation like salary, allowance, incentives, commission and bonus, we also offer a highly competitive array of leave benefits, flexible working environment, medical insurance and more, to **make HKBN a better place to work**.

Leveraging performance-based appraisal, we ensure our Talents are objectively and fairly rewarded. All remuneration packages are reviewed annually to match employee performance, contributions and market trends. Full-time Talents are all eligible for discretionary performance bonuses. We assess Talent performance based on a combination of self-assessment, supervisory evaluations, review meetings and company-wide performance calibration at the department or division level. The rated results serve as a criterion from which annual salary reviews, discretionary bonus allocations and promotion nominations are based upon.

The benefits that we offer plays a major factor in our attractiveness as a Talent-obsessed employer. All full-time Talents are entitled to the mandatory provident fund scheme, and a wide array of leave benefits and insurance benefits, which cover medical, life, critical illness, and personal accident.

LIFE-work Priority

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

HKBN Chief Happiness Officer programme

Who says work and fun are mutually exclusive? To help enhance HKBN as an amicable place to work, we recruited a number of Talents to take on roles as Chief Happiness Officers (CHO). These trained ambassadors will be tasked with promoting a happy and fun work culture, as well as providing assistance to fellow Talents who are under pressure by personal or job-related challenges.

World Cup flexi-arrangement

As euphoria for the World Cup in Qatar reached its peak between November and December 2022, we decided to give HKBNers the option to start and end their workday later than usual. Given that most matches kicked-off at around midnight Hong Kong-time, this level of flexibility allowed our Talents to cheer on their favourite teams, and still come to work with the energy and enthusiasm to perform their duties.

With World Cup frenzy in full swing, our CHO Leo arranged a happy football viewing session so that family, friends and HKBNers can watch together at our office!

At our mainland China offices, we upped the ante on fun by asking HKBNers to guess which team would win the World Cup. Irene Ma, our Assistant Officer — Talent Services, received a National Team jersey for her prediction that Argentina would become world champions.

VOOL Club yoga class

Led by one of our CHOs, Phoebe, and a Yoga enthusiast from our Marketing team, in November 2023 we organised two sessions of yoga classes to share an introductory lesson into the benefits of stretching and de-stressing.

Yoga at work is a comforting way to unwind and stay healthy.

Talent Wellness

A happy workplace goes a long way in furthering Talent fulfilment, productivity and loyalty. Making this happen requires care and a persistent commitment. To improve mental and physical well-being and create a happy working culture, we initiated the following during the reporting period:

"Walk Up Jardine House"

A good cause for both philanthropy and personal wellness; we joined the "Walk Up Jardine House" event to raise funds for various charities and to get our Talents actively exercising. In total, our Talents rose to the challenge and completed 1,014,737 steps on exercise step machines placed inside our various office locations.

Giving back and giving our bodies a workout at the same time!

AI health check

With the pandemic prompting companies to pay greater attention to employee wellness, we teamed up with Mannings, Hong Kong's leading health and beauty retailer, to offer our Talents a complimentary AI-powered health check service. This 5-minute zero-contact check-up was conducted by simply scanning each Talent's face for 30 seconds. A detailed report containing major health metrics like heartbeat, blood pressure, blood oxygen saturation, and stress levels was then shared, followed up with medical advice from Mannings's registered on-site pharmacists.

Ian Law, Mannings GNC & New Business General Manager (right) and NiQ, our Co-Owner and Group CEO, proudly showcase the strong relationship between both companies.

Staying safe through COVID-19

With the pandemic still ongoing, we continued to prioritise health and safety measures which help keep our Talents safe. During the height of mainland China's unprecedented COVID-19 outbreak in late 2022, we implemented work flexibility to allow our mainland Talents to work from home, and, if necessary, utilise seven days of paid Quarantine Leave.

Open Communication

Being inclusive means communication at HKBN is open and transparent, and that all Talents should have their voices heard. To gauge how Talents feel about HKBN, we conducted our annual company-wide engagement survey in September 2022. The results revealed that overall favourability among Talents was at 65%, rising 7% from our previous survey conducted in December 2021.

Regularly communicating with Talents helps ensure that everyone is together and working towards the same goals. At the beginning of the reporting period, we held an All Talent Townhall Meeting to share the thinking behind our key focuses, strategies and action plans for this year. In total, over 2,600 Talents joined our Townhall in-person or virtually.

In January 2023, we held an Enterprise Solutions Townhall Meeting — FY23 Mid-year Review. At the Townhall, our Enterprise Solutions CEO, William Ho shared a progress update of our Enterprise business, as well as upcoming development plans with about 700 Talents in attendance.

Our All Talent Townhall Meeting brought together HKBNers, in-person and virtually from Hong Kong, Macau and mainland China.

Talent Development

As champions of change, we fully embrace lifelong learning and development to ensure that our Talents can thrive in today and tomorrow's competitive digital landscape.

Our Talent development programmes include curated pathways and recommendations to help Talents grow and develop at every step of their careers — making HKBN one of the best in our industry at nurturing leaders.

Across all regions, our **1-HKBN Academy** offers all Talents easy access to structured training programmes, e-learning resources, best practice learnings and much more.

Besides providing Talents of every level a broad range of mandatory job-related knowledge and skills, leadership development and comprehensive training, we also offer tailor-made programmes for select Talents. The following is a sample of the initiatives we organised during the reporting period:

- **Talent Learning & Development Experience Day**, a promotional initiative showcasing our culture of learning and the various learning resources and platforms available to Talents.
- **Elite 101 Programme**, a mandatory leadership course that enhances work-related skills, accountability and performance for supervisory-level Talents who are aspiring to become leaders.
- **Leader 101 Programme**, like the Elite version this mandatory leadership course goes deeper to enhance work-related skills, strategic thinking and performance for managerial-level Talents.
- **Wine Tasting Workshop**, an initiative designed to help elevate our Talents' knowledge and mastery of wine — handy for socialising with clients and business partners.

At our Talent Learning & Development Experience Day, HKBNers got a real taste of the full breadth of learning programmes on offer.

Our Talents are not just technology specialists, but budding sommeliers.

Talent training

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

Over
~39,000 hours
of training provided

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

During the reporting period, over 39,000 hours of training were provided.

Diversity & Inclusion (D&I)

Creating a culture of inclusion where everyone feels they belong, where diversity is embraced, and where equity is fostered defines who we are as a company. From the way we recruit and support our Talents to the voices of Talents, our journey to create positive change is firmly grounded in diversity and inclusiveness.

Building a diverse workforce

Attracting diverse Talents is an important part of our strategy to lead in a highly competitive marketplace. We put great emphasis on augmenting our acquisition and retention efforts with a focus to drive diversity and elevate HKBN as a top employer of choice.

With a real commitment for enhancing D&I in our workforce, during the reporting period we did the following:

- We arranged 8 different recruitment days with various NGOs to hire new Talents
- We launched the HKBN Women's Network and the Smart Working Parent Club in December 2022 to organise events and activities aimed at both addressing and understanding the unique needs of HKBN's female Talents and young parents
- To enhance the knowledge of our Talent Engagement team, we collaborated with the Equal Opportunities Commission and organised two workshops sharing deeper insights on important areas like sexual discrimination, family status discrimination and discrimination against disabilities
- We worked with Hong Kong's Vocational Training Council (VTC) and the Institute of Vocational Education (IVE) to offer apprenticeship opportunities to their students, with plans to offer more IT apprenticeships for students in 2H2023

Our work with NGOs is helping us hire new Talents with diverse ethnic, social and other backgrounds.

Total workforce

4,834 Talents

Workforce by gender

Female	Male
1,678	3,156

Workforce percentage by Talent grade

Management level Talents: 8%

Supervisory level Talents: 34%

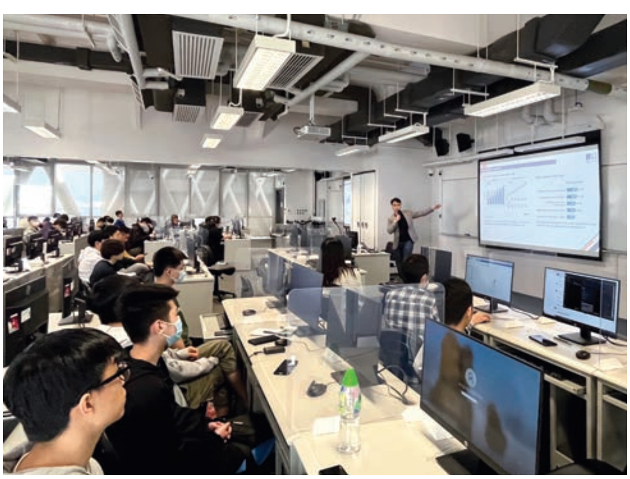
All other Talents: 58%

Talent Health and Safety

Putting Talents first means we're committed to the health and safety of all HKBNers. To achieve this, we have occupational health and safety measures in place to safeguard our Talents, and we work diligently to comply with all relevant health and safety regulations in jurisdictions where we operate.

To ensure that our Talents can work in a safe environment, safety inspections across sites such as offices, shops, warehouses and data centres in Hong Kong and mainland China are undertaken annually. Results from these inspections are shared with all departments, with identified issues flagged for rectification within a specified period. Drinking water and indoor air quality at our offices are tested annually. Risk assessments and surprise inspections are also performed at network installation sites and for frontline working areas.

In addition, a variety of safety training sessions and activities are provided to our Talents and sub-contractors. The scope of these trainings cover everything from occupational health and safety management to basic safety training, elementary first aid training, and working at height. During the reporting period, the following safety-related training were provided:



By working with Hong Kong's VTC and IVE, we're offering apprenticeships to the next generation of HKBNers.

AED training to empower Talents to save a life when need.

- Dog Safety Training
- Automated External Defibrillator (AED) Training
- Fire Safety Training
- Manual Handling Training
- Basic Safety Training
- Safety Inspection Training for our Safety Ambassadors

Enhancing health and safety

To comply with regulations that stipulate the identification of workplace-specific hazards for renovation or construction projects, during the reporting period we conducted 19 risk assessments at our new construction/working sites. These assessments helped to ensure that adequate safety measures are in place.

In an exciting new move to drive our health and safety forward, we recruited 50 Talents from different departments to serve as our Safety Ambassadors. As HKBN's in-house experts, our Safety Ambassadors will undergo the necessary training, and in turn help conduct safety inspections and promote safety awareness with a commitment to uphold the health and safety of all HKBNers.

From the way we communicate, learn and do business every day, to how we minimise our impacts on the environment, or uplift those in our communities who face the highest barriers, technology has the power to change and bring transformative progress for society.

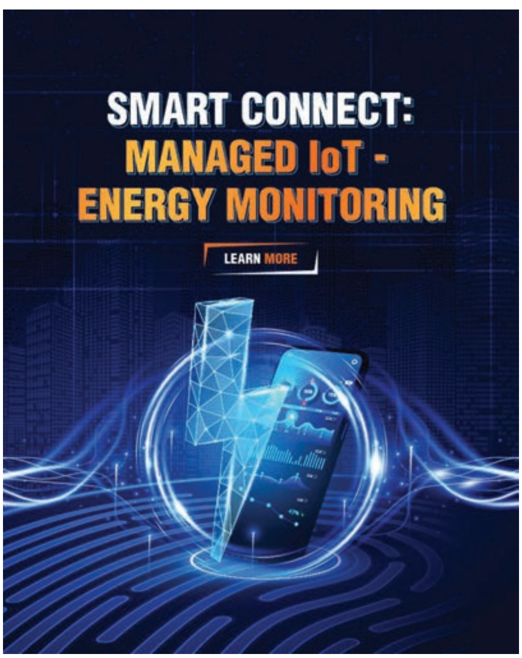
ESG Enabler

One company alone can only achieve so much. Knowing that our progress in ESG is limited by a finite number of Talents and resources, we're fully embracing our role as an ESG enabler — a strategy focussed on empowering the ESG of our enterprise and residential customers, as well as other important groups like NGOs and social enterprises in our communities, our suppliers & value chain partners, and more. So, whenever a customer, NGO, or supplier makes use of our ESG-related solutions and ideas, it means our impact is expanding to grow beyond HKBN.

Market-ready ESG Solutions

Smart Connect: Managed IoT – Energy Monitoring

As businesses feel the sting of sky-rocketing energy costs, companies that innovate with smart ideas will be best positioned to achieve double bottom wins in terms of ESG and real dollars. Powered by IoT technology which directly tracks activity in a premise's electrical wires, our Smart Connect: Managed IoT – Energy Monitoring solution is HKBNES's first market-ready ESG solution designed to give Enterprise customers 24/7 real-time visibility (updated every 10 seconds) into key data like consumption, spikes in usage and more.



Our managed subscription-based solution is a simple and cost-effective tool that gives customers the power to control energy consumption like never before. With real-time data updates, users can map out their electricity usage and make corrective actions to manage spending. Customers can now see the big picture with comprehensive reporting via our easy-to-understand dashboard which allows them to analyse and compare usage based on hourly, daily, weekly and monthly metrics — and use the data to strategise and plan for the future. In the context of creating a more resilient and sustainable business, the collected data will help customers make informed decisions in areas like future equipment purchases, deployment of IoT controllers and sensors, as well as develop the right long-term energy management strategy for improved environmental impact and better overall business performance.

Our solution also includes a unique notification feature that instantly alerts users when energy usage exceeds a pre-defined level. We also have options that allow users to remotely switch on/off lighting and even specific equipment.

Tony Leung
our Manager — Smart Technology and Management, Enterprise Solutions

The following is an example of how our "technology for good" commitment helped make a difference during the reporting period:

Incentivising Wi-Fi router recycling for consumers

In December 2022, we teamed up with our business partner TP-Link, a global leader in network equipment, and took the relationship to new levels of green-responsibility by launching our Wi-Fi 6 Router Upgrade & Recycle programme — made available citywide for everyone in Hong Kong, including our customer base of one million households.

Exemplifying two companies doing business and doing good at the same time, our collaboration brings the benefits of Wi-Fi 6 and 6E technology (with enhanced security and better connectivity for more concurrent devices) to the mass market, whilst incentivising customers for being eco-conscious. This is what we call a win for business, a win for consumers, and a win for the environment.

With our strategic partner TP-Link, we're creating great new possibilities through aligning business with Purpose. Rex Hui, our Co-Owner and Head of Product Development & Management, Residential Solutions (pictured left) and Howard Lai, TP-Link's Marketing Manager (right) celebrate our latest collaboration.

Digital Inclusion for our Communities

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

Cybersecurity enablement for Social Profit Organisations

As a company at the forefront of transforming society for the better (through interconnectivity and digital technologies), we bear a responsibility to ensure that our community's most disadvantaged don't fall behind. And with cybersecurity risks escalating at alarming rates, in late 2022 we initiated free cyber risk assessments for 50 social profit organisations (SPOs). As a result, our findings revealed that 32% of SPOs were at medium to high levels of risk from hacking and cyber-attacks — threats which could potentially harm their operations, and in turn, the beneficiaries they serve. From this exercise, our Information Security team provided some much-needed advice and recommendations to help reduce or mitigate the potential risks. To empower SPOs with cybersecurity knowledge, we organised relevant workshops for free.

Pro bono consultations and cybersecurity workshops

Knowing that SPOs play a critical role of empowering people and communities, our volunteer team focussed on providing pro bono IT and cybersecurity consultations, as well as cybersecurity workshops to help these organisations gain the necessary know-how to competently operate in today's complex digital landscape.

In February 2023, we began our first round of workshops for nearly 50 individuals from 36 different SPOs. It's worth mentioning that over 90% of participants said they would take the lessons learned back to their respective organisations and begin cybersecurity training of teammates. And as part of these free IT and cybersecurity consultations, our volunteer team shared their expertise to evaluate each participating SPO's technology challenges, and made the necessary recommendations.

> While cybersecurity is increasingly becoming more important, we definitely need the expertise to stay protected. This workshop came at the right time!
>
> **Carol Chow**
> *Admin & System Officer, Feeding Hong Kong*

Jackal Chau, our Vice-president — Service Delivery, Enterprise Solutions, gave free talks to empower social profit organisations with security knowledge.

Free broadband service for the disadvantaged

Mindful that our fibre broadband is essential in keeping people connected and informed — for working, learning, playing, socialising and so much more — we continue to ensure our service is affordable and accessible. During the reporting period, we furthered this commitment by partnering with three SPOs to offer up to 500 lines of broadband Internet service free for 24 months to benefit groups in need.

> In the past, my children would use a lot of data from my mobile plan just to complete their school work online. The data plan was not only capped, but also unstable. After having HKBN broadband installed at home, we now enjoy fast and stable Internet!
>
> **Beneficiary from St. James' Settlement Grant-in-Aid Brightens Children's Lives Service**

Offered 24 **months of free broadband service** for up to 500 disadvantaged groups

Donating used computers

In December 2022, we teamed up with the Guangdong Provincial Education Foundation and Shenzhen Mass8 Information Service Ltd. (Mass8) to donate our used computers for students. Through this eco-friendly initiative, our used computer equipment was first sent to Mass8 for refurbishment. After completing this process, the Guangdong Provincial Education Foundation helped distribute the computers to primary and secondary schools in Guangdong's remote mountainous regions, where computer equipment is scarce. As at the end of February 2023, a total of 113 computers were donated.

A total of 113 used computers were donated to students in Guangdong's remote mountainous regions.

Making progress starts from transforming HKBN into a better company — not just in a few areas, but in every area — from our environmental impact, data privacy or the way we solve customer complaints, to cybersecurity, customer experiences, and how we deliver fast and reliable connectivity to customers. Improving our business and operations ensures that our impacts can go further.

Climate Action

HKBN is taking bold action to build a brighter, greener future for our environment. Knowing that we're not alone in this challenge, we continue to pursue smarter eco-solutions whilst actively engaging our Talents, customers, business partners, and the wider communities to do more.

Greener and smarter workplace

Throughout the reporting period, we continued to invest by redesigning our workplace environment. Besides doing this to optimise office space usage, we're also using the exercise to trial test a variety of smart technologies, and will expand the best performing applications to more areas of our operations. As a result, to date, we achieved a 6.1% reduction in electricity at our offices when compared with the same period last year.

To achieve better energy efficiency, we've utilised IoT solutions specifically designed for our air conditioning and lighting systems. Examples include:

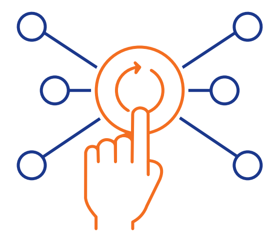
- IoT in Hong Kong office areas to help us analyse our indoor temperature control needs, and make adjustments to deliver the optimal cooling volume necessary
- Installed smart light-sensitive curtains in some areas of our Guangzhou office, which can automatically sense the intensity of light outside, and the activities of people inside, and make adjustments for optimal luminosity
- In our newest office in Guangzhou, infrared sensor lights are used to ensure that the lighting can automatically turn off during off-hours or when specific office areas are vacant

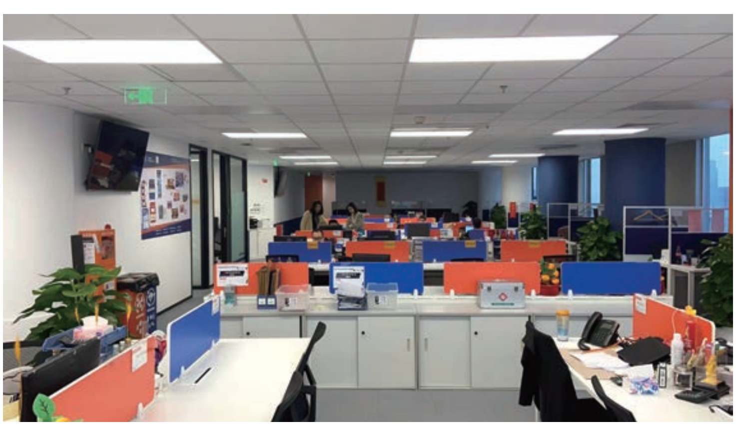
A greener network

With 1 in 2 active companies and 1 in 3 households in Hong Kong dependent on our network infrastructure for their connectivity needs, we believe that a big impact can be made by improving the energy performance of our network and data transmissions.

Over the past few years, we launched a number of multi-year projects with this in mind, including the dismantling of excess network equipment and the large-scale revamps of our Hong Kong data centres' electrical and mechanical facilities. Once completed, we estimate that at least 17 million kWh will be saved annually from these enhancements. At the same time, these initiatives also bring additional upside for our operations. For example, more space will be freed up and allow for new service deployment at our Network Exchange Centres and Telecom Equipment Room of customer's buildings.

Estimated
> **17** **million kWh**
to be saved annually





Lights are automatically turned off after working hours in our Guangzhou office.

Space is freed up after dismantling network equipment.

Furthermore, throughout the year we've carried out a number of energy optimisation initiatives at our data centre in Shanghai. These ongoing initiatives include revamping the data centre's layout, adopting modular cabinets, and identifying hot and cold temperature channels. As a result, we achieved a 31.6% savings in energy consumption during the reporting period when compared with the same timeframe one year ago.

Impactful Customer Experiences

Every customer interaction is an opportunity to make a positive impression on how our brand is perceived and experienced. Through our commitment to deliver impactful customer experiences, we're taking a systematic approach to improve our self-service customer support functions.

Across our Residential Solutions and Enterprise Solutions businesses, we continued implementing measures to enhance and re-define customer experiences. Our embrace of digital innovations is also making it easier for customers to do business with us.

Residential Solutions

When customers need assistance, they deserve fast, easy and effective service. Our customers can get help through multiple channels such as our customer service hotline, online platforms, email and social media. Since November 2020, we have utilised Chatbots to provide instant responses to general enquiries made online.

At the same time, we offer self-service tools that provide customers with flexibility to choose the service options they prefer. For example, our Network Connectivity Analyzer, available via our interactive voice response system, My HKBN web and My HKBN App, is a self-service tool that allows customers to diagnose and fix (via step-by-step instructions) their network connectivity problems at any time.

Speed isn't only restricted to our Internet experience; it also applies to our service during installation and maintenance. With sufficient manpower in place, we make sure that customers can schedule an installation appointment within three calendar days. During the reporting period, the average lead time from receiving a customer request to completing the installation was 1.1 days. Meanwhile, for on-premises maintenance service, our target is to arrange a maintenance appointment within two calendar days*. During the reporting period, 99.96% of maintenance appointments were arranged within two calendar days.

Enterprise Solutions

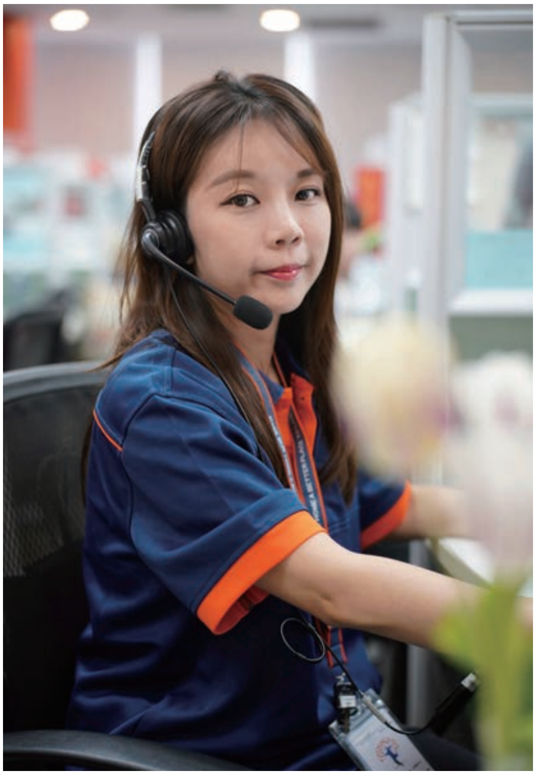
In addition to our customer service hotline and various other online platforms, we have dedicated managers and account serving relationship executives who are assigned to serve each Enterprise Solutions customer.

* Not for circumstances beyond our reasonable control, e.g. insufficient information provided by customers, unreachable customers, awaiting customers' decision, requiring site maintenance, etc.

Enterprise customers can reach us through multiple ways via service hotline, online platforms, emails and other channels. During the reporting period, we achieved an average answer rate of 89%* for our customer service hotline.

Listening to our customers

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



Focused on customer empathy, the quality of our customer service is widely considered amongst the best in our peer industry group.

Residential Solutions

Following every contact with our Customer Service team, customers are invited to rate the level of their satisfaction, based on a score from 1 to 6. If the score is 2 or below, our team leaders will contact the customer to better understand why, and if necessary, carry out follow-up actions to rectify or improve the experience. During the reporting period, the average satisfaction scores of our combined customer service channels, which includes our customer service hotline, online platform and email, was 5.78 out of 6.

Additionally, we gather feedback on the customer experience by conducting satisfaction surveys with new customers, and via surveys conducted the next day after every installation or maintenance order. During the reporting period, our new broadband customers rated their satisfaction at 4.7 out of 6, while the score given to our installation and maintenance service was 5.75 out of 6. For scores of 3 or below, our team will contact the respective customer to follow-up.

Besides surveys, we have also adopted quality enhancement programmes such as mystery shopper and promoter booth assessments to evaluate the performance of our direct sales teams. During the reporting period, our mystery shopper assessment and promoter booth assessment results were both at 95.3 out of 100.

To ensure our residential customer service can address customer inquiries, deliver a consistent level of support and manage complaints in a timely manner, a dedicated Resolution Service team conducts investigation into complaint cases with the relevant parties and provides a response to each complainant within the target response time. Complaint cases would only be settled and closed after the customer has expressed satisfaction with the follow-up actions taken.

* Due to the severity of COVID outbreaks in December 2022, our customer hotline performance was seriously impacted during the month.

A complaint management system is also in place to record details of communications and follow-up actions to be taken. After each day, any unsettled complaint cases will be reviewed for escalation, if necessary. For complaints handling, our target is to resolve customer complaints within six calendar days*.

These complimentary notes are among many that we receive every month.

Enterprise Solutions

To help us better understand customer expectations, monthly surveys are carried out to gather feedback on our products and services. During the reporting period, the average satisfaction scores we received was 5 out of 6.

Across our Enterprise Solutions business, we've integrated the ISO 10002 complaints handling standard as part of our complaints handing procedure, and the ISO 9001 quality management standard into our after-sales operations. To prevent issues and problems that are alike from happening again, our Enterprise Solutions team regularly reviews consolidated complaint reports to identify areas for improvement and maintains close communication with relevant department heads to address issues based on complaint and feedback patterns. A monthly complaints summary is also shared with relevant department heads to keep track of complaint cases. Our Quality Management team also arranges refresher training on quality management for our account managers.

Fair and Transparent Sales and Marketing Approach

Selling responsibly

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

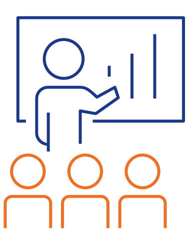
Our Code of Practices on Marketing Calls provides clear guidelines on how marketing-related calls should be conducted. Customers can independently opt-out of receiving promotional materials and marketing calls, and do so any time at HKBN shops or via HKBN service hotline, email, fax, letter or My HKBN app. Any updates to customer preferences will take effect within seven working days. Customers can also check their existing contract details through various channels such as HKBN shops, telephone hotline, email, fax, letter and My HKBN App.

* Not for circumstances beyond our reasonable control, e.g. insufficient information provided by customers, unreachable customers, awaiting customers' decision, requiring site maintenance, etc.

To ensure that accurate information is relayed to customers, our telesales Talents operate with the support of pre-approved scripts, detailed procedural guidelines and supervision from team leaders as well as our Quality Management team. Continuous review on sales scripts and operational guidelines are also carried out to align our policies, operational approaches and quality with customer expectations.

To ensure that our frontline Talents are up-to-date with our latest sales and marketing information, as well as on how to deal with customers fairly, we put extra effort on training all Talents involved with the sale of our products, services and solutions. A comprehensive training curriculum is provided for our sales-related Talents, covering topics like product and service knowledge, sales techniques, company policies and ethical standards. In addition, all new sales-related Talents are required to attend trainings on Personal Data (Privacy) Ordinance, Trade Descriptions Ordinance and Code of Practices on Marketing Calls. Regular sales and marketing refresher trainings and quality improvement trainings are also provided to all sales-related Talents to ensure our standard of quality stays consistent across the business. As at the end of the reporting period, 16,274 hours of product, sales, marketing and quality improvement trainings were provided to our new and existing Talents.

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



16,274 hours
of product, sales, marketing and quality improvement trainings provided

Customers can visit our shops to browse and learn about our latest products, offers and information, as well as get customer support.

Data Privacy

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

Our Data Classification Policy provides baseline security protections for classified data while our Data Retention and Destruction Policy aims to ensure that company data is properly retained and destroyed.

Our Information Security Policy serves to ensure the protection of information, integrity and availability are maintained and that the confidentiality of our data is not compromised. Supported in tandem by our Data Classification Policy, which provides baseline security protections for classified data, and our Data Retention and Destruction Policy, which ensures that data is always properly retained and destroyed, we approach data privacy with clearly defined responsibilities for all Talents, contractors and third-party users. These policies are reviewed annually and uploaded to our Company Intranet for our Talents' reference. The Internal Audit department commissions certified professionals to conduct periodic reviews of our security systems, and conducts regular information system audits to ensure our compliance.

Our Cyber Incident Response Policy provides guidance on the handling of security incidents throughout the stages of identification, containment, recovery, reporting and post-incident evaluation. We have cybersecurity monitoring tools which continuously monitor and identify potential security incidents/breaches. Once an incident is identified, we take immediate action to contain, investigate, and take necessary follow-up actions. Two teams are authorised to handle cyber incidents, with our Cyber Incident Management team responsible for overseeing the entire response process and making critical decisions, while our Cyber Incident Response team is responsible for the handling of cyber incidents.

We have stringent policies governing how we collect, use and manage customer information. Besides the overarching Information Security Policy, our Data Classification Policy provides baseline security protections for classified data. Any confidential information will be encrypted with passwords or Crypto keys, and can only be accessed by authorised persons with their access rights limited according to their job duties on a 'Need to Know' basis.

We're open and honest on how customer data is handled and processed, and communicate this to them through the publicly available Personal Data & Privacy Statement ("PPS"), the Personal Information Collection Statement, and related clauses listed in service agreements. We only use data collection for designing and provisioning purposes as stated in our privacy policies, and keep this data based on legal or statutory requirements. We have practices and consent requirements in place around the handling of personal data by third parties, and as stipulated in Section 3 of our PPS; third party service providers are under an agreement of confidentiality and are contractually bound to use an individuals' personal data in connection with the purposes specified in the PPS, and not for their own purposes (such as direct marketing).

We have a Data Retention and Destruction Policy in place that governs how we retain and destroy collected data. For example, we do not store full credit card numbers; only 10 digits (out of the full 16 digits) of credit card numbers belonging to our customers are stored, and we practice 'tokenisation' to limit the exchange of sensitive data when processing credit card payments. In addition, each customer's Hong Kong Identity Card ("HKID") number is only partially visible via our front-line system.

To protect customer privacy, we have a dedicated Data Protection Officer (DPO) and a Personal Data Privacy Officer (PDPO) who ensure that personal data privacy is protected with strict confidentiality. Whenever any data privacy incident occurs, we follow a strict procedure and report it to our Audit and Risk department and the Board. We are also committed to notifying affected customers of any data breaches identified, or changes made to our privacy policies in a timely manner.

In December 2022, there was one case of non-compliance relating to customer privacy brought forth by Hong Kong's Office of the Privacy Commissioner for Personal Data (PCPD). As a result, PCPD issued us a warning in January 2023 and we have taken the necessary actions to prevent such incidents from happening in the future.

Strengthening our information security capabilities

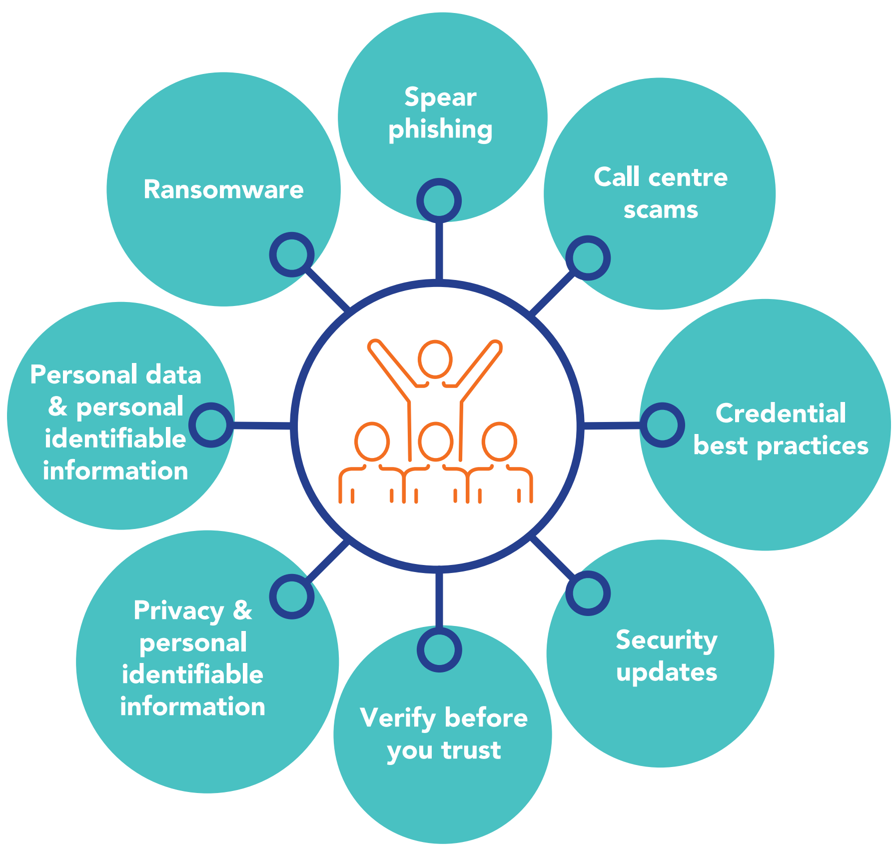
Improved security awareness for all Talents is the most effective way we can protect our operations from cyberattacks. All frontline new joiners are required to attend trainings on Personal Data (Privacy) Ordinance, which stresses the importance of following our internal policies, procedures and compliance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

HKBN's volunteer team is paying it forward to help those who empower our communities with cybersecurity know-how.

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

Besides cultivating a regimented culture of security for our Talents, we also shared Information Security awareness training materials with our contractors, as well as organised Cybersecurity Interactive Workshops for a number of SPOs.

8 security training sessions conducted for all Talents with topics on:



Residential Solutions	
Availability of Core Network	Availability of Access Network
100.00%	99.9945%

Enterprise Solutions	
Availability of Core Network	Availability of Access Network
99.99997%	99.99962%

Reliable & Responsible Service

To be the best network around, our diligent hard work — from expanding our coverage to increasing the efficiency of our networking systems — never stops. To ensure that customers love what we offer and stay with us long-term, we're always looking for more ways to enhance the customer journey experience, like by going digital, bringing in flexible and expandable services and solutions, and by offering attractive pricing.

Delivering the best network experience

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

Network performance

Our Network Operation Centre ("NOC") works around-the-clock to monitor and oversee our network performance. By applying innovative network monitoring tools and robotic processing automation ("RPA"), our NOC actively carries out health checks to ensure network quality is sound and to minimise troubleshooting timeframes. For instance, our NOC now employs a state-of-the-art centralised management portal to perform network fault alarms management and usage reporting, to pinpoint issues effectively. Our NOC also closely monitors WAN link utilisation and dynamically manages routing and capacity on-demand to ensure smoother delivery of broadband services.

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

Every year, we also carry out 24/7 network performance tests to ensure the quality of our network is sound. These tests include speed tests on popular local and overseas websites and latency tests on popular game servers. The performance test results are benchmarked against other local Internet service providers to evaluate where our network maintains a high standard, and where it underperforms. Whenever our network is found 10% or below benchmarked results, our team will take immediate action to address the issue to meet and/or exceed the targets.

To ensure that our broadband service is performing at its best, and that when an outage occurs, service can be quickly brought back to normal, our NOC, Customer Service team and Technical Engineer teams collaborated on a Broadband Connectivity Proactive Monitoring project. Here's how our three-way collaboration works: whenever our NOC detects anomalies that may impact our service quality, our Customer Service team will then contact the customer and arrange for our technical engineers to carry out on-site maintenance — solving problems before they happen.

24/7 network performance tests
conducted annually to ensure the quality of our network

Network coverage and affordability

Over the past several years, we have continuously expanded our residential and enterprise coverage. We have set a high priority to support the 5G base stations of mobile network operators by providing state-of-the-art fibre service with our strong network capacity advantages. We also focussed on newly developed residential and commercial buildings to ensure fibre service is in place for users when they move in. Part of our infrastructure strategy is also to accelerate our network's expansion across rural areas in Hong Kong, prioritising first any villages in close proximity to our existing fibre network coverage. During the reporting period, our fibre coverage was extended to 30,186 additional homes, of which 328 were in rural areas. Likewise, 27 commercial buildings were added to our fibre network coverage.

As at the end of 1H2023, our fibre network reached around 2,543,000 homes and over 8,000 commercial buildings and facilities.

Adhering to our Core Purpose, we position our products and services to deliver value-for-money, making our world-class ICT solutions affordable for the wider market. We regularly review our offerings and price appeal with target customer groups, and benchmark our pricing against other service providers for enhanced competitiveness of our products and services.

Marking another milestone of our network coverage, our Network Talents celebrate the laying of fibre lines at our TKO Connect site.

Our fibre network reached around

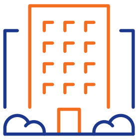
2,543,000

homes

and over

8,000

commercial buildings and facilities



Network improvements and upgrades

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

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

- Upgraded our GPON platform for service sustainability
- Phased out legacy DWDM platform and migrated resources with future-proofing in mind
- Worked on development of XGS (10G) PON with new services in mind
- Upgraded our MetroNet 100GE Core capacity
- Conducted field trials on 400G DWDM
- Enhanced power supply facilities at our essential hub sites
- Consolidated hub and core centre design for reduced power consumption

Ensuring customer health and product safety

Keeping our customers safe is paramount. Embracing this responsibility, we work diligently to ensure that our products and services comply with relevant legal and regulatory requirements for consumer safety. When possible, we engage suppliers early in the product design stages to ensure that our requirements for quality, health and safety, as well as sustainability, are met. Strict guidelines and protocols are also in place to ensure our Talents exercise proper COVID-19 safety when physically interacting with customers.

During the reporting period, no substantiated non-compliance court cases or product recalls relating to product health and safety occurred.

Win-win-win Partnership & Value Chain

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

Amid the COVID-19 pandemic, we strived to maintain our operational agility and embrace opportunities to collaborate with our business partners and suppliers. Since the launch of our 'Barter & Bundle' scheme in March 2020, we have continued to offer flexibility in payment methods and terms for many of our enterprise customers, including partners and suppliers. With this scheme, enterprise customers can exchange their products and services to partly offset their payments for our range of ICT solutions.

The products and services we receive can then be repurposed as offerings for our residential customers. This innovative approach has not only helped businesses cope with challenges from the pandemic, but it also helped us attract more new customers to use our solutions.

Supply chain sustainability

As a responsible business, we're serious about working with our suppliers to promote sustainability in procurement. Every year, our Procurement team reviews our supply chain management system, sets our yearly supply chain ESG targets, and communicates these strategies to our senior management, who report to the Board.

In February 2022, our Procurement and ESG teams worked together to evaluate the current ESG gap against the standard supplier management. In December 2022, we updated and revised our Supplier Code of Conduct (SCoC) to include clauses that relate to Freedom of Association, Conflict of Interest, and encourage our suppliers to offer their employees compensation that stays above the minimum living wage standard. With cybersecurity risk becoming a major concern, our Information Security team is starting to conduct security audits on some of our largest suppliers. Underperforming suppliers will be required to provide us with an adequate improvement plan.

When new vendors are added to HKBN's supplier database, we will ask them to fill out our questionnaire for understanding their environmental practices and policies, and any ISO, Environment Management System Certifications, or related awards. The more these vendors focus on the environment, the higher the score to distinguish their effort on environmental protection. Simultaneously, these merits are being taken into account when HKBN conducts the vendor selection process.

Furthermore, HKBN has included minimum 10% weighting on sustainability in our supplier evaluation scorecard. The ratio of sustainability measurement is expected to scale up depending on the risk weighted in our criticality assessment.

During the reporting period, HKBN sourced products and services from 2,198 suppliers, with 94.6% of suppliers sourced locally within our operating locations.

94.6%
suppliers sourced locally
within our operating locations

We also proactively assess and manage risks in our supply chain by conducting criticality assessments during the supplier onboarding process, as well as a criticality review at least once a year depending on the materiality level. By utilising our digitalised criticality assessment form, our business units can evaluate supplier criticality on a project-by-project basis by entering project details into our e-tool. The e-tool also facilitates report generation for the Procurement team to better understand the supply chain risk associated with a given project. For projects rated as "high risk", a business continuity plan will be required and more frequent review meetings with these suppliers will be carried out.

We regularly monitor our supplier performance to ensure compliance with the obligations set out in the pre-concurred Service Level Agreements, paying special attention to the areas critical to our business and stakeholders. Through our supplier performance assessment, business units will evaluate the performance of any suppliers they have collaborated with at least once a year. In the event of consistently poor performance, we will review the risk impact and take necessary mitigation actions (e.g. improvement plan, scope reduction, termination, etc.). At the end of 2022, we launched our Supplier Performance Assessment, a handy digital tool that allows us to quickly compare and assess the performance of different suppliers.

Our procurement processes are underpinned by transparency and collaboration, and in addition to guaranteeing the standard of quality provided, we request that our suppliers share our commitment to do things the right way in terms of human rights and labour standards, including equal employment, non-discrimination and prohibition of coerced labour. To increase the robustness of our supply chain, we have also included specific clauses in the purchase order such as a clause about communicable diseases to eliminate risks for sound delivery and a clause about economic sanctions to avoid suppliers that engage in business with countries under economic sanctions.

We regard integrity, ethics and responsibility as core values that must be upheld at all times. A SCoC is established to set out standards and practices for our suppliers relating to corporate governance, fair labour conditions, health and safety standards, environmental protection, and protection of confidential information. Since December 2020, we have implemented and aligned our SCoC across all regions where HKBN operates. To ensure our suppliers are aware of our expectations, we require each supplier to endorse our SCoC during the supplier onboarding process and also include relevant SCoC clauses in our standard agreements. Consistent with our commitment to upholding a high standard of integrity and ethics, we have updated our SCoC to cover elements relating to the working conditions of supply chain workers and that supply chain workers have the means to raise their concerns through our whistleblowing channels.

Interacting and communicating with suppliers

HKBN greatly values the opinions and views of our suppliers. On an annual basis, we invite suppliers from our supplier database to participate in our online supplier satisfaction survey. The feedback we receive helps us understand where HKBN excels, and where we need to improve. Suppliers have the option to complete our survey anonymously, enabling them to share their views without fear of damaging the business relationship. If any issues are scored by suppliers as 7 and/or below out of 10, we would follow up by initiating calls and meetings with these suppliers to rectify any concern or issue.

REVIEW REPORT TO THE BOARD OF DIRECTORS OF HKBN LTD.

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 51 to 78 which comprises the consolidated statement of financial position of HKBN Ltd. (the "Company") as of 28 February 2023 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 28 February 2023 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

26 April 2023

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

The notes on pages 58 to 78 form part of this interim financial report. Details of dividend payable to equity shareholders of the Company are set out in note 15(b).

Consolidated Statement of Comprehensive Income

for the six months ended 28 February 2023 — unaudited (Expressed in Hong Kong dollars)

	Six months ended	
	28 February 2023 $'000	28 February 2022 $'000
Profit for the period	**23,238**	304,330
Other comprehensive income for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong, with nil tax effect	**(1,537)**	7,079
Share of other comprehensive income of associates	**447**	–
Exchange differences on translation of foreign operations transferred to consolidated income statement upon disposal	**–**	(1,917)
Other comprehensive income for the period	**(1,090)**	5,162
Total comprehensive income for the period attributable to equity shareholders of the Company	**22,148**	309,492

The notes on pages 58 to 78 form part of this interim financial report.

at 28 February 2023 — unaudited (Expressed in Hong Kong dollars)

	Note	At 28 February 2023 $'000	At 31 August 2022 $'000
Non-current assets			
Goodwill		**9,016,507**	9,016,507
Intangible assets		**2,985,576**	3,202,607
Property, plant and equipment	7	**3,555,365**	3,731,436
Right-of-use assets	8	**704,961**	705,607
Customer acquisition and retention costs		**494,673**	513,045
Interest in associates		**60,479**	56,920
Interest in joint ventures	9	**6,284**	17,110
Loan to associates		**15,359**	15,359
Deferred tax assets		**71,036**	26,724
Other non-current assets		**76,343**	98,531
		16,986,583	17,383,846
Current assets			
Inventories		**134,022**	111,478
Trade receivables	10	**1,040,245**	967,414
Other receivables, deposits and prepayments	10	**459,998**	463,892
Contract assets		**289,514**	237,189
Amounts due from associates		**944**	25
Amounts due from joint ventures		**18,398**	57,449
Tax recoverable		**192**	192
Cash and cash equivalents	11	**979,734**	1,129,226
Financial assets at fair value through profit or loss	17	**27,564**	76,387
		2,950,611	3,043,252
Current liabilities			
Trade payables	12	**963,721**	778,651
Other payables and accrued charges — current portion	12	**898,302**	960,778
Contract liabilities — current portion		**579,131**	600,097
Deposits received		**88,656**	89,144
Amounts due to an associate		**4,517**	4,542
Amounts due to joint ventures		**10,000**	10,000
Bank and other borrowings	13	**422,898**	297,703
Lease liabilities — current portion		**149,136**	136,271
Tax payable		**106,033**	240,428
Other current liabilities	14	**13,393**	13,214
		3,235,787	3,130,828
Net current liabilities		**(285,176)**	(87,576)
Total assets less current liabilities		**16,701,407**	17,296,270

Consolidated Statement of Financial Position

at 28 February 2023 — unaudited (Expressed in Hong Kong dollars)

	Note	At 28 February 2023 $'000	At 31 August 2022 $'000
Non-current liabilities			
Other payables and accrued charges — long-term portion	12	**36,000**	54,000
Contract liabilities — long-term portion		**153,920**	145,807
Deferred tax liabilities		**732,884**	800,662
Lease liabilities — long-term portion		**389,073**	381,850
Provision for reinstatement costs		**54,285**	52,492
Bank and other borrowings	13	**10,667,378**	10,913,214
Other non-current liabilities	14	**17,420**	24,162
		12,050,960	12,372,187
NET ASSETS		**4,650,447**	4,924,083
CAPITAL AND RESERVES	15		
Share capital		**132**	132
Reserves		**4,650,315**	4,923,951
TOTAL EQUITY		**4,650,447**	4,924,083

Approved and authorised for issue by the board of directors on 26 April 2023

Chu Kwong YEUNG) Directors

Ni Quiaque LAI)

The notes on pages 58 to 78 form part of this interim financial report.

	Note	Share capital $'000	Share premium $'000	Vendor Loan Notes (note 16) $'000	Capital reserve $'000	Other reserve $'000	Retained profits $'000	Exchange reserve $'000	Total $'000
		Attributable to equity shareholders of the Company							
Balance at 1 September 2021		132	1,574,047	2,349,204	40,658	596,420	974,201	3,101	5,537,763
Changes in equity for the six months ended 28 February 2022:									
Profit for the period		–	–	–	–	–	304,330	–	304,330
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong, with nil tax effect		–	–	–	–	–	–	7,079	7,079
Exchange differences on translation of financial statements of foreign operations transferred to consolidated income statement upon disposal		–	–	–	–	–	–	(1,917)	(1,917)
Total comprehensive income		–	–	–	–	–	304,330	5,162	309,492
Dividend approved to equity shareholders of the Company in respect of the previous year	15(b)(ii)	–	(491,850)	–	–	–	–	–	(491,850)
Distribution to holders of Vendor Loan Notes		–	(62,746)	–	–	–	–	–	(62,746)
Equity-settled share-based transactions	15(d)	–	–	–	145	–	–	–	145
Balance at 28 February 2022 and 1 March 2022:		132	1,019,451	2,349,204	40,803	596,420	1,278,531	8,263	5,292,804
Changes in equity for the six months ended 31 August 2022:									
Profit for the period		–	–	–	–	–	248,991	–	248,991
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong, with nil tax effect		–	–	–	–	–	–	(25,208)	(25,208)
Share of other comprehensive income of associates		–	–	–	–	–	–	(935)	(935)
Total comprehensive income		–	–	–	–	–	248,991	(26,143)	222,848
Dividend declared to equity shareholders of the Company in respect of the current year	15(b)(i)	–	(524,640)	–	–	–	–	–	(524,640)
Distribution to holders of Vendor Loan Notes		–	(66,929)	–	–	–	–	–	(66,929)
Balance at 31 August 2022		132	427,882	2,349,204	40,803	596,420	1,527,522	(17,880)	4,924,083

Consolidated Statement of Changes in Equity

for the six months ended 28 February 2023 — unaudited (Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company							
	Note	Share capital $'000	Share premium $'000	Vendor Loan Notes (note 16) $'000	Capital reserve $'000	Other reserve $'000	Retained profits $'000	Exchange reserve $'000	Total $'000
Balance at 1 September 2022		132	427,882	2,349,204	40,803	596,420	1,527,522	(17,880)	4,924,083
Changes in equity for the six months ended 28 February 2023:									
Profit for the period		–	–	–	–	–	23,238	–	23,238
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong, with nil tax effect		–	–	–	–	–	–	(1,537)	(1,537)
Share of other comprehensive income of associates		–	–	–	–	–	–	447	447
Total comprehensive income		–	–	–	–	–	23,238	(1,090)	22,148
Dividend approved to equity shareholders of the Company in respect of the previous year	15(b)(ii)	–	(262,320)	–	–	–	–	–	(262,320)
Distribution to holders of Vendor Loan Notes		–	(33,464)	–	–	–	–	–	(33,464)
Balance at 28 February 2023		132	132,098	2,349,204	40,803	596,420	1,550,760	(18,970)	4,650,447

The notes on pages 58 to 78 form part of this interim financial report.

	Six months ended	
	28 February 2023 $'000	28 February 2022 $'000
Operating activities		
Cash generated from operations	**1,151,303**	962,624
Tax paid:		
— Hong Kong Profits Tax paid	**(227,640)**	(142,062)
— Tax paid outside Hong Kong	**(6,665)**	(8,092)
— Tax refunded outside Hong Kong	**–**	70
Net cash generated from operating activities	**916,998**	812,540
Investing activities		
Payment for the purchase of property, plant and equipment	**(292,356)**	(280,016)
Proceeds from sale of property, plant and equipment	**666**	685
Payment for purchases of intangible assets	**–**	(15)
Shareholder loans to associates	**–**	(15,359)
Net cash inflow in respect of deemed disposal of subsidiary	**–**	73,719
Interest received	**4,702**	1,535
Net cash used in investing activities	**(286,988)**	(219,451)
Financing activities		
Capital element of lease rentals paid	**(78,015)**	(103,513)
Interest element of lease rentals paid	**(10,639)**	(9,473)
Proceeds from bank and other borrowings, net of transaction costs	**389,669**	2,285,354
Repayment of bank and other borrowings	**(529,993)**	(2,474,470)
Repayment of other financial liabilities	**(7,021)**	(11,587)
Interest paid on bank and other borrowings and interest rate swap	**(244,841)**	(99,970)
Dividend paid to equity shareholders of the Company	**(262,320)**	(491,850)
Distribution to holders of Vendor Loan Notes	**(33,464)**	(62,746)
Net cash used in financing activities	**(776,624)**	(968,255)
Net decrease in cash and cash equivalents	**(146,614)**	(375,166)
Cash and cash equivalents at the beginning of the period	**1,129,226**	1,526,661
Effect of foreign exchange rate changes	**(2,878)**	2,846
Cash and cash equivalents at the end of the period	**979,734**	1,154,341

The notes on pages 58 to 78 form part of this interim financial report.

1 BASIS OF PREPARATION

This interim financial report of HKBN Ltd. (the "Company") and its subsidiaries (together the "Group") has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 26 April 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements of the Group for the year ended 31 August 2022, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 August 2022. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 50.

Going concern assumption

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

2 CHANGES IN ACCOUNTING POLICIES

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

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

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

3 REVENUE AND SEGMENT REPORTING

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

(a) Disaggregation of revenue

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

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

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

3 REVENUE AND SEGMENT REPORTING (continued)

(a) Disaggregation of revenue (continued)

	Six months ended	
	28 February 2023 $'000	28 February 2022 $'000
Disaggregated by major categories:		
Residential Solutions revenue	**1,196,941**	1,224,398
Enterprise Solutions revenue	**2,348,457**	2,290,870
Enterprise Solutions related product revenue	**1,039,731**	1,294,917
Handset and other product revenue	**2,122,087**	1,992,865
	6,707,216	6,803,050
Disaggregated by geographical location of customers:		
Hong Kong	**6,160,243**	6,049,421
Mainland China	**357,772**	425,746
Singapore	**–**	116,760
Other territories	**189,201**	211,123
	6,707,216	6,803,050

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

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

(b) Segment reporting

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

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

The Group's most senior executive management reviews the Group's internal reporting for the purposes of assessing the performance and allocates the resources of the Group by geographical location. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

(i) Telecom and technology solutions (Hong Kong)

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

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

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

3 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

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

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

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

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

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

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

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

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

3 REVENUE AND SEGMENT REPORTING (continued)

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

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

4 PROFIT BEFORE TAXATION

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

	Six months ended	
	28 February 2023 $'000	28 February 2022 $'000
(a) Other net income		
Interest income	**(4,702)**	(1,535)
Net foreign exchange loss	**15**	8,090
Amortisation of obligations under granting of rights	**–**	(4,512)
Gain on disposal of subsidiaries	**–**	(26,859)
Other income	**(4,980)**	(12,269)
	(9,667)	(37,085)

4 PROFIT BEFORE TAXATION (continued)

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

4 PROFIT BEFORE TAXATION (continued)

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

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

4 PROFIT BEFORE TAXATION (continued)

	Six months ended 28 February 2023 $'000	Six months ended 28 February 2022 $'000
(d) Finance costs		
Interest and finance charges on bank loans	**316,342**	126,237
Interest on other borrowings	**2,467**	480
Interest on the interest-rate swap, net	**(54,284)**	5,623
Fair value loss/(gain) on the interest-rate swap	**48,823**	(36,024)
Interest on lease liabilities	**10,639**	9,473
Interest on other liabilities	**458**	631
	324,445	106,420
(e) Other items		
Amortisation of intangible assets	**217,031**	241,246
Depreciation:		
— Property, plant and equipment	**368,175**	355,454
— Investment properties	**–**	3,953
— Right-of-use assets	**98,112**	97,852
Rental charges on telecommunications facilities and computer equipment	**188,901**	205,537
Expenses relating to short-term leases and leases of low-value assets	**6,975**	6,654
Recognition of loss allowance on trade receivables and contract assets	**36,511**	59,887
Research and development costs	**16,395**	16,521
Cost of inventories	**3,004,833**	3,087,159
Write-down of inventories	**–**	48

5 INCOME TAX CREDIT/(CHARGE)

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

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

For this subsidiary, the first $2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2022.

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

6 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $23,238,000 (six months ended 28 February 2022: $304,330,000) and the weighted average number of ordinary shares in issue less shares held for the Co-Ownership Plan II, of 1,310,839,000 ordinary shares (six months ended 28 February 2022: 1,310,746,000 ordinary shares).

	Six months ended 28 February 2023 '000	Six months ended 28 February 2022 '000
Issued ordinary shares at 1 September 2021/2022	**1,311,599**	1,311,599
Less: shares held for the Co-Ownership Plan II	**(5,667)**	(5,667)
Add: effect of the Co-Ownership Plan II RSUs vested	**4,907**	4,814
Weighted average number of ordinary shares less shares held for the Co-Ownership Plan II	**1,310,839**	1,310,746

6 EARNINGS PER SHARE (continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $23,238,000 (six months ended 28 February 2022: $304,330,000) and the weighted average number of ordinary shares in issue less shares held for the Co-Ownership Plan II after adjusting for the dilutive effect of the Company's Co-Ownership Plan II and the effect of Vender Loan Notes, calculated as follows:

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

7 PROPERTY, PLANT AND EQUIPMENT

	At 28 February 2023 $'000	At 31 August 2022 $'000
Opening net book value	**3,731,436**	4,099,918
Exchange adjustments	**(78)**	(1,401)
Additions	**192,444**	563,934
Disposals (net carrying amount)	**(262)**	(1,427)
Depreciation charges for the period/year	**(368,175)**	(736,308)
Disposal of subsidiaries	**–**	(193,280)
Closing net book value	**3,555,365**	3,731,436

8 RIGHT-OF-USE ASSETS

	At 28 February 2023 $'000	At 31 August 2022 $'000
Opening net book value	**705,607**	716,437
Exchange adjustments	**(152)**	(2,725)
Additions	**97,618**	240,441
Disposals (net carrying amount)	**–**	(51,026)
Depreciation charges for the period/year	**(98,112)**	(197,520)
Closing net book value	**704,961**	705,607

During the six months ended 28 February 2023, the Group entered into a number of lease agreements for use of shop and office of $97,618,000 (six months ended 28 February 2022: $9,307,000).

9 INTEREST IN JOINT VENTURES

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

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

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

9 INTEREST IN JOINT VENTURES (continued)

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

	At 28 February 2023 $'000	At 31 August 2022 $'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**6,284**	17,110
Impairment on investment in a joint venture	**–**	(6,523)
Aggregate amounts of the Group's share of those joint ventures'		
— Loss and other comprehensive income for the period/year	**(65,220)**	(53,497)
— Total comprehensive income	**(65,220)**	(53,497)

10 TRADE RECEIVABLES AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

	At 28 February 2023 $'000	At 31 August 2022 $'000
Within 30 days	**485,791**	418,724
31 to 60 days	**208,549**	177,519
61 to 90 days	**114,285**	104,103
Over 90 days	**231,620**	267,068
Trade receivables, net of loss allowance	**1,040,245**	967,414
Other receivables, deposits and prepayments	**459,998**	463,892
	1,500,243	1,431,306

The majority of the Group's trade receivables are due within 30 to 90 days from the date of billing. Subscribers with receivable that are more than 3 months overdue are requested to settle all outstanding balances before further credit is granted.

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

11 CASH AND CASH EQUIVALENTS

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

	At 28 February 2023 $'000	At 31 August 2022 $'000
Cash at bank and in hand	**979,734**	1,129,226

12 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

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

	At 28 February 2023 $'000	At 31 August 2022 $'000
Within 30 days	**327,927**	262,486
31 to 60 days	**273,907**	146,918
61 to 90 days	**122,400**	134,080
Over 90 days	**239,487**	235,167
	963,721	778,651
Trade payables	**963,721**	778,651
Other payables and accrued charges		
— Current portion	**898,302**	960,778
— Long-term portion	**36,000**	54,000
	1,898,023	1,793,429

13 BANK AND OTHER BORROWINGS

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

	At 28 February 2023 $'000	At 31 August 2022 $'000
Bank borrowings		
— unsecured	**11,023,621**	11,122,657
Other borrowings		
— secured	**66,655**	88,260
	11,090,276	11,210,917
Amounts due within one year included in current liabilities	**(422,898)**	(297,703)
	10,667,378	10,913,214

(b) As at 28 February 2023, the bank and other borrowings were repayable as follows:

	At 28 February 2023 $'000	At 31 August 2022 $'000
Bank borrowings (unsecured)		
Within 1 year on demand	**389,668**	258,387
After 2 years but within 5 years	**10,633,953**	10,864,270
	11,023,621	11,122,657
Other borrowings (secured)		
Within 1 year on demand	**33,230**	39,316
After 1 year but within 2 years	**30,286**	32,129
After 2 years but within 5 years	**3,139**	16,815
	66,655	88,260
	11,090,276	11,210,917
Amounts due within one year included in current liabilities	**(422,898)**	(297,703)
	10,667,378	10,913,214

13 BANK AND OTHER BORROWINGS (continued)

(b) As at 28 February 2023, the bank and other borrowings were repayable as follows: (continued)

(i) On 13 November 2020, the Group entered into term loan facility of $5,500,000,000 in aggregate with various banks. The Group has drawn down a bank loan with a principal amount of $5,000,000,000 and $500,000,000 at HIBOR plus a margin of 1.50% per annum payable monthly on 23 November 2020 and 22 February 2021 respectively. The loan was unsecured and covered by a cross guarantee arrangement issued by the Company, MLCL, HKBNGL, HKBN, HKBNESDL, HKBNESCC, HKBNESHKL and COL Limited, and repayable in full upon maturity on 24 November 2025. The interest loan rate was renewed to HIBOR plus a margin of 2.20% per annum from 29 December 2021.

(ii) On 31 March 2021, the Group entered into a term loan facility of $5,500,000,000 in aggregate with various international banks. The Group has drawn down a bank loan with principal amount of $5,000,000,000 and $500,000,000 at HIBOR plus a margin 1.50% per annum payable monthly on 9 April 2021 and 24 May 2021 respectively. The loan was unsecured and covered by a cross guarantee arrangement issued by the Company, MLCL, HKBNGL, HKBN, HKBNESDL, HKBNESCC, HKBNESHKL and COL Limited, and repayable in full upon maturity on 9 April 2026. The interest loan rate was renewed to HIBOR plus a margin of 2.20% per annum from 30 December 2021.

(iii) On 9 December 2021, HKBN entered into master buyer agreement of $300,000,000 in aggregate from a bank in Hong Kong and drew down the master buyer facilities of aggregate amount of $262,939,000 afterwards. The bank will charge a handling fee base on the amount of supplier's invoices applied. The facility was unsecured and covered by a guarantee arrangement issued by the Company. The extended credit term ranged from 60 to 180 days from the date of utilisation. The loans are repayable six months after the date of the drawdown.

(iv) On 11 April 2022, HKBN entered into an import invoice financing agreement for supply chain financing from a bank in Hong Kong. An aggregate amount of $126,730,000 (31 August 2022: $188,345,000) was utilised as of 28 February 2023. The bank charges at HIBOR plus a margin of 1.15% of supplier's invoices applied. The facility was unsecured and covered by a guarantee arrangement issued by the Company. The agreement grants up to 120 days of payment term from the date of utilisation.

(v) The bank loans mentioned in note (i), (ii), (iii) and (iv) are recognised initially at fair value less attributable transactions costs. Subsequent to initial recognition, the bank loans are stated at amortised cost with any difference between the amount initially recognised and interest payable using the effective interest method.

To calculate the effective interest in each reporting period, the effective interest rate is applied to the amortised cost of the bank loan at the end of the previous reporting period.

The effective interest rate of the bank borrowings as of 28 February 2023 is 4.45% per annum (31 August 2022: 3.46%).

(vi) The Group entered into sale and leaseback arrangement contracts with third-party leasing companies, with contract terms of three years. The substance of the arrangement was that the lessors provide finance to the Group with the assets as security. The Group accounted for the assets in its consolidated statement of financial position. The sales proceeds are recorded as other borrowings in the consolidated statement of financial position. As at 28 February 2023 the aggregate book value of the assets was $14,804,000 (31 August 2022: $17,941,000) and the balance of other borrowings amounting to $5,008,000 (31 August 2022: $8,569,000) was recorded as a current liability and $2,363,000 (31 August 2022: $3,660,000) was recorded as a non-current liability on the Group's consolidated statement of financial position. The effective interest rate of the other loans is 0% to 4.70% (31 August 2022: 0% to 4.70%).

13 BANK AND OTHER BORROWINGS (continued)

(b) As at 28 February 2023, the bank and other borrowings were repayable as follows: (continued)

(vii) The Group entered into financing arrangement contracts with third-party company, with contract terms of three years and four months. The Group has obtained an other loan with principal amount of $100,160,000 at effective interest rate of 6% per annum. The loan was secured by assets of the Group amounting to $61,328,000. The Group shall repay the interest and principal of the loan in 40 monthly instalments. As at 28 February 2023, the balance of other borrowings amounting to $28,222,000 (31 August 2022: $30,747,000) was recorded as a current liability and $31,062,000 (31 August 2022: $45,284,000) was recorded as a non-current liability on the Group's consolidated statement of financial position.

14 OTHER NON-CURRENT AND CURRENT LIABILITIES

At 28 February 2023 and 31 August 2022, the Group entered into trade finance arrangements with a supplier to extend credit period for payables for goods and services to improve the Group's liquidity. The terms of the arrangements are sufficiently different from normal credit terms for trade and other payables and accrued expenses. The balance was interest-bearing and repayable in 9 instalments every 6 months ranging from 12 months from invoice date to 60 months from invoice date.

15 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

As at 28 February 2023, 3,800,000,000 ordinary shares, with par value of $0.01 cent each, were authorised for issue. As at 28 February 2023, the Company had 1,311,599,356 (28 February 2022: 1,311,599,356) ordinary shares in issue.

(b) Dividends

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

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

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

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

15 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Dividends (continued)

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

	Six months ended	
	28 February 2023 $'000	28 February 2022 $'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of 20 cents per ordinary share (six months ended 28 February 2022: 37.5 cents per ordinary share)	**262,320**	491,850

(c) Other reserve

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

(d) Equity-settled share-based transactions

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

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

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

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

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

15 CAPITAL, RESERVES AND DIVIDENDS (continued)

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

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

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

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

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

On 26 February 2019, 31,000 RSUs were granted to Talents of the Group in Hong Kong by the Company under the Plan II. The directors estimated the weighted average fair value of each RSU of grant date to be $8.21.

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

A total of 110,000 shares were vested during the six months ended 28 February 2022.

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

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

During the period ended 28 February 2023 and 2022, no shares were purchased on behalf of the Talents and are held on trust by the appointed trustee until their release to the beneficiaries upon the vesting of the RSUs. Although the granting of the RSUs has not yet occurred, the service periods are considered having commenced as of 19 January 2021, depending on the dates when the Talents were invited to participate the Plan III Plus.

15 CAPITAL, RESERVES AND DIVIDENDS (continued)

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

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

As the conditions for granting of restricted share units under the Co-Ownership Plan III Plus were not met by the end of the 2021 financial year, the Company adopted the Plan IV on 21 October 2021 which sets down the performance target during the financial years 2022, 2023 and 2024 of the Company, in order to re-align the performance target of the Group with the incentives of its Talents and granted RSUs to directors and Talents of the Group in Hong Kong. The purpose of the Plan IV is to incentivise Talents and to recognise the continual support of relevant Talents to the Group and their effort in promoting the Group's long-term growth and development. The RSUs are the contingent rights to receive the Company's shares depending on the level of the adjusted available cash per share for distribution achieved, on a cumulative basis, during the 2022, 2023 and 2024 financial years, in respect of any shares purchased by the Talents, subject to certain terms, conditions and undertakings.

The Participants of the Co-Ownership Plan IV have elected to roll over to the Co-Ownership Plan IV a total of 9,487,929 Shares purchased or received by them under the Co-Ownership Plan III Plus. Further, the Plan Trustee completed the purchases of 3,580,163 Shares for and on behalf of the Participants of the Co-Ownership Plan IV. The Plan Trustee purchased the Shares pursuant to the CO4 1st Batch Purchase at an average price of $10.9361 per Share.

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

16 VENDOR LOAN NOTES

On 30 April 2019, the Company issued the Vendor Loan Notes with a nominal amount of $1,940,937,656 as part of the consideration of the acquisition of the entire issued share capital of WTT Holding Corp (the "WTT Acquisition"). The Vendor Loan Notes are zero coupon convertible notes which may be converted into new ordinary shares to be issued by the Company at the initial conversion price of $11.60 per share pursuant to the terms and conditions of the Vendor Loan Notes. The Vendor Loan Notes have no maturity date and the holders of the Vendor Loan Notes have the right to receive an amount equal to any dividends made by the Company on an as-converted basis. Therefore, the Vendor Loan Notes are classified as equity instruments and recorded in equity in the consolidated statement of financial position.

17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial liabilities measured at fair value

(i) Fair value hierarchy

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

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

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

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

	Fair value at 28 February 2023 $'000	**Fair value measurement as at 28 February 2023 categorised into**		
		Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**
Recurring fair value measurement				
Financial assets:				
Derivative financial instrument:				
— Interest-rate swap	**27,564**	**–**	**27,564**	**–**

	Fair value at 31 August 2022 $'000	Fair value measurement as at 31 August 2022 categorised into		
		Level 1 $'000	Level 2 $'000	Level 3 $'000
Recurring fair value measurement				
Financial assets:				
Derivative financial instrument:				
— Interest rate-swap	76,387	–	76,387	–

During the six months ended 28 February 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2022: $Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Valuation techniques and inputs used in Level 2 fair value measurement

The fair values of interest-rate swap and currency forward are the estimated amounts that the Group would receive or pay to terminate the derivative instruments at the end of the reporting period, taking into account current interest rates, currency rates and the current creditworthiness of the derivative instruments counterparties.

17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 28 February 2023 and 31 August 2022.

18 CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

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

At 28 February 2023, the Group had the following capital commitments:

	At 28 February 2023 $'000	At 31 August 2022 $'000
Contracted but not provided for		
— Purchase of property, plant and equipment	**170,130**	209,327

19 CONTINGENT LIABILITIES

	At 28 February 2023 $'000	At 31 August 2022 $'000
Bank guarantee in lieu of payment of utility deposits	**3,622**	3,622
Bank guarantee in lieu of performance guarantee	**345,887**	223,732
	349,509	227,354

At 28 February 2023 and 31 August 2022, the directors did not consider it is probable that a claim will be made against the Group under any guarantees. It has therefore not been recognised in the consolidated statement of financial position.

Legal contingencies

The Group is a defendant in certain lawsuits as well as the named party in other proceedings arising in the ordinary course of business. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, management believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group.

20 MATERIAL RELATED PARTY TRANSACTIONS

Key management personnel remuneration

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

	Six months ended	
	28 February 2023 $'000	28 February 2022 $'000
Short-term employee benefits	**20,160**	21,895
Post-employment benefits	**1,632**	1,732
	21,792	23,627

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 28 February 2023, the directors (the "**Directors**") and chief executives of the Company had the following interests and short positions in the shares, underlying shares (in respect of positions held pursuant to equity derivatives), and debentures of the Company and its associated corporations (within the meaning of Part XV of the "Securities and Futures Ordinance" (the "**SFO**")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) were required, pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein; or (c) were otherwise required to be notified to the Company and the Stock Exchange pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "**Model Code**") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"):

Long Position

Ordinary shares of $ 0.0001 each in the Company

Name of Directors	Note	Number of shares held	Percentage of the issued share capital of the Company
Mr. Bradley Jay HORWITZ	(a)	1,500,000	0.11%
Mr. Chu Kwong YEUNG	(b)	28,155,992	2.15%
Mr. Ni Quiaque LAI	(c)	32,604,692	2.49%
Mr. Stanley CHOW	(d)	234,500	0.02%

Notes:

(a) Mr. Bradley Jay HORWITZ held 1,500,000 ordinary shares in the Company.

(b) Mr. Chu Kwong YEUNG held 28,155,992 ordinary shares in the Company, in which 1,899,565 ordinary shares were held by the plan trustee under Co-Ownership Plan IV.

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

(d) Mr. Stanley CHOW held 234,500 ordinary shares in the Company jointly with his spouse, Ms. Frances WOO.

Other than the interests disclosed above, none of the Directors nor the chief executives of the Company nor their associates had any interests or short positions in any shares, underlying shares (in respect of positions held pursuant to equity derivatives) or debentures of the Company or any of its associated corporations as at 28 February 2023.

RESTRICTED SHARE UNIT SCHEMES

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

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

Co-Ownership Plan II

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

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

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

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

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

Co-Ownership Plan III Plus

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

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

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

Co-Ownership Plan IV

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

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

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

Due to macroeconomic downturn caused by the COVID-19 pandemic, and exacerbated by geopolitics and rising interest rates, the Company has changed the company-wide performance targets from being based on adjusted free cash flow to focusing on earnings and revenue. Accordingly, the Company considers it appropriate to adjust the performance targets in the Co-Ownership Plan IV to better align the incentives of its Talents to the Company's overall performance targets.

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

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the "Restricted Share Unit Schemes" above, at no time during 1H2023 was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 28 February 2023, to the best knowledge of the Directors and chief executives of the Company, the following persons (other than any Directors or chief executives of the Company) were substantial shareholders, had notified the Company of their relevant interests in shares and underlying shares representing 5% or more of the issued share capital of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept under Section 336 of Part XV of the SFO:

Long Position

Ordinary shares of $ 0.0001 each in the Company

Name of shareholders	Note	Number of ordinary shares or underlying shares	Percentage of the issued voting shares of the Company
Canada Pension Plan Investment Board	(a)	182,405,000	13.91%
GIC Private Limited	(b)	105,238,760	8.02%
Mr. David BONDERMAN	(c)	228,627,451	17.43%
Mr. James George COULTER	(d)	228,627,451	17.43%
Mr. Michael ByungJu KIM	(e)	228,627,451	17.43%
Mr. Bryan Byungsuk MIN	(f)	228,627,451	17.43%

Notes:

(a) Canada Pension Plan Investment Board is the beneficial owner of 182,405,000 ordinary shares of the Company.

(b) GIC Private Limited is the beneficial owner of 105,238,760 ordinary shares of the Company.

(c) Mr. David BONDERMAN, through corporations directly and indirectly controlled by him, namely TPG Asia Advisors VI, Inc. and TPG Wireman, L.P., held 228,627,451 ordinary shares in the Company, in which 83,661,106 ordinary shares were under convertible instruments, and was accordingly deemed to be interested in the shares held by the aforesaid companies.

(d) Mr. James George COULTER, through corporations directly and indirectly controlled by him, namely TPG Asia Advisors VI, Inc. and TPG Wireman, L.P., held 228,627,451 ordinary shares in the Company, in which 83,661,106 ordinary shares were under convertible instruments, and was accordingly deemed to be interested in the shares held by the aforesaid companies.

(e) Mr. Michael ByungJu KIM, through corporations directly and indirectly controlled by him, namely MBK GP III, Inc., MBK Partners GP III, L.P., MBK Partners Fund III, L.P., MBK Partners JC, L.P., Twin Holding Ltd and Twin Telecommunication Ltd held 228,627,451 ordinary shares in the Company, in which 83,661,106 ordinary shares were under convertible instruments, and was accordingly deemed to be interested in the shares held by the aforesaid companies.

(f) Mr. Min Bryan Byungsuk, through corporations directly and indirectly controlled by him, namely MBK Partners JC GP, Inc., MBK Partners JC GP, L.P., MBK Partners JC, L.P., Twin Holding Ltd and Twin Telecommunication Ltd held 228,627,451 ordinary shares in the Company, in which 83,661,106 ordinary shares were under convertible instruments, and was accordingly deemed to be interested in the shares held by the aforesaid companies.

Other than the interests disclosed above, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares (in respect of positions held pursuant to equity derivatives) of the Company as at 28 February 2023.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during 1H2023.

INTERIM DIVIDEND

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

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

Based on the terms and conditions of the Vendor Loan Notes, the holders of Vendor Loan Notes are entitled to receive a cash amount payable by the Company equal to $33,464,442 based on the 20 cents interim dividend per ordinary share declared by the Company for the six months ended on 28 February 2023, as if the holders of the Vendor Loan Notes are holders of 167,322,212 ordinary shares in the Company as of the record date for such interim dividend. Such cash amount will be paid by the Company to the holders of Vendor Loan Notes on or around Wednesday, 31 May 2023, being the date on which the 2023 interim dividend will be paid by the Company.

REVIEW OF INTERIM FINANCIAL INFORMATION

The Audit Committee has reviewed with the management and the external auditor the unaudited interim results of the Group for 1H2023, the accounting principles and practices adopted by the Group, as well as discussion on auditing, internal control, risk management and financial reporting matters of the Group.

The unaudited interim financial report of the Group for 1H2023 has been reviewed by the Company's external auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the HKICPA and reviewed by the Audit Committee of the Company.

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

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors since the publication of the Company's 2022 annual report are set out below:

Mr. Chu Kwong YEUNG ceased to be a member of the Remuneration Committee of the Company with effect from 20 February 2023.

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

CORPORATE GOVERNANCE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its code of conduct for dealings in securities of the Company by Directors. Having made specific enquiries with all Directors, they confirmed that they had complied with the Model Code during 1H2023.

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

Hong Kong, 26 April 2023

Chairman and Independent Non-executive Director

Mr. Bradley Jay HORWITZ

Executive Directors

Mr. Chu Kwong YEUNG
Mr. Ni Quiaque LAI

Non-executive Directors

Mr. Agus TANDIONO
Ms. Shengping YU
Mr. Zubin Jamshed IRANI

Independent Non-executive Directors

Ms. Edith Manling NGAN, MH (appointed on 1 September 2022)
Mr. Stanley CHOW
Mr. Yee Kwan Quinn LAW, SBS, JP

Alternate Director

Mr. Hongfei YU *(alternate to Ms. Shengping Yu)*
(appointed on 1 March 2023)

Audit Committee

Mr. Yee Kwan Quinn LAW, SBS, JP *(Chairman)*
Mr. Zubin Jamshed IRANI
Mr. Bradley Jay HORWITZ
Ms. Edith Manling NGAN, MH (appointed on 1 September 2022)
Mr. Stanley CHOW

Nomination Committee

Mr. Bradley Jay HORWITZ *(Chairman)*
Mr. Agus TANDIONO
Ms. Shengping YU
Ms. Edith Manling NGAN, MH (appointed on 1 September 2022)
Mr. Stanley CHOW
Mr. Yee Kwan Quinn LAW, SBS, JP

Remuneration Committee

Mr. Stanley CHOW *(Chairman)*
Mr. Zubin Jamshed IRANI
Ms. Edith Manling NGAN, MH (appointed on 1 September 2022)
Mr. Yee Kwan Quinn LAW, SBS, JP
Mr. Chu Kwong YEUNG (resigned on 20 February 2023)

Environmental, Social and Governance Committee (established on 1 September 2022)

Ms. Edith Manling NGAN, MH *(Chairman)*
Mr. Ni Quiaque LAI
Mr. Agus TANDIONO
Mr. Stanley CHOW

Company Secretary

Ms. Chung Man CHENG

Authorised Representatives

Mr. Ni Quiaque LAI
Ms. Chung Man CHENG

Registered Office

P.O. Box 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

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

Auditor

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

Cayman Islands Principal Share Registrar and Transfer Office

Maples Fund Services (Cayman) Limited
P.O. Box 1093
Boundary Hall
Cricket Square
Grand Cayman KY1-1102
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Rooms 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

Citibank, N.A., Hong Kong Branch
50th Floor, Champion Tower
3 Garden Road, Central
Hong Kong

Standard Chartered Bank (Hong Kong) Limited
3rd Floor, Standard Chartered Bank Building
4–4A Des Voeux Road Central
Hong Kong

Company's Website

www.hkbnltd.net

Stock Code

1310

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

HKBN Ltd.
香港寬頻有限公司

MIX
Paper from responsible sources
FSC™ C007445
www.fsc.org

PRINTED WITH SOY INK™