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

Annual Report 2022

GROW BEYOND

At HKBN, we believe our long-term survival and growth hinges on the transformation of our business. Beyond just connectivity alone – and by going outside the box – we're focussed on making our company more agile, diversified, sustainable and anti-fragile against challenges to create a better competitive advantage, better opportunities and better outcomes for our customers, partners, shareholders, communities and society.

To move our business forward, we're putting much greater emphasis on maximising the impact of our suite of solutions, as well as on transforming how customers drive their success in markets across Hong Kong, mainland China and ASEAN.

In the making of this annual report, every effort was taken to ensure that our Talents followed proper COVID-19 safety protocols.

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.

Financial Performance

Revenue
$11.6B

Revenue growth
1%

EBITDA growth
2%

Adjusted Net Profit growth
20%

Customers

Network covers over

2.5
million homes

8,000
commercial buildings and facilities
(including 100% of Grade A & B or above premises)

34%
market share of residential broadband services as of 31 July 2022

37%
market share of enterprise business broadband services as of 31 July 2022

Talent-obsessed Engagement & Development

Achieved an overall favourability score of

65%*

in our Talent Engagement Survey

*25% of respondents gave a neutral score, with the remaining 10% giving an unfavourable score.

Diversity & Inclusion

12.5%

of female representation in technical roles

Climate Action

8,728,522 kWh

electricity saved through our Something From Nothing project in Hong Kong since 2016

Digital Inclusion for our Communities

Empowered

31

SPOs and their staff on IT management skills and cybersecurity knowledge

Impactful Customer Experience

Received

5,836 complimentary notes

Data Privacy & Security

33 cybersecurity tips sent to all Talents

DRIVEN BY A PURPOSEFUL PURSUIT OF PROFITS,

we strive to become Asia region's most preferred integrated telecom and technology solutions provider.

Since 1999, HKBN has transformed from a fledgling start-up into a leading telecom and technology solutions provider. Throughout this journey of incredible change, our goal has remained the same: improve and transform how customers live, learn, work and play via the best, most innovative and reliable services – delivered at competitive value. Whether it is connecting over one million households and over a hundred thousand businesses with a wide range of premier ICT solutions, or the efforts we undertake to empower underprivileged communities, we greet each day as a chance to realise our Core Purpose: **Make our Home a Better Place to Live.**

We believe the role of Purpose, when unleashed by more businesses, can have a transformative effect to make the world better. We actively encourage more people to realise a future where Purpose becomes the driving force of private enterprise. At every possible opportunity, we strive to inspire different stakeholders to join us in this purposeful profit journey.

Through our Core Purpose,

"MAKE OUR HOME A BETTER PLACE TO LIVE",

we believe HKBN's business is best served when we are PURPOSE + PROFIT driven rather than PROFIT-only focussed. By no coincidence, our Purpose functions as a built-in mechanism which guarantees that HKBN delivers the best of all possibilities for customers. Consequently, our offerings always maintain an exceptional level of desirability, driving better uptake and better profits overall.

One-stop ICT Powerhouse

HKBN is a fully integrated one-stop Information Communications Technology ("ICT") business, with our operations spanning Hong Kong, Macau, mainland China, Singapore and Malaysia. We boast some of the industry's best Talents working silo-free to augment our Group's strengths with a complete spectrum of technology expertise.

As the world changes, so does customer demand. Beyond just connectivity, customers want possibilities – and more of it. Thanks to our Talent force and a broad scope of services, HKBN is equipped to deliver far more. More innovation. More value. More satisfaction. For enterprise customers, we're empowering great new possibilities – in a faster timeframe – through cutting-edge technology, game-changing partnerships and our "skin-in-the-game" Co-Ownership commitment.

Our Co-Ownership Advantage

HKBN is the only telecom carrier in Hong Kong driven by hundreds of Co-Owners who have a vested financial interest to grow our business, surpass the competition, and deliver greater shareholder returns. Our leadership is powered by unique Co-Ownership Plans which allow all supervisory and management level Talents to voluntarily invest their own savings in the amount of between 2 and 24 months of salary into HKBN. Through this dual role as both investors and Talents, our Co-Owners are motivated by "skin-in-the-game" to watch over all aspects of HKBN's performance and competitiveness with the Group's best interest always at heart.

Our Unique Culture

Underpinning everything we do is our unique culture. We are a team of passionate, action-driven, agile and resilient HKBNers who never lose sight of our Purpose to enhance the future, help businesses thrive and improve people's lives.

Our unique culture includes:

Skin-in-the-game

When what is right for oneself and what is right for the company are fully aligned, magic happens. Co-Ownership and pain/GAIN initiatives mean our Talents have skin-in-the-game and are living underneath the bridge that we're building together.

LIFE-work priority

We work to live, not live to work.

Change or die

And we always want to live.

Talent-obsessed

At HKBN we only have Talents, not staff. To maximise impact, we must first WOW our Talents before we can WOW stakeholders like customers, business partners, local communities, shareholders and others.

Empowerment

Risk-free business is an oxymoron as businesses must take on risks. We must make smart attempts that we can afford to lose, then let natural probabilities play out over time. Our growth mindset means that we separate smart attempts from results, celebrate smart attempts irrespective of outcome and take sunshine pride in our failures as we experiment our way to success.

WHAT WE DO

HKBN transforms the way people and businesses connect and do more

The work we do as a leading ICT solutions provider contributes indispensably to making the regions in which we operate modern, thriving digital societies. HKBN's comprehensive range of products, solutions and services ensures that customers can rely on us to stay connected and to do business better. In residential, we bring consumers the very best value and choice through our Infinite-play offerings. Whilst as a trusted transformation partner, we serve enterprises of all sizes with everything they need to grow and prosper.

Infinite-play services for households:

- High Speed Fibre Broadband
- Managed Wi-Fi with Home Network Security and Parental Control
- Home Telephone
- Mobile Services
- Roaming Solutions
- Over-The-Top Entertainment & Music Streaming
- Household & Personal Cybersecurity
- Smart Home Living

Diverse telecom and technology solutions for enterprises:

- Connectivity
- Cloud and Data Centre
- System Integration
- Digital Transformation
- Cybersecurity
- Voice, Collaboration and Mobile Services
- Managed Services
- Digital Solutions
- SME Solutions
- Hybrid Work & Business Continuity Solutions

HKBN Recurring Billing Relationships

1 in 3
Hong Kong families

1 in 2
Hong Kong active companies

Dear All Fellow HKBN Shareholders,

Grow Beyond

The global pandemic reshaped our everyday lives – no single person or company was excluded. Besides, macro headwinds from higher global interest rates, inflationary pressure and currency flux pose even greater pressure, companies are being pushed harder than ever to improve business performance through digital transformation.

Beyond telecom

At HKBN, we are in an especially privileged position to offer one-stop Telecom & IT service support to our enterprise customers in their digital transformation journeys. Sown from the successful integrations of NWT, WTT and JOS, we are the second largest Telecom and one of the strongest IT System Integration (SI) service providers. We see tremendous opportunities to come from scaling up so as to capture a greater share of the SI business, which will increasingly encompass a bigger portion of every business's total IT spend. In Hong Kong alone, it is estimated that total IT expenditure from the business sector is at about $87 billion*.

Beyond Hong Kong

As part of our JOS acquisitions, we acquired their mainland China SI business. In FY22, our mainland SI business revenue resulted in double-digit growth. Our footprint has continued to expand with more operations in the mainland, as we now have 2,000+ Talents stationed in major cities such as Beijing, Shanghai, Guangzhou and Shenzhen. We are well-positioned as the pivotal driver for both Hong Kong-based multinational customers to tap into the mainland China market, and for mainland companies to expand into the ASEAN market. With a robust growth strategy, we see our mainland business potentially doubling over the next three years.

Strong leaders

With the onboarding of William Ho (Co-Owner-to-be & Chief Executive Officer – Enterprise Solutions) – an industry veteran joining to lead our Enterprise Solutions Elite Sports Team – we are being driven by a more powerful and forward-looking game plan, as well as making the moves to elevate our partnerships with world-class vendor partners, to realise even greater expansion in the digital transformation era.

We won't rest on our laurels

Rather than rest on our FY22 laurels, we plan to build upon our Talents' strengths and build additional capacity in order to meet our growth objectives. We look forward to a stable FY23 as we position the Group continual growth.

Sincerely yours,

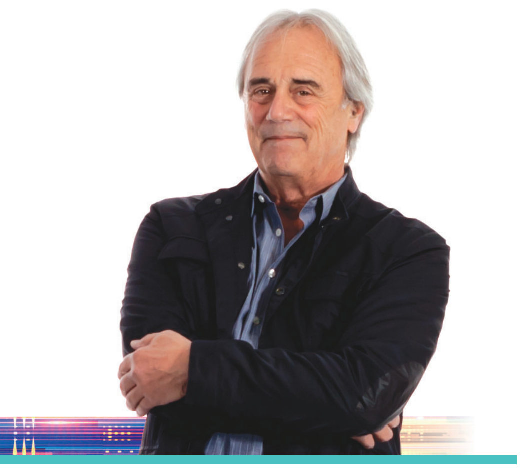
William Yeung
Co-Owner and Executive Vice-chairman

NiQ Lai
Co-Owner and Group Chief Executive Officer

*According to Statista's "Total IT spending in the business sector in Hong Kong 2010–2020".


NiQ Lai
Co-Owner and
Group Chief
Executive Officer
William Yeung
Co-Owner and
Executive
Vice-chairman

Chairman and Independent Non-executive Director



Mr. Bradley Jay HORWITZ, aged 67, is an Independent Non-executive Director, the chairman of the Board and the Nomination Committee, and a member of the Audit Committee of the Company. Mr. Horwitz has over 30 years of experience in the wireless and telecommunication industry. Mr. Horwitz is one of the Co-Founders of Trilogy International Partners, a company listed on the Toronto Stock Exchange, and currently serves as the Chief Executive Officer and a director of the company. Trilogy International Partners was established to acquire wireless international assets in Haiti and Bolivia and to develop additional international wireless assets, primarily in South America and the Caribbean. Prior to establishing Trilogy International Partners, Mr. Horwitz served as the President of Western Wireless Corporation, having founded the Company in 1995 while also serving as the Executive via President of Western Wireless Corporation. Previously, Mr. Horwitz was the founder and the Chief Operating Officer of SmarTone Mobile Communications Limited. Mr. Horwitz also worked in various management capacities for McCaw Cellular including serving as the Vice President of International Operations and the Director of Business Development. Mr. Horwitz presently serves as the Director of the Center for Global Development and the Mobile Giving Foundation. Mr. Horwitz graduated from San Diego State University, U.S. with a Bachelor of Science Degree in 1978.

Executive Directors

Mr. Chu Kwong YEUNG (also known as William YEUNG), aged 61, is the Executive Vice-chairman, an Executive Director, and a member of the Remuneration Committee of the Company. Mr. Yeung joined the Group in 2005 as the Chief Operating Officer and was appointed as the Chief Executive Officer in 2008 and the Executive Vice-chairman in 2018 to focus on engaging key strategic partners and exploring new business opportunities for the Group. Prior to joining the Group, Mr. Yeung was the Director of customers division at SmarTone Mobile Communications Limited. Mr. Yeung obtained a Bachelor of Arts Degree from Hong Kong Baptist University in December 1992, a Master of Business Administration Degree from the University of Strathclyde, U.K. in November 1995 and a Master of Science Degree in Electronic Commerce and Internet Computing from the University of Hong Kong in November 2001. In 2010, Mr. Yeung was recognised as Champion of Human Resources by The Hong Kong HRM Awards. Mr. Yeung is a proud Co-Owner of the Company.

Mr. Ni Quiaque LAI (also known as NiQ LAI), aged 52, is the Chief Executive Officer of the Group, an Executive Director, and a member of the Environmental, Social and Governance Committee of the Company. Mr. Lai joined the Group in 2004 and has rich experience in the telecommunications, research and finance industries. Mr. Lai was appointed as the Chief Financial Officer in 2006, the Chief Talent & Financial Officer in 2016 and the Chief Operating Officer in 2017. Mr. Lai took the helm as the Chief Executive Officer in 2018, leading all HKBN Talents to deliver world class products and services to make our home a better place to live. He is currently a member of Advisory Board of Shyam Spectra Private Limited and the Director of Cambodian Children's Fund (Hong Kong) Limited. Mr. Lai holds an Executive Master of Business Administration Degree from Kellogg-HKUST, Hong Kong and a Bachelor of Commerce Degree from the University of Western Australia. Mr. Lai is a fellow member of Hong Kong Institute of Certified Public Accountants and CPA Australia. In 2009, he was recognised as Champion of Human Resources by The Hong Kong HRM Awards, and was selected by Global Telecoms Business in 2013 as one of the Top 50 CFOs in the industry to watch. In 2016, he was recognised as 1st for Best CFO by FinanceAsia Survey of Asia's Best Companies 2016 (Hong Kong). In 2022, he was appointed as a Lifetime Honorable Advisor of Chief Happiness Officer Association. Mr. Lai is a proud Co-Owner of the Company.

Non-executive Directors

Mr. Agus TANDIONO, aged 51, is a Non-executive Director and a member of the Nomination Committee and the Environmental, Social and Governance Committee of the Company. Mr. Tandiono is a Senior Managing Director, Head of Asia Pacific & Active Equities Asia at Canada Pension Plan Investment Board ("**CPP Investments**"), based in Hong Kong. As a member of Senior Management Team and Head of Asia Pacific at CPP Investments, Mr. Tandiono leads the regional business development and growth of CPP Investments across Hong Kong, Mumbai and Sydney offices. He is a member of CPP Investments' Portfolio Execution Committee and Investment Strategy and Risk Committee (ISRC). The ISRC is accountable for overseeing portfolio and risk-related matters at CPP Investments including the strategy, design, management and governance of the investment portfolios. In his dual role as Head of Active Equities Asia, he leads a team of investment professionals that performs fundamental research on public equities, or soon-to-be public equities, and invests in quality companies throughout Asia. Mr. Tandiono has more than 25 years of investment experience in Asia Pacific. Prior to joining CPP Investments in January 2014, he spent a total of five years at Citadel (Asia) as Head of Asia Equity managing the Asia Equities Long Short portfolio, three years at Income Partners as Managing Partner, and ten years at Fidelity Investments (HK) managing various sectors and country funds. Mr. Tandiono holds an MBA from Booth Graduate School of Business, University of Chicago, and a BBA from University of San Diego. He is also a Chartered Financial Analyst.

Ms. Shengping YU, aged 37, was appointed as a Non-executive Director and a member of the Nomination Committee of the Company on 14 December 2021. Ms. Yu is a director at MBK Partners. She joined MBK Partners in 2011 and has been involved in MBK Partners' investments in the telecommunications and media industries, including WTT Holding Corp and China Network Systems Co., Ltd. Prior to joining MBK Partners, Ms. Yu was an associate in the investment banking division of Morgan Stanley in Hong Kong providing corporate advisory services, and she was also a consultant at Oliver Wyman in New York where she engaged in various projects, including due diligence, strategic planning, product launch, and operational improvement. Ms. Yu currently serves on the board of directors of Shanghai Siyanli Industrial Co., Ltd. and has experience serving on the board of directors of CAR Inc. Ms. Yu received a Bachelor of Arts degree in economics from Harvard College and an MBA from the Wharton School of University of Pennsylvania. Ms. Yu is a Chartered Financial Analyst.

Mr. Zubin Jamshed IRANI, aged 50, was appointed as a Non-executive Director and a member of the Audit Committee and the Remuneration Committee of the Company on 30 April 2019. Mr. Irani is a Partner with TPG Capital and leads the Asia Operations Group. He brings over 20 years of experience in building strong teams, driving performance and managing change within businesses. At TPG Capital, Mr. Irani has worked in the consumer, healthcare, financial services, telecom and technology sectors. Mr. Irani holds a Master in Materials Science and Engineering from Massachusetts Institute of Technology, U.S. and a Bachelor of Technology in Materials Engineering from Indian Institute of Technology Kanpur, India.

Independent Non-executive Directors

Ms. Edith Manling NGAN, aged 58, was appointed as an Independent Non-executive Director of the Company, the chairman of the Environmental, Social, and Governance Committee and a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company on 1 September 2022. Ms. Ngan is an independent non-executive director and a member of the audit committee and the compensation committee of Tencent Music Entertainment Group (stock code: 1698), an independent non-executive director, chairman of the audit committee and a member of the remuneration committee of Blue Moon Group Holdings Limited (stock code: 6993), an independent non-executive director, chairman of the audit committee and a member of the remuneration committee, nomination committee, risk committee and compliance committee of Asia Financial Holdings Limited (stock code: 0662) and an independent non-executive director of Swire Pacific Limited (stock code: 0019). Prior to her retirement in 2017 as regional managing director, East Asia of the Royal Institution of Chartered Surveyors, she was chief executive from 2012 to 2016 of the Hong Kong Securities and Investment Institute. Ms. Ngan has rich experience in risk management. Between 1996 and 2010, she had worked for ABN AMRO Fund Services (Asia) Ltd, Principal International (Asia) Ltd. and Invesco Asia Limited in regional management roles where she was responsible for risk management and ensuring a proper framework for managing investment, data protection and business opportunity risks. Ms. Ngan holds a bachelor's degree in industrial engineering and engineering management from Stanford University and is a fellow of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Directors.

Mr. Stanley CHOW, aged 58, is an Independent Non-executive Director, the chairman of the Remuneration Committee and a member of the Audit Committee, the Nomination Committee and the Environmental, Social and Governance Committee of the Company. Mr. Chow has over 21 years of experience as a corporate lawyer in Hong Kong and Canada, including over 18 years of experience in dealing with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during his time in private practice and as a senior manager in the Stock Exchange's Listing Division. Mr. Chow was a non-executive director of PuraPharm Corporation Limited (stock code: 1498) from 2018 to 2022. He was a member of The Law Society of Hong Kong's Company Law Committee from 2011 to 2018 and was admitted as a solicitor in Hong Kong in 1995 and in England and Wales in 1994. He was also admitted as a barrister and solicitor in British Columbia, Canada in 1994 and in Ontario, Canada in 1991. Mr. Chow holds a Juris Doctor with Honour Standing from the University of Toronto, Canada and a Bachelor of Commerce (Honours) from Queen's University, Canada.

Mr. Yee Kwan Quinn LAW, SBS, JP, aged 69, was appointed as an Independent Non-executive Director, the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Company on 6 February 2015. Mr. Law is currently an external supervisor of and the chairman of the nomination committee of the board of supervisors of Bank of Tianjin Co., Ltd. (stock code: 1578), an independent non-executive director of ENN Energy Holdings Limited (stock code: 2688) and BOC Hong Kong (Holdings) Limited (stock code: 2388), all of which are listed on the Main Board of the Stock Exchange. Mr. Law also presently serves as an advisor of the Hong Kong Business Accountants Association, and he was previously the director and the vice president of such Association. Mr. Law is an honorary fellow of the Hong Kong University of Science and Technology (HKUST) and has been a member of the Court of HKUST since 2018. Mr. Law has been appointed as a member of the Governing Board of HKUST(GZ) in 2020. Mr. Law ceased to be the Deputy Chairman of Professional Conduct Committee of the Hong Kong Institute of Certified Public Accountants in 2018. He also retired as an independent non-executive director of Bank of Tianjin Co., Ltd. Mr. Law is a Fellow of the Hong Kong Institute of Certified Public Accountants and also a Fellow of the Association of Chartered Certified Accountants. Mr. Law was admitted as an Associate of The Chartered Governance Institute on 11 November 1980. In view of Mr. Law's experience in reviewing or analysing audited financial statements of private and public companies, the Directors believe that Mr. Law has the appropriate accounting or related financial management expertise for the purposes of Rule 3.10 of the Listing Rules.

1. **William HO**
   Co-Owner-to-be & Chief Executive Officer – Enterprise Solutions

2. **Sam TAN**
   Co-Owner & Chief Innovation Officer

3. **Elinor SHIU**
   Co-Owner & Chief Executive Officer – Residential Solutions

4. **NiQ LAI**
   Co-Owner & Group Chief Executive Officer

5. **William YEUNG**
   Co-Owner & Executive Vice-chairman

6. **Almira CHAN**
   Co-Owner & Chief Strategy Officer

7. **Danny LI**
   Co-Owner & Chief Technology Officer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Senior Management

Mr. William YEUNG, his biographical details are set out on page 8.

Mr. NiQ LAI, his biographical details are set out on page 9.

Mr. Tat HO (also known as William HO), aged 53, the Chief Executive Officer – Enterprise Solutions of the Group. As a seasoned professional with broad experiences in R&D, sales and marketing, M&As, building start-ups, and growing business with Fortune 500 companies, William's near 30-year career journey mirrors the growth, evolution and changes that define the ICT industry. Prior to joining HKBN in 2022, William was Managing Director at Juniper Networks; he has also held various senior executive roles including Senior Vice President of ARRIS APJ, Senior Vice President of Cisco China, Vice President of Ruckus Wireless APJ, and Managing Director of Nortel Networks. In October 2022, William was appointed as a director to The Hong Kong Applied Science and Technology Research Institute (ASTRI) Board.

William began his career in the early 90s as a software engineer at Nortel Networks in Canada, where he developed GSM, CDMA, and 3G wireless systems. In 1999, William moved to Hong Kong to oversee development of Nortel's Asia Pacific operations. Subsequently, he joined The Hong Kong Jockey Club and built the Club's eCommerce business.

William holds a bachelor's degree in electrical engineering and computer engineering from the University of Calgary, Canada. He also teaches strategic management at the Sun Yuet Sang University in mainland China, and is a guest professor at the Carlson School of Management, University of Minnesota. He is a proud Co-Owner-to-be of the Company.

Ms. Wing Yee CHAN (also known as Almira CHAN), aged 56, the Chief Strategy Officer of the Group. Almira joined the Group in 2019 through the integration of HKBN and WTT. Almira's dream job was an accountant. After graduation, Almira joined PricewaterhouseCoopers, where she began her professional life as an accountant. Following this experience, she joined Atos Origin and Wharf T&T (later renamed WTT). In her 30-year journey from an Audit Assistant at PricewaterhouseCoopers to CFO at WTT, she has undertaken a wide range of responsibilities, including management of Accounting & Finance, Investor Relations and Building Access for network rollout. Whilst Almira's dream has come true, she remains as motivated as ever to evolve beyond her comfort zone.

Following the integration of HKBN and WTT, she was appointed as Chief Strategy Officer in July 2019. In her current role, Almira leads the development and implementation of HKBN's overall corporate strategy including business development and joint ventures, mergers and acquisitions. She also looks after Enterprise Services operations in Hong Kong. With a wealth of financial management experience, coupled with a passion for the telecommunications technology industry, she is determined to help the company reach a new peak.

Almira holds an Honours Diploma in Accountancy from Lingnan College and is a qualified accountant and a member of the Association of Chartered Certified Accountants. She is also a member of the Hong Kong Institute of Certified Public Accountants. Almira is a proud Co-Owner of the Company.

Mr. Yau Chung LI (also known as Danny LI), aged 52, the Chief Technology Officer of the Group. Danny joined HKBN in 2017 and was appointed as Chief Technology Officer in 2020. With over 27 years of experience in telecom infrastructure engineering and operations, as well as sales and marketing, Danny leads HKBN's network planning, development and implementation. His goal is to ensure that network strategy is future-proofed for the Group's growth strategy. Emphasising the criticality of solid information security strategy and policy, he has helped design HKBN's IT system and network infrastructure to encompass the latest proven security best practices. Executing a trademarked HKBN philosophy to put what we first learn internally as a proving ground to better serve customers, he helped turn our in-house Network Operations Centre (NOC) into a NOC-as-a-Service to serve Hong Kong's digital community and other enterprises.

Before joining HKBN, Danny spent 11 years with DMX Technologies, a regional system integration company of Japan's KDDI Group. As a pioneering professional, he has served to protect regional customers, including the 2008 Summer Olympic Games, from cyber attacks, and helped build Asia Pacific's first MPLS IP VPN.

Danny loves the game of golf for being a unique sport not purely about winning, but to excel oneself (an Infinite Game). Golfing gives him the chance to challenge and conquer different emerging situations and socialise along the way. He holds a Bachelor's Degree in Computer Engineering, and a Master's Degree in Electrical Engineering (majoring in Telecommunications) from the University of Alberta, Canada. Danny is a proud Co-Owner of the Company.

Ms. Yung Yin SHIU (also known as Elinor SHIU), aged 51, the Chief Executive Officer – Residential Solutions of the Group. A home-grown Talent in every sense of the word, Elinor joined the Group in 1994 as a Marketing Trainee and was appointed as Chief Marketing Officer – Residential Solutions in March 2019 and became Chief Executive Officer – Residential Solutions in September 2020 to lead the strategic development and operations of HKBN's residential market business. Working her way up, she is one of the key individuals credited for growing HKBN from a start-up of less than 100 Talents to a powerhouse in the telecommunications industry today. In 2002, Elinor left the Group for a brief two-year intermission with HGC, where she focussed on corporate marketing. She rejoined HKBN in 2004.

Throughout her years with HKBN, Elinor earned wide-ranging exposure across various business areas and functional teams. Her array of experiences extended from marketing for residential and corporate sectors, all the way to overall business management for HKBN's residential business. With her appointment as CEO – Residential Solutions, Elinor will relentlessly drive HKBN's growth as a showcase of best practices for the ICT industry.

Elinor holds an Executive Master of Business Administration Degree from The Chinese University of Hong Kong. As a seasoned hiker, heights are never a match for Elinor, whose determination to achieve drivers her to surmount any peak. Elinor is a proud Co-Owner of the Company.

Mr. Teow Boon TAN (also known as Sam TAN), aged 57, the Chief Innovation Officer of the Group. Sam joined the Group in 2020. As a consummate IT professional, Sam is passionate about using his expertise to improve in-house efficiencies, as well as helping customers reap the full benefits of automation and digitisation. He brings more than 30 years of experience in operations, administration, consulting and business management, involved in the field of information technology. In addition, Sam also served 5 years in Singapore's military.

Before joining HKBN, Sam was the APAC CIO for AECOM. Prior to that, Sam held various leadership roles in multinationals such as Liz Claiborne, UPS Supply Chain Solutions and Hewlett-Packard, where he served as Vice President of Asia MIS, Head of IT and Solution Director respectively. He also spent 14 years with FedEx, with the last 6 years as IT Director for Greater China and APAC IT Infrastructure, serving functions that included IT, Industrial Engineering, Operations and Customer Automation.

Sam holds a Master of Business Administration (Marketing) Degree from the University of Leicester, U.K. He also holds multiple certifications in both management and information technology disciplines. He looks at life as a complicated machine with countless moving parts. Solving this, through rational simplification to make everything he encounters better and more orderly, has become Sam's life-long passion – both professionally and personally. Sam is a proud Co-Owner of the Company.

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, and in every decision we take, "Make our Home a Better Place to Live" is omnipresent at all times. With this Core Purpose driving us, HKBN is built on making purposeful profits; our business is at its best when we're creating positive impacts for our stakeholders.

Our Environment, Social and Governance ("ESG") approach is purposely aligned with our Group's overall strategy. This approach ensures that in all aspects of our business, actions are rigorously executed with a responsible commitment to society, environment and governance that goes far beyond merely fulfilling legal and regulatory requirements.

Enablement: THE NEXT BIG STEP IN OUR ESG JOURNEY

Since the introduction of our ESG framework in 2018, there have been 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, this year we reassessed (previous materiality assessment was conducted in 2019) what matters most to HKBN and our stakeholders through discussions with 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 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. Fixated on broadening our impacts, we adopted a bold new vision to "Lead as an Innovative ESG Enabler".

Following this, we held a KPI workshop to explore how HKBN can first lead by example, and subsequently set meaningful targets for the next three years. With our brand new three-year ESG targets for FY23 to FY25 defined, we also streamlined our strategic focus on three "T"s: namely Talent Co-Ownership, Technology for Good, and Transforming Business, which govern ten priority ESG topics.

"HKBN is a unique company because our Talents, strategies and business are guided by Purpose, aka our north star, to 'Make our Home a Better Place to Live'. The synergy and goals of this Purpose and those of ESG are practically identical, which means our company has an inbuilt responsibility not just to excel, but to lead in sustainability."

NiQ Lai, our Co-Owner and Group CEO

HKBN ESG Strategy

Lead as an Innovative ESG Enabler

Talent Co-Ownership

1. Talent interest alignment
2. Talent-obsessed engagement and development
3. Diversity and inclusion

Technology for Good

4. Market-ready ESG solutions
5. Digital inclusion for our communities

Transforming Business

6. Climate action
7. Impactful customer experiences
8. Data privacy and security
9. Reliable and responsible services
10. Win-win-win partnership and value chain

Our ESG Vision	The 3Ts of HKBN & Mapping to the SDGs*	Our 10 Priorities	Goals for FY25
Lead as an Innovative ESG Enabler	Talent Co-Ownership (SDGs 3, 4, 5, 8, 10)	Talent interest alignment	Achieve at least 88% cumulative success rate in ESG-related special incentive programmes
		Talent-obsessed engagement & development	Reach an overall engagement score of 70% favourability in our Talent Engagement Survey
		Diversity & inclusion	Enhance female representation in technical roles to 18% or above
	Technology for Good (SDGs 4, 9, 10)	Market-ready ESG solutions	Launch new ESG-themed solutions every year
		Digital inclusion for our communities	Conduct social impact assessments for all digital inclusion community initiatives
	Transforming Business (SDGs 11, 12, 13)	Climate action	Set science-based emissions reduction targets
		Impactful customer experiences	Futureproof HKBN's customer services by launching new customer experience initiatives every year
		Data privacy & security	Achieve less than 2% phishing assessment average failure rate among Talents
		Reliable and responsible service	Reduce affected customer hours from residential network service disruptions by 14%, relative to FY22 baseline
		Win-win partnership & value chain	Improve at least 20 SME suppliers' ESG assessment scores
	Corporate Governance		Increase Board female representation to over 30%

Over the next three years, we will continuously report on progress made towards achieving the above targets.

*SDGs refer to the sustainable development goals of the United Nations

About This Report

Reporting boundaries

This Report covers HKBN Group's performance for the financial year from 1 September 2021 to 31 August 2022. Unless specifically stated otherwise, the scope of this Report covers all aspects of HKBN Group operations in all regions, with the exclusion of business units which do not have a material impact on our Group-level performance and for business units where our shareholding interest is less than 50%. Following the disposal of our 60% stake in HKBN JOS Singapore and HKBN JOS Malaysia, the aforementioned operations are excluded from the FY22 reporting boundaries.

Reporting guidelines and reporting criteria

In preparing this Report, we have adhered to the reporting principles and provisions set forth by the "Environmental, Social and Governance Reporting Guide" (the "ESG Guide") in Appendix 27 of the Listing Rules and the ESG Guide's "comply or explain" provisions. We also referenced the Sustainability Accounting Standards Board's ("SASB") standards and have made our disclosure in line with the SASB's Telecommunication Services Standard to provide sustainability information. Indices mapping our disclosures to the requirements of the ESG Guide and SASB Telecommunication Services Standard, and the details of reporting criteria are described in the footnotes of each KPI's disclosure, are found on pages 229 and 236 of this Report.

We support the United Nations' 2030 Sustainable Development Goals ("SDGs"), which are a global call to action for improving health and education, reducing inequality, and for spurring economic growth – all while tackling climate change. In this Report, we have matched the SDGs with our efforts to demonstrate how we've contributed to the long-term prosperity of peoples and the planet.

Applying the reporting principles

We aim to provide a rigorous, fair and transparent account of our business, and have adhered to the following reporting principles in making this Report:

Materiality	On a regular basis, we conduct materiality assessments and stakeholder questionnaires to identify material issues related to ESG and our business. These activities help ensure that our entire operation is always responsive in addressing issues related to sustainability, as well as enable us to achieve our Purpose.
Quantitative	To ensure that our performance data is transparent and comprehensive, we provide notes (where appropriate) about the standards and methodologies used to calculate data.
Balance	Presenting a full and fair picture is important to us. This Report discusses both the positive and negative sides of our performance to provide readers an objective and balanced understanding.
Consistency	To allow meaningful comparison of our performance over time, we use reporting guidelines and methodologies for calculating and presenting our data. Any changes in the methodologies will be explained.

Our Approach to ESG Governance & Management

Our ESG governance and management are embedded at all levels of the Group, including the Board, the ESG Committee and ESG task force, providing a solid foundation for developing and delivering our commitment to sustainability. As the highest governing body in the Group, the Board oversees and is accountable for the Group's overall ESG strategy, development and performance with the support of a Board-level ESG Committee. On an annual basis, Board members undergo training to update and enhance their knowledge and understanding of ESG. The Board also plays a primary role in evaluating and determining the Group's ESG material issues and related risks. ESG risks are thoroughly reviewed and integrated into our company's risk register, with proper risk mitigation measures and planning implemented. As part of its responsibilities, the Board will, on a regular basis every year, review and monitor progress made on the Group's ESG priorities.

The ESG Committee, comprising elected members from the Board, is responsible for reviewing and monitoring ESG strategies, risk management, policies and practices, and assessing and making recommendations on the Group's ESG-related structures and business models. The ESG Committee also advises the Board on communications and disclosures concerning the Group's ESG performance, including communication channels and methods with our stakeholders and via the ESG reports. The ESG Committee delegates tasks to our ESG task force, who assist in driving the Group's ESG development.

Oversight

Board of Directors

The Board of Directors oversees and is accountable for HKBN's ESG strategy, development and performance.

ESG Committee

Established as a Board committee, the ESG Committee has an overarching role in supporting the Board and monitors our ESG task force who assist in leading and driving the Group's ESG development.

ESG Task Force

Our ESG task force coordinates ESG planning and implementation throughout HKBN, including guiding and working with business units to deliver and monitor progress on our ESG goals and objectives. It also conducts periodic reviews with business units, delivers reports on the performance to the ESG Committee, and benchmarks the latest ESG trends which may impact HKBN's ESG strategy.

Business Units

Business units are responsible for the execution of our ESG strategy. Department representatives drive ESG efforts within their department and coordinate with each other on various interdisciplinary areas. They are also responsible for reviewing progress made towards our ESG commitments.

Report

Communication and Engagement with Stakeholders

Open and effective communication with our stakeholders enables us to better understand their evolving expectations, which serves to shape the strategy, growth and development of our business.

Our stakeholders include internal and external interest groups and entities whose decisions and opinions have an influence on HKBN and, at the same time, are affected by our operations. Having due consideration of their level of dependency and influence on our business, we have identified the following core stakeholders and engage regularly with representatives from each group through a variety of channels.

Engaging core stakeholders

HKBN Stakeholders	Engagement Channels
Customers	• Customer satisfaction surveys • Customer service hotlines • My HKBN App • Corporate website • Mail/E-mail • Newsletters • Social media
Talents	• Talent engagement surveys • Townhall meetings • Management meetings • Orientation and training sessions • Talent engagement digital platform
Shareholders & Investors	• Conferences and seminars • Annual reports, interim reports and announcements • General shareholder meetings • Investor meetings, roadshows and conference calls • Newsletters • Corporate website • Social media
Suppliers & Value Chain Partners	• Meetings • Surveys • Suppliers performance assessments • Newsletters • Corporate website • Social media
Community	• Partnership and community programmes • Community events • Volunteering work • Newsletters • Corporate website • Social media

HKBN Stakeholders	Engagement Channels
Environment (including green groups and other environmental-related partners)	• Partnership programmes • Conferences and seminars • Newsletters • Corporate website • Social media
Government & Regulators	• Meetings, conferences and seminars • Focus group discussions • Feedback programmes • Invited in-house trainings

Materiality Assessment

Input from stakeholders is crucial in determining the key ESG aspects we should be focussed on, as well as for steering our ESG strategy. To review and update the current list of material issues, we appointed an independent consultant to conduct a comprehensive materiality assessment, which encompassed both internal and external documents, and direct engagement with key stakeholders through surveys and interviews to capture any significant changes or emerging risks and opportunities facing the business.

The materiality assessment process was as follows:

Identification

Based on the materiality assessment conducted in 2019, a list of potentially material issues was identified by considering megatrends and sector-specific standards and guidelines related to sustainability (e.g. SASB Industry Standards for Telecommunication Services).

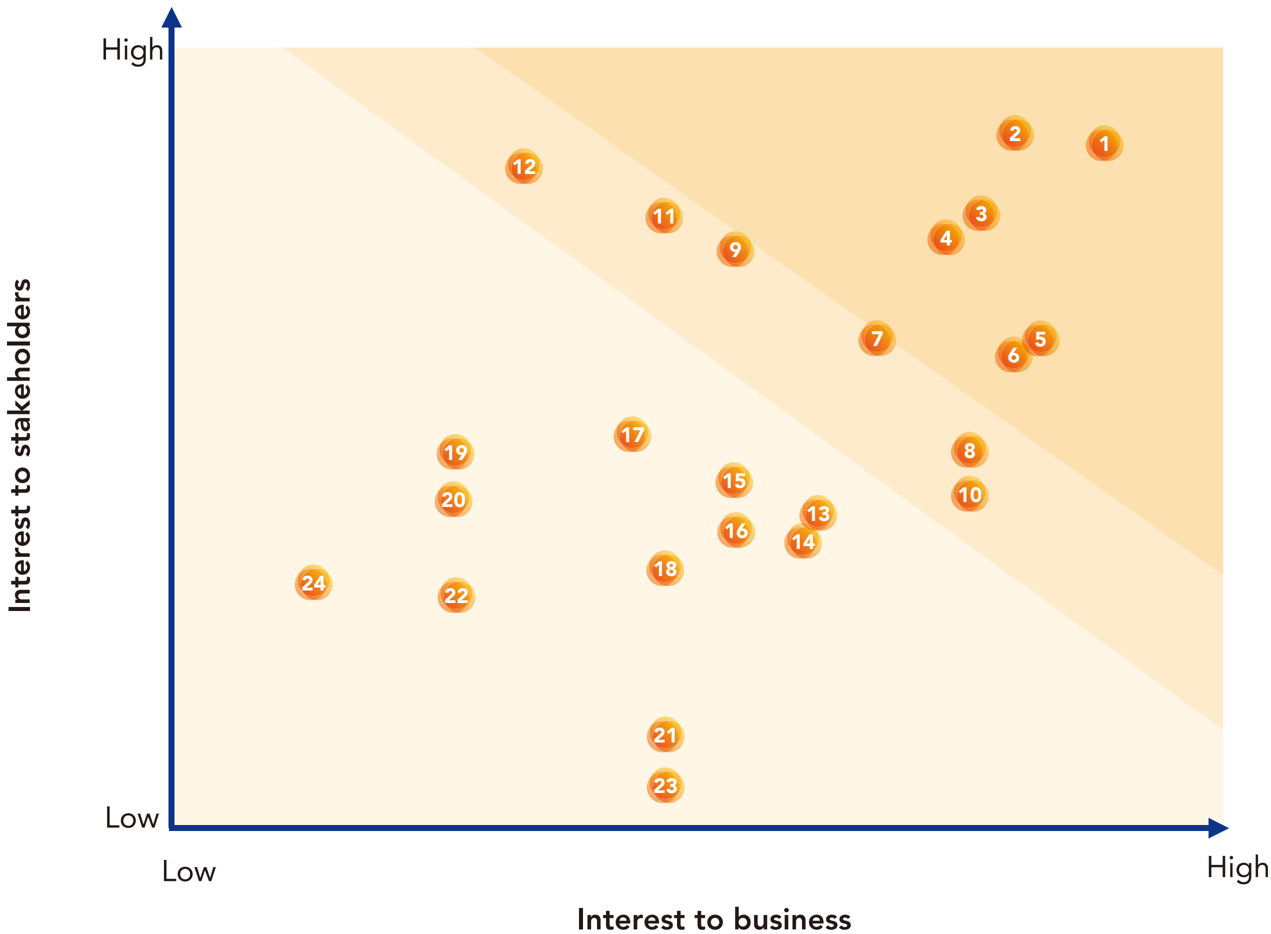
Evaluation and prioritisation

Online surveys and interviews with key stakeholder groups (including our Talents, Board members, investors, customers, business partners, suppliers and NGO partners) were conducted to provide quantitative input for prioritising the potential list of material issues.

Validation

The preliminary list of material issues was reviewed by management and adjusted where appropriate with regard to HKBN's current strategy of development.

The results of this materiality assessment is presented as follows:



Tier 1 – Top Priority	Tier 2 – Second Priority	Tier 3 – Low Priority
1. Customer service satisfaction 2. Customer data privacy 3. Service reliability 4. Align Talent interests 5. Service innovation 6. Cybersecurity	7. Talent communication and feedback 8. Climate action 9. Service coverage and affordability 10. Collaboration with business partners 11. Talent development 12. Fairly rewarded remuneration	13. Anti-corruption and business integrity 14. Enable LIFE-work priority 15. Succession planning 16. Diversity and inclusion 17. Technology for good 18. Board effectiveness 19. Encourage Talent volunteering 20. Operational efficiency 21. Supplier ESG management 22. Procurement process 23. Anti-competitive behaviour 24. Waste management

Responding to Stakeholder Concerns

Through active dialogue with different stakeholders, we are able to understand the needs of our stakeholders and correspondingly take action to address their concerns and expectations. During our surveys and in-depth interviews conducted this year, we gathered comments from stakeholders and turned them into action.

HKBN Stakeholders	Stakeholders' feedback	Our responses
Customers	• HKBN is a strong platform to promote and provide win-win ESG solutions to benefit both customers and business partners. • HKBN has provided consistent quality service over the years.	• We target to launch new ESG solutions every year. Please refer to the "Market-ready ESG solutions" section of this report for details. • We strive to meet and exceed our customers' expectations. To reciprocate the faith that customers have entrusted in us, we continue to operate with agility and integrity to uplift our overall service experiences so that we can build long lasting relationships with customers. Please refer to the "Impactful Customer Experience", "Reliable & Responsible Service" and "Data Privacy & Security" sections of this report for details.
Talents	• Co-Ownership, flexible working, and significant resources dedicated to Talent development all contribute to a healthy work culture at HKBN.	• HKBN has long recognised that our Talents are the key force in driving our success. We aspire to employ a diverse workforce that works together collaboratively, empower our Talents to evolve and become agile, and foster a culture of continuous learning for our Talents. Please refer to the "Talent Interest Alignment", "Talent-Obsessed Engagement & Development" and "Diversity & Inclusion" sections of this report for details.
Shareholders & Investors	• Effective communication and disclosure of the company's ESG strategy and performance helps inform investors and strategic partners on how HKBN's business is ready for the future.	• To capture the transformational changes that matter most to the Group and our stakeholders, we have redefined our ESG strategy, including new ESG targets to measure and report on our ESG impacts. This also serves as a clear and inspirational statement to communicate HKBN's ambition to achieve our ESG vision. • This year, we adopted the SASB Telecommunication Services Standard for disclosure.

HKBN Stakeholders	Stakeholders' feedback	Our responses
Suppliers & Value Chain Partners	• Creating long-term co-growth opportunities with suppliers and value chain partners are vital for building a stronger business.	• To facilitate the continued delivery of exceptional products and services, we work closely with our partners to ensure the success of our business whilst promoting sustainable development throughout our value chain. Please refer to the "Win-win Partnership & Value Chain" section of this report for details.
Community	• Building a strong social network and more extensive public outreach helps engender a much wider public understanding of HKBN's social initiatives and the HKBN Talent CSI Fund's work.	• We have partnered with various social profit organisations and implemented a series of initiatives to effect positive change in our local communities. We also target to apply new metrics to measure the impact of our digital inclusion initiatives, and subsequently improve the effectiveness of our CSI initiatives. Please refer to the "Digital Inclusion for our Communities" section of this report for details.
Environment	• HKBN needs to look into the environmental aspects of its operations, particularly in terms of climate action, and establish effective governance to demonstrate its ESG commitment.	• Our ESG governance structure plays a critical role in integrating ESG factors in our Company's operation. The establishment of the ESG Committee ensures that ESG factors like climate-related issues will be more effectively taken into account throughout our decision-making processes. Put simply, this is enabling HKBN to operationally champion ESG at the highest level. • We are also applying bold actions to reduce the environmental impacts of our operations. Please refer to the "Climate Action" section of this report for details.

Table 1: Financial highlights

	For the year ended		
	31 August 2022	31 August 2021	**Change YoY**
Key financials ($'000)			
Revenue	**11,626,164**	11,463,745	+1%
– Enterprise Solutions	**4,427,441**	4,965,553	-11%
– Enterprise Solutions related product	**2,351,289**	2,310,286	+2%
– Residential Solutions	**2,433,159**	2,465,294	-1%
– Handset and other product	**2,414,275**	1,722,612	+40%
Profit for the year	**553,321**	206,872	>100%
Adjusted Net Profit [1,2]	**904,875**	755,975	+20%
EBITDA (Adjusted)* [1,3]	**2,609,053**	2,568,507	+2%
Service EBITDA (Adjusted)* [1,3]	**2,298,759**	2,226,459	+3%
Service EBITDA margin (Adjusted)* [1,4]	**33.5%**	30.0%	+3.5pp
Adjusted Free Cash Flow [1,5]	**1,132,556**	1,131,543	+0%
Reconciliation of Adjusted Net Profit [1,2]			
Profit for the year	**553,321**	206,872	>100%
Amortisation of intangible assets	**411,384**	456,754	-10%
Deferred tax arising from amortisation of intangible assets	**(66,353)**	(73,683)	-10%
Impairment on investment in a joint venture	**6,523**	–	+100%
Loss on extinguishment of senior notes	**–**	145,463	-100%
Originating fee for banking facilities expired	**–**	20,569	-100%
Adjusted Net Profit	**904,875**	755,975	+20%

	For the year ended		
	31 August 2022	31 August 2021	**Change YoY**
Reconciliation of EBITDA, Adjusted Free Cash Flow [1,3,5]			
Profit for the year	**553,321**	206,872	>100%
Finance costs	**239,204**	481,029	-50%
Interest income	**(2,857)**	(2,200)	+30%
Income tax expenses	**158,895**	118,393	+34%
Depreciation (Adjusted)*	**947,099**	1,011,892	-6%
Amortisation of intangible assets (Adjusted)*	**413,014**	456,754	-10%
Amortisation of customer acquisition and retention costs	**293,854**	295,767	-1%
Impairment on investment in a joint venture	**6,523**	–	+100%
EBITDA (Adjusted)*	**2,609,053**	2,568,507	+2%
Capital expenditure	**(539,507)**	(589,621)	-8%
Net interest paid	**(297,912)**	(295,010)	+1%
Other non-cash items	**(6,559)**	(8,604)	-24%
Income tax paid	**(165,101)**	(230,154)	-28%
Customer acquisition and retention costs	**(242,050)**	(265,467)	-9%
Premium paid on senior notes redemption	**–**	(113,776)	-100%
Lease payments in relation to right-of-use assets	**(209,846)**	(273,996)	-23%
Changes in working capital	**(15,522)**	339,664	>100%
Adjusted Free Cash Flow	**1,132,556**	1,131,543	+0%

*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.

Table 2: Operational highlights

	For the year ended		
	31 August 2022	31 August 2021	**Change YoY**
Enterprise business			
Commercial building coverage	**8,006**	7,584	+6%
Subscriptions ('000)			
– Broadband	**119**	119	-0%
– Voice	**413**	423	-2%
Market share [6]			
– Broadband	**37.0%**	36.9%	+0.1pp
– Voice	**24.4%**	24.9%	-0.5pp
Enterprise customers ('000)	**105**	107	-2%
Broadband churn rate [9]	**1.4%**	1.5%	-0.1pp
Enterprise ARPU [10]	**$2,906**	$3,036	-4%
Residential business			
Fixed telecommunications network services business			
Residential homes passed ('000)	**2,513**	2,466	+2%
Subscriptions ('000)			
– Broadband	**897**	886	+1%
– Voice	**432**	474	-9%
Market share [6]			
– Broadband	**34.0%**	34.2%	-0.2pp
– Voice	**21.3%**	22.1%	-0.8pp
Broadband churn rate [7]	**1.0%**	0.9%	+0.1pp
Residential ARPU [8] (Without TTT)	**$184**	$192	-4%
Residential ARPU [8] (With TTT)	**$184**	$190	-3%
Mobile business			
Mobile Subscriptions ('000)	**241**	254	-5%
Mobile ARPU [11]	**$110**	$111	-1%
Residential customers ('000)	**976**	997	-2%
Total full-time permanent Talents	**4,864**	5,218	-7%

Notes:

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

(2) Adjusted Net Profit means profit for the period plus amortisation of intangible assets (net of deferred tax credit and direct cost incurred in corresponding period) and impairment on investment in a joint venture.

(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, impairment on investment in a joint venture and less interest income. Service EBITDA means EBITDA excluding gross profit on product revenue.

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

(5) Adjusted Free Cash Flow means EBITDA less capital expenditure, customer acquisition and retention costs, net interest paid, income tax paid, premium paid on senior notes redemption, lease payments in relation to right-of-use assets, changes in working capital and other non-cash items. Working capital includes other non-current assets, inventories, trade receivables, finance lease receivables, other receivables, deposits and prepayments, contract assets, amounts due from joint ventures 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.

(6) Our market share in broadband or voice services in Hong Kong, for residential or enterprise business, is calculated by dividing the number of broadband or voice subscriptions we have at a given point in time by the total number of corresponding broadband or voice subscriptions recorded by the Office of the Communications Authority ("OFCA") at the same point in time. Based on the latest disclosure from OFCA for July 2022 market data.

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

(8) ARPU means average revenue per user per month. Calculated by dividing the revenue generated in the relevant period from services subscribed by residential broadband subscribers, which include broadband services and any bundled voice, IP-TV and/or other entertainment services (excluding revenue from IDD and mobile services), by the number of average residential broadband subscriptions and further dividing by the number of months in the relevant period. Average residential broadband subscriptions are calculated by dividing the sum of such subscriptions at the beginning of the period and the end of the period by two. Our use and computation of residential ARPU may differ from the industry definition of ARPU due to our tracking of revenue generated from all services subscribed by residential broadband subscribers. We believe this gives us a better tool for observing the performance of our business as we track our residential ARPU on a bundled rather than standalone basis. "TTT" represents the campaign namely ToughTimesTogether, in which the Group offered one-month service fee waiver to its customers for the purpose of relieving the household financial burden caused by COVID-19.

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

(10) ARPU means average revenue per user per month. Calculated by dividing the revenue generated in the relevant year from the enterprise telecom and technology solutions business (excluding revenue from IDD, Enterprise Solutions related product and mobile services) by the average number of enterprise customers and further dividing by the number of months in the relevant period. Average number of enterprise customers is the sum of: i) number of enterprise telecom customers, as calculated by dividing the sum of enterprise telecom customers at the beginning of the period and the end of the period by two, and; ii) the number of enterprise solutions customers, which represents the number of unique customers with billing transactions on technology solutions related services during the financial period. This metric may be distorted by the impact of certain particularly large contracts we have with enterprise customers.

(11) Mobile ARPU means average revenue per user per month. Calculated by dividing the revenue generated in the relevant period from services subscribed by residential mobile subscribers, which include all services revenue (excluding IDD and value added services), by the number of average residential mobile subscriptions and further dividing by the number of months in the relevant period. Average residential mobile 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 Mobile ARPU may differ from the industry definition of ARPU due to our tracking of revenue generated from all services subscribed by residential mobile subscribers. We believe this gives us a better tool for observing the performance of our business as we track our residential mobile ARPU on a bundled rather than standalone basis.

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

Business Review

FY22 was a tough year, as demonstrated through challenges like the fifth wave of COVID-19 and quarantine measures hitting the local economy, an unstable macro-environment, chipset shortages, and intense competition from within the telecom industry. Amid these challenging conditions, the Group demonstrated its strong resilience and delivered a solid set of operational and financial results in FY22.

Throughout the year, we continued to transform our enterprise business and strengthen our system integration ("SI") capabilities by attracting top-tier Talents to join us. With our strong market presence and solid ICT customer base, our clear position as the largest and strongest alternative telecom and technology service provider in Hong Kong enabled us to be much more competitive relative to other standalone telecom or technology solutions providers in the market.

Under this tough market environment, our residential business remained solid. Service revenue was stable as we continued to execute our Infinite-play strategy by expanding our consumer-centric value-for-money services to customers.

As a result, our Revenue and EBITDA (Adjusted), increased year-on-year by 1% and 2% at $11,626 million and $2,609 million respectively, and Adjusted Free Cash Flow ("AFF") remained stable at $1,133 million.

- Despite a challenging macro-economic outlook brought about by the fifth wave of COVID-19 in Hong Kong, our Enterprise Solutions business showed resilience as indicated by low customer churn and stable broadband subscriptions, which resulted in an increase of our market share to 37.0% as at 31 July 2022 (based on the latest available OFCA statistics).

- Excluding the four months of impact in FY22 and the full year of impact in FY21 from the Disposal Group*, Enterprise Solutions related product revenue increased year-on-year by 15% to $2,218 million, due to an increase in demand for hardware.

- Excluding the four months of impact in FY22 and the full year of impact in FY21 from the Disposal Group, Enterprise ARPU slightly increased year-on-year by 1% to $2,865 per month.

- Residential Solutions monthly churn rate remained low at 1.0% and our subscriptions increased to 897,000 in FY22. Residential Solutions revenue slightly decreased year-on-year by $32 million, or 1%, to $2,433 million, amid intense market competition. Our Residential ARPU fell by 3% year-on-year to $184 per month due to the aggressive tactical offers introduced at the initial launch of Disney+ OTT bundles, as well as from intense market competition.

- Handset and other product revenue increased year-on-year by 40% to $2,414 million, attributable to the sales of smartphone products that complement our mobile business.

Network costs and costs of sales increased year-on-year by $205 million, or 3%, to $7,156 million, mainly due to the cost of inventories, which increased by $766 million, or 21%, to $4,454 million led by an increase in sales of smartphone products and Enterprise Solutions related products. This has been offset by a decrease in cost of wholesale IDD. Changes in network costs and cost of sales were in line with revenue.

Other operating expenses decreased year-on-year by $166 million, or 4%, to $3,532 million, which is the combined effects of streamlined costs by $72 million, a decrease in depreciation by $34 million, a decrease in amortisation of intangible assets by $45 million, and a decrease in recognition of loss allowance in trade receivables and contract assets by $18 million.

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

Finance costs decreased year-on-year by 50% from $481 million to $239 million. This was mainly caused by the increase in fair value gain on interest-rate swap by $103 million, the decrease in loss on extinguishment of senior notes by $145 million, the decrease of originating fee for bank facilities expired by $21 million, and the decrease of interest and finance charges on senior notes by $57 million, which was partly offset by an increase in interest and finance charges on bank and other borrowings by $95 million.

Income tax increased year-on-year by 34% from $118 million to $159 million, in line with the increase in profit before tax.

As a result of the aforementioned factors, profit attributable to equity shareholders increased year-on-year by 167% to $553 million.

Adjusted Net Profit, excluding the impact of amortisation of intangible assets (net of deferred tax credit) and impairment on investment in a joint venture, increased year-on-year by 20% to $905 million. This was mainly due to a decrease in finance costs (excluding loss on extinguishment of senior notes and originating fee for banking facilities expired) by $76 million and a decrease in other operating expenses by $166 million, which was partly offset by an increase in share of losses of joint ventures during FY22.

EBITDA (Adjusted) increased year-on-year by 2% from $2,569 million to $2,609 million, mainly contributed by lower operating expenses as a result of operational enhancements.

Services EBITDA (Adjusted), which excluded gross profits on Enterprise Solutions related product and handset and other products, increased year-on-year by 3% from $2,226 million to $2,299 million, mainly due to an increase in gross profits. Services EBITDA margin (Adjusted) increased from 30.0% to 33.5% mainly due to a decrease in low margin wholesale IDD services.

AFF remained stable at $1,133 million, mainly caused by an increase in EBITDA (Adjusted) by $40 million, a decrease in capital expenditure, income tax paid, lease payments in relation to right-of-use assets, customer acquisition and retention costs and premium paid on the senior notes redemption by $50 million, $65 million, $64 million, $23 million and $114 million respectively, which was partly offset by a decrease in working capital inflow by $356 million.

Outlook

COVID-19 and an unstable global environment have impacted everyone and shaped a "new normal" for all people and businesses. As a result, we see huge opportunities driven by the need for businesses to digitally transform, as well as from a surge in demand for IT Talents.

In FY23, we will continue to strengthen the market competitiveness of our Residential and Enterprise ICT businesses, and focus on enhancing our capabilities in technology and digital transformation to capture future growth opportunities in Hong Kong and beyond in the mainland China and ASEAN markets.

In Enterprise Solutions:

- Led by our new CEO of Enterprise Solutions, our teams have a clear strategy to streamline focus and dedicate greater resources in areas we possess a strong competitive edge, e.g. FTNS, box-moving hardware business, data centre and cloud, and more.

- We will introduce new Enterprise Managed Services and Solutions-as-a-Service to increase the wallet share of our SME and Mid-market customers.

- For our SI business, we are driving growth among three dimensions:

  - Aligning and strengthening our relationships with world-class vendor partners to improve coverage for key market segments and customers, to introduce new solutions and services for incremental business growth.

  - Optimising sales resources to go deeper into the top verticals, such as Financial Services Industry ("FSI"), the public sector, and large enterprises to gain greater wallet share.

  - Strengthening our sales engineering and service delivery capabilities to drive digital transformation and to offer top notch solutions and post-sales services.

- We have an excellent customer base for our box moving hardware and IT outsourcing businesses. Riding on this, we are implementing a transformation initiative to accelerate our account penetration and improve margins by integrating value-added services as part of our offerings.

- We have a strong customer base in mainland China. To maximise this advantage, we are strengthening our relationships with world-class vendor partners to introduce new solutions and to capture new accounts. We are also deploying additional sales resources in the Greater Bay Area and Eastern China region to expand our coverage to drive new growth.

- In addition to growing the mainland China market, we will unlock the cross-regional opportunities in Singapore, Malaysia and Hong Kong, leveraging the strategic partnerships (with StarHub and ViewQwest), through joint go-to-market efforts and complementary solution offerings.

- To fulfill the market's surging need for IT resources, we are leveraging our edge as one of the region's largest employers of IT experts to create a new business solution focussed on delivering "IT-as-a-Service" to enterprise customers.

In Residential Solutions:

- Faster and bigger fibre network expansion to cover even more areas throughout Hong Kong.

- We will grow our subscription numbers by delivering best-in-town offers in broadband, mobile (includes 5G service), and more.

- Improve customer stickiness by expanding our Residential ecosystem through a variety of new disruptive services (e.g. new OTT services with Disney+, WiFi 6 Gateway, Wi-Fi-as-a-Service, and Smart D).

Liquidity and Capital Resources

As at 31 August 2022, the Group had total cash and cash equivalents of $1,129 million (31 August 2021: $1,527 million) and gross debt of $11,865 million (31 August 2021: $12,124 million), which led to a net debt position of $10,736 million (31 August 2021: $10,597 million). Lease liabilities of $518 million (31 August 2021: $508 million) was included as debt as at 31 August 2022 in accordance with the term of the Group's various loan facilities. The Group's gearing ratio, which was expressed as a ratio of the gross debt over total equity, was 2.4x as at 31 August 2022 (31 August 2021: 2.2x).

The Group's net debt to EBITDA ratio as computed in accordance with the term of the Group's various loan facilities was approximately 4.6x as at 31 August 2022 (31 August 2021: 4.6x). The average finance cost calculated as the interest and coupon charges over the average borrowing balance was 2.7% (31 August 2021: 2.6%). The average weighted maturity of the Group's borrowings was 3.3 years as at 31 August 2022 (31 August 2021: 4.3 years).

Cash and cash equivalents consisted of cash at bank and in hand. There was no pledged bank deposit as at 31 August 2022 and 31 August 2021. As at 31 August 2022, the Group had an undrawn revolving credit facility of $1,713 million (31 August 2021: $1,464 million).

Under the liquidity and capital resources condition as at 31 August 2022, 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 Strategy Officer are primarily responsible for overseeing the hedging activities. Under their guidance, the Group's finance team is responsible for planning, executing and monitoring the hedging activities. The Group would not enter into hedging arrangements for speculative purposes.

The Group also 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.

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

Charge on Group Assets

As at 31 August 2022, the Group pledged assets to secure the other borrowings of $88 million (31 August 2021: $38 million).

Contingent Liabilities

As at 31 August 2022, the Group had total contingent liabilities of $227 million (31 August 2021: $191 million) in respect of bank guarantees provided to suppliers and customers and utility vendors in lieu of payment of utility deposits. The increase of $36 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

On 10 November 2021, HKBN JOS Holdings (C.I.) Limited (the "Vendor"), an indirect wholly-owned subsidiary of the Company and StarHub Ltd. (the "Purchaser") entered into a share purchase agreement (the "Share Purchase Agreement"), pursuant to which the Vendor conditionally agreed to sell 60% of the Disposal Group to the Purchaser for a total consideration of approximately SG$15 million (representing approximately $87 million) before the post-closing adjustments in accordance with the Share Purchase Agreement. The precedent conditions as set out in the Share Purchase Agreement were satisfied and the completion of the disposal took place on 3 January 2022. The Disposal Group has ceased to be subsidiaries of the Group and has become 40%-owned associates of the Group. Please refer to the announcements of the Company dated 10 November 2021 and 3 January 2022 for further details.

Save as disclosed, the Group did not make any significant investments, acquisitions or disposals in relation to its subsidiaries and associated companies for the year ended 31 August 2022.

Talent Remuneration

As at 31 August 2022, the Group had 4,864 permanent full-time Talents (31 August 2021: 5,218 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.

The Board is pleased to present their report for the year ended 31 August 2022.

Principal Activities

HKBN Ltd. (the "Company", together with its subsidiaries, the "Group") is an investment holding company. Headquartered in Hong Kong with operations spanning across Hong Kong, Macau, mainland China, Singapore and Malaysia, the Group is a leading integrated telecom and technology solutions provider. Operating through three core brands, Hong Kong Broadband Network, HKBN Enterprise Solutions and HKBN JOS, the Group offers a comprehensive range of solutions that include broadband, data connectivity, cloud and data centre, managed Wi-Fi, business continuity services, system integration, cybersecurity, mobile services, roaming solutions, digital solutions, voice and collaboration, stationery and supplies that are cumulative to our one-stop-shop offering of Transformation as a Service (TaaS) and OTT entertainment.

Business Review

A fair review of the business of the Group and a discussion and analysis of the Group's performance during the year, and the future developments of the Group's business, are set out in the chapters headed "Shareholder Letter" and "Management Discussion and Analysis" on pages 6 to 7 and pages 29 to 32 of this annual report respectively.

Analysis Using Financial Key Performance Indicators

Details of the financial key performance indicators can be found on pages 25 to 28 and pages 29 to 32 in the "Key Financial and Operational Summary" and "Management Discussion and Analysis" sections of this annual report respectively.

Principal Risks and Uncertainties

The Board is aware that the Group is exposed to a variety of risks, some are specific to the industry in which the Group operates while others are common risks that most businesses face. Procedures have been established by the Board to ensure significant risks that may adversely affect the Group's operation and performance are identified and corresponding measures are in place to mitigate those risks. For key risks related to the Group's businesses and to the industries in which the Group operates, please refer to the "Corporate Governance Report" section on pages 102 to 120 of this report. If any of these events occur, the Group's businesses, financial conditions, results of operations and/or prospects of the Group could be materially and adversely affected. These key risks are by no means exhaustive or comprehensive, and there may be other risks, in addition to those highlighted, which are not known by the Group or which may not appear significant now but could turn out to be so in the future.

Environmental Policies and Performance

Climate Friendly and Resilient Transformation

With the determination to support the global and local decarbonisation journey, we've put Climate Action as one of the top priorities and the Board endorsed HKBN's commitment to set science-based emissions reduction targets by FY25. It also marked a new chapter in our transition to a low-carbon business and operation.

Meanwhile, we are preparing the disclosure in accordance with the framework recommended by the Task Force on Climate-related Financial Disclosures. The comprehensive assessment of risks and opportunities will not only provide us with better insights on strengthening our climate resilience but also help us to capture any opportunities brought by climate change.

We will keep striving for excellence in managing our environmental impacts. During the reporting period, we expanded the scope of ISO 14001 environmental management system, prioritised energy efficiency into the consideration of our current office space redesign strategy, and conducted third-party waste audit for better waste reduction opportunities. Details on our FY22 environmental performance can be found on pages 82 to 101 in the "ESG | Transforming Business" section.

Relationships with Key Stakeholders

Talents

At HKBN, we believe our Talents are fundamental to our success. We treat our Talents with respect, offer exceptional flexibility and employment benefits, and provide them with copious opportunities to grow professionally. Since the outset of the COVID-19 pandemic, we offered our Talents much greater flexibility for work and personal life. We believe that Talents' health, safety and well-being come before work, and that happy Talents will be motivated to deliver outstanding results. This Talent-first approach to business drives our capabilities to innovate and stay competitive. In this light, we seek to not only comply with but exceed the legal requirement set by the Employment Ordinance and other laws and regulations related to employee welfare and working conditions, with a view to inspiring other companies to do likewise and Make our Home a Better Place to Live.

Under the post-pandemic new normal, we encouraged Talents to balance team collaboration with individual flexibility. Also, we introduced a new "Work from Anywhere" (WFA) mode to enable Talents working beyond Hong Kong to continuously support HKBN's business and operations.

Co-Ownership Culture is our key Legal Unfair Competitive Advantage ("LUCA") and a strong "Skin-in-the-game" alignment between HKBN and Talents to drive our company's success. Following the successful completion of our Beyond Hong Kong pain/GAIN Co-Ownership scheme, we have opened invitations to supervisory or above-level HKBN Talents, spanning operations across Hong Kong, Macau and mainland China to join our Co-Ownership Plans IV ("CO4") in all regions this year. Talents can either invest between 2 and 24 months of salary to acquire HKBN shares at full market price or rollover their existing CO3+ shares. These shares will be matched with free shares at a 1:1 ratio vested after three years, only when key company targets have been met.

Open communication with Talents is always important at HKBN especially after several M&A activities in the past several years. We employed an external consulting firm to conduct a company-wide Talent Engagement Survey in December 2021 and received constructive feedback from our Talents regarding our LUCA and areas of improvement. In addition, we encouraged direct communications and have organised several activities for Talents to share their thoughts and ideas to our management team.

As a Talent-obsessed company, we need a powerful HR system that engages our nearly 5,000 Talents efficiently. Our newly implemented Workday Human Capital Management system allows us to have more intelligent management of Talent capital, expertise and importantly, silo-less synergy between teams and regions.

Customers

Customer Service

After two years of business challenges under the pandemic, the shift to build a more sustainable business environment for Enterprise customers in Hong Kong is now stronger than ever. As a major telecom & ICT service provider in Hong Kong, we treasure our customer relationships and their growth, and we believe we can bring in more future-proof innovation and high quality services to enable our customers to go digital and transform their business.

In FY22, we continued our push to drive more ESG-themed services and solutions in order to help Enterprise and SME customers' improve in areas of ESG.

We teamed up with various partners and launched, for instance:

- KettyBot and IoT UVC disinfection devices – offering a safe working & dinning environment for local F&B businesses.
- Secured broadband bundled with always-on Cisco Umbrella; Microsoft Windows 365 + Team Voice – helping our SME customers strengthen Internet security, and their capabilities to work anytime, anywhere on any device.

- Co-grow with customers through knowledge sharing – HKBNES partnered with partners to conduct different workshops to share our knowhow and skills to help local businesses. Hot topics arranged like "Hybrid Working Model" (with Microsoft)", "Cyber-security" (with PwC & CISCO)", "Retail Support under Epidemic" Webinars were arranged in FY22.

- 5G mobile Internet partner with 3HK – we offered highly flexible options at competitive prices for business customers to enjoy quality connectivity service in rural areas or in physically constraint buildings.

As a trusted partner of local businesses, we always stay ahead to help our business customers adopt smarter, innovative solutions. In FY22, we launched "GROW & SAVE" offer to our new ES customers. This programme provided a multi-bundle Business x Home services option that business customers can choose a mix of benefits ranging from solutions for business growth to money-saving free subscriptions for office or home use. For instance, free months rebates on solutions, advertising on My HKBN App, and 2-year Residential broadband service.

Mindful of the immediate business needs in the GBA, a new FixIT service was extended to 11 cities offering IT service to support our SME clients, who can enjoy daily IT support for their offices in the GBA.

Meanwhile, in facing dynamic & fast changing customer needs, we strive to develop new customer engagement initiatives and leverage on digitisation to improve our customer experience and customer service journeys. With continuous improvement on services and a comprehensive ICT portfolio, we are well-equipped to provide more innovative and compelling solutions to help businesses thrive.

Suppliers

HKBN is committed to conducting our procurement activities with suppliers at the highest standards of quality and integrity. Our procurement policy set out various rules and regulations under a consistent approach, which incorporates key concerns like "conflict of interest", anti-bribery, "anti-corruption" and "receiving business gifts". All Talents are required to strictly adhere to our procurement policy when engaging in any sourcing activities. The utilisation of diverse suppliers is essential to "Make our Home a Better Place to Live".

HKBN is committed to providing opportunities for social enterprise suppliers with diversity in our sourcing activities, whenever possible. With a strong foundation in our corporate core value, sustainable procurement has an important role to play in our company's corporate social investment strategy. We expect our suppliers to comply with our Supplier Code of Conduct or have their own business code of conduct that meet our requirement, and a similar approach is expected for their suppliers and subcontractors. The Group has introduced critical assessments and added in measurements and considerations on supplier sustainability concerning environment, labor, and health & safety in our supplier selection process.

To enable business units to effectively manage suppliers and mitigate any potential supplier risks, business units are required to take ownership of the process, to manage their suppliers and to perform supplier performance assessments on a regular basis. Our structured supplier management framework aims to monitor supplier performance, rectify and escalate any issues in a proactive manner.

Compliance with Applicable Laws and Regulations which have a Significant Impact on the Group

The Group and its activities are subject to various legal and regulatory requirements. They include Telecommunications Ordinance (Cap. 106), Trade Descriptions Ordinance (Cap. 362), Personal Data (Privacy) Ordinance (Cap. 486), Unsolicited Electronic Messages Ordinance (Cap. 593), Competition Ordinance (Cap. 619), Employment Ordinance (Cap. 57) and Listing Rules. Through the implementation of internal controls and approval procedures, and appropriate in-house training provided to different units within the Group, the Company has complied in all material respects with relevant laws and regulations that have had significant impacts on the operations of the Group for the year ended 31 August 2022.

Personal Data Privacy Ordinance ("PDPO")
The Group's collection, retention, processing or use of personal data in its ordinary course of business must comply with relevant requirements of PDPO. In order to comply with PDPO, security measures were implemented, training sessions and meetings with relevant business and operation units were held, to ensure that the Group is securely equipped and compliant with the law.

Telecommunications Ordinance ("TO")
As licensees under the TO, the Group is required to operate in compliance with the TO and licence conditions including providing satisfactory level of service, ensure interconnection with other telecommunications networks and sharing of facilities owned by them. If licensees fail to comply with the TO or relevant licence conditions, fines may be imposed by the Communications Authority ("CA").

The TO has been amended by the Telecommunications (Amendment) Ordinance 2021 with effect from 24 June 2022, which amongst other matters, introduced measures to enhance protection of underground telecommunications infrastructure by creating certain criminal offences against any person who does not take reasonable steps and measures to protect or prevent damage to underground telecommunications lines when carrying out works. The CA has also issued guidelines to give relevant stakeholders practical guidance on precautionary measures to ensure compliance.

Trade Descriptions Ordinance ("TDO")
False trade descriptions of goods and services, misleading omissions, bait advertising, etc., are prohibited under the TDO. If any of the aforesaid offences are committed, it may result in criminal prosecution and fine and imprisonment may be imposed. To ensure compliance with the TDO, all sales and marketing materials are reviewed to ensure compliance and refresher training sessions are provided to sales and marketing units from time to time.

Competition Ordinance ("CO")
Under the CO, agreements or concerted practices between undertakings that have the object or effect of preventing, restricting or distorting competition in Hong Kong are prohibited. Likewise, an undertaking that has a substantial degree of market power is also prohibited from abusing its power through engaging in conduct that has the object or effect of preventing, restricting or distorting competition in Hong Kong. Failure to comply with these competition rules could result in the Competition Tribunal imposing a fine and disqualification of Directors. To ensure compliance with the CO, training sessions were conducted for all business units before the CO came into effect and a further update session was conducted after the CO came into effect for managerial and above level Talents. A compliance guideline manual was prepared for Talents involved with sales, marketing, business tenders, pricing, contracts and strategy formation.

Consolidated Financial Statements

The financial performance of the Group for the year ended 31 August 2022 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 128 to 221 of this annual report.

Recommended Dividend and Revision of Dividend Policy

As disclosed in the announcement on 27 October 2022, due to macroeconomic downturn caused by the COVID-19 pandemic, and exacerbated by geopolitics and rising interest rates, the Board considers it prudent to strengthen our business resilience by adopting the revised dividend policy which will give us more flexibility and agility to seize more business, investment, growth, and early debt repayment opportunities. Therefore, the Board announces to revise the dividend policy of the Company with effect from 27 October 2022. Please refer to the announcement of the Company dated 27 October 2022 for further details.

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.

The Board recommended the payment of a final dividend of 20 cents per share for the year ended 31 August 2022 (31 August 2021: 37.5 cents per share) to the shareholders whose names appear on the register of members of the Company on Thursday, 29 December 2022. Subject to the approval by the shareholders at the 2022 Annual General Meeting, the proposed final dividend is expected to be paid in cash on or around Friday, 6 January 2023.

Based on the terms and conditions of the vendor loan notes issued by the Company to TPG Wireman, L.P. ("TPG Wireman") and Twin Holding Ltd ("Twin Holding") with a principal amount of $970,468,828 each (the "Vendor Loan Notes"), the holders of Vendor Loan Notes are entitled to receive a cash amount payable by the Company equal to $33,464,442 based on the 20 cents final dividend per ordinary share declared by the Company for the year ended 31 August 2022, as if the holders of the Vendor Loan Notes were holders at 167,322,212 ordinary shares in the Company as at the record date for such final dividend. Such cash amount will be paid by the Company to the holders of Vendor Loan Notes on or around Friday, 6 January 2023, being the date on which the 2022 final dividend will be paid by the Company.

Subsidiaries, Joint Ventures and Associates

Details of the principal subsidiaries, joint ventures and associates of the Group as at 31 August 2022 are set out in notes 12 and 13 to the "Notes to the Financial Statements", respectively.

Share Capital

Details of the movements in share capital of the Company during the year are set out in note 30 to the "Notes to the Financial Statements".

Financial Summary

A summary of the results and of the assets, equity and liabilities of the Group for the last five financial years is set out on pages 222 and 224 of this annual report.

Retirement Schemes

Details of the retirement schemes of the Group are set out in note 8 to the "Notes to the Financial Statements".

Bank Loan

Particulars of bank loan of the Group as at 31 August 2022 are set out in note 20 to the "Notes to the Financial Statements".

Donations

During the year ended 31 August 2022, the Group did not make any charitable and other donations (2021: Nil).

Distributable Reserves of the Company

As at 31 August 2022, the Company's reserves available for distribution to shareholders were $4,942,060,000 (2021: $5,074,856,000).

Directors and Directors' Service Contracts

The Directors of the Company during the year ended 31 August 2022 and up to the date of this report are:

	Name of Director
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 (appointed on 14 December 2021) Ms. Shengping YU (appointed on 14 December 2021) Mr. Zubin Jamshed IRANI Ms. Suyi KIM (resigned on 14 December 2021) Mr. Teck Chien KONG (resigned on 13 December 2021)
Independent Non-executive Directors	Ms. Edith Manling NGAN (appointed on 1 September 2022) Mr. Stanley CHOW Mr. Yee Kwan Quinn LAW, SBS, JP

A full list of names of the Directors of the Group's subsidiaries can be found in the Company's website at www.hkbnltd.net under "Our Company/Corporate Governance".

Currently, all Directors are subject to retirement by rotation at least every three years and re-election in accordance with the Listing Rules and the amended and restated memorandum and articles of association of the Company (the "Articles"). At least one-third of Directors shall retire from office every year at the Company's annual general meeting.

In accordance with article 16.18 of the Articles, Mr. Ni Quiaque LAI, Executive Director of the Company, Mr. Bradley Jay HORWITZ and Mr. Stanley CHOW, Independent Non-executive Directors of the Company, shall retire from office at the forthcoming annual general meeting and shall be eligible for re-election. All remaining Directors shall continue in office.

Pursuant to article 16.2 of the Articles, any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting. According to this provision, Mr. Agus TANDIONO and Ms. Shengping YU, Non-executive Directors of the Company, and Ms. Edith Manling NGAN, Independent Non-executive Director of the Company, shall retire from office at the forthcoming annual general meeting and shall be eligible for re-election.

The Company has received, from each of the Independent Non-executive Directors, a confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the Independent Non-executive Directors are independent.

No Directors proposed for re-election at the forthcoming annual general meeting have service contracts with the Company or any of its subsidiaries which are not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 August 2022.

Directors' and Chief Executives' Interests in Securities

As at 31 August 2022, 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 pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein; or (c) were otherwise required to be notified to the Company and the Stock Exchange pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") set out in Appendix 10 of the Listing Rules:

Long Position

Ordinary shares of HK$0.0001 each in the Company

Name of Director	Note	Number of shares held	Percentage of the issued share capital of the Company
Mr. Bradley Jay HORWITZ	(a)	1,000,000	0.08%
Mr. Chu Kwong YEUNG	(b)	27,555,992	2.10%
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 1,000,000 ordinary shares in the Company.

(b) Mr. Chu Kwong YEUNG held 27,555,992 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 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 31 August 2022.

Interests in Competing Business

During the year ended 31 August 2022, none of the Directors are considered to have an interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

Restricted Share Unit Schemes

To attract, retain and motivate skilled and experienced Talents, 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. Co-Ownership is a powerful expression of the commitment and belief our Talents have in the Group. Unlike the more traditional approach of giving stock options to a very limited group of senior executives, the Company's Co-Ownership is open to 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 is different for the enlarged group after the WTT Merger and (ii) no grant of restricted share unit has been made under the plan since its adoption, on 21 June 2019, the Board resolved to terminate the Co-Ownership Plan III, 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 are then matched with free shares at a certain ratio vested over three years.

Details of movements of the Co-Ownership Plan II for the year ended 31 August 2022 are as follows:

		Number of RSUs							
			As at 1 September 2021	Granted for the year	Forfeited for the year	Vested for the year	As at 31 August 2022	To be vested on 30 January/26 February	
Participants	Date of grant	Granted						2022	2023
Other Participants	30 January 2019	329,330	97,010	–	–	97,010	–	–	–
Other Participants	26 February 2019	126,410	54,002	–	–	54,002	–	–	–
Total		**455,740**	**151,012**	**–**	**–**	**151,012**	**–**	**–**	**–**

Co-Ownership Plan III Plus

Co-Ownership Plan III Plus is a replacement of Co-Ownership Plan III which is 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. The granting of the RSUs would 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. Details of the scheme are contained in the circular of the Company dated 29 July 2019.

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, therefore no RSUs were granted and accordingly, no new shares were allotted and issued. The Co-Ownership Plan III Plus will be naturally expired in October 2023.

Co-Ownership Plan IV

Co-Ownership Plan IV is similar to Co-Ownership Plan III Plus, which 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 2022–2024 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 purchase of Shares for the Co-Ownership Plan IV for the year ended 31 August 2022 are as follows:

1st Batch CO4 Qualifying Shares	Number of rollover shares from Co-Ownership Plan III Plus	Number of Shares purchased for the year ended 31 August 2022	Number of shares purchased to be forfeited for the year ended 31 August 2022 (i.e. purchased shares returned to Bad Leavers*)	Number of shares under Co-Ownership Plan IV as at 31 August 2022	Approximate percentage of the issued share capital of the Company as at 31 August 2022	Approximate percentage of Shares purchased under the Scheme Mandate Limit utilised as at 31 August 2022
Executive Directors of the Company:						
– Mr. Chu Kwong YEUNG	848,002	1,051,563	–	1,899,565	0.14%	5.14%
– Mr. Ni Quiaque LAI	556,007	1,051,563	–	1,607,570	0.12%	4.35%
Directors of the Company's subsidiaries	667,800	99,381	–	767,181	0.06%	2.07%
Other participants	7,416,120	1,377,656	364,838	8,428,938	0.64%	22.80%
Total	**9,487,929**	**3,580,163**	**364,838**	**12,703,254**	**0.96%**	**34.36%**

**Please refer to the circular of the Company dated 21 September 2021 for the definition of Bad Leavers.*

Arrangements to Purchase Shares or Debentures

Saved as disclosed in the "Restricted Share Unit Schemes" above, at no time during the year ended 31 August 2022 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 31 August 2022, 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 (in respect of positions held pursuant to equity derivatives) 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 HK$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)	92,156,005	7.03%
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 d is the beneficial owner of 92,156,005 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 31 August 2022.

Related Party Transactions

Certain related party transactions as disclosed in note 36 to the "Notes to the Financial Statements" for the year ended 31 August 2022 did not constitute connected transaction or continuing connected transaction as defined under Chapter 14A of the Listing Rules.

Connected Transactions and Directors' Interests in Contracts

The Company adopted the Co-Ownership Plan IV on 21 October 2021. According to the Co-Ownership Plan IV, the Company may invite all the eligible Talents to participate the scheme, which includes 8 connected participants who are directors or chief executive of the Company, or directors or chief executive of the Group's subsidiaries as at the date of this report. As the connected participants are connected persons of the Company, the potential grant of RSUs to the connected participants under the Co-Ownership Plan IV would constitute connected transaction of the Company under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 19 August 2021 and the circular of the Company dated 21 September 2021 for details. As at 31 August 2022, there was no grant of RSUs to the connected participants under the Co-Ownership Plan IV.

Save as disclosed, during the year ended 31 August 2022, the Company did not undertake any connected transaction (as defined under Chapter 14A of the Listing Rules). No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 August 2022.

Major Customers and Suppliers

For the year ended 31 August 2022, the aggregate amount of revenue attributable to the Group's five largest customers were approximately 24.4% of the Group's total revenue and the revenue attributable to the Group's largest customer were approximately 19.4% of the Group's total revenue.

For the year ended 31 August 2022, the aggregate amount of purchases and costs incurred attributable to the Group's five largest suppliers were approximately 43.9% of the Group's total purchases and costs incurred, and purchases and costs incurred from the largest supplier accounted for approximately 33.6% of the total purchases and costs incurred.

At no time during the year, did a Director, an associate of a Director or a shareholder of the Company, which to the knowledge of the Directors owns more than 5% of the Company's issued share capital, have an interest in the share capital of any of the five largest customers or suppliers of the Group.

Update on Directors' 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 of the Company since the publication of the Company's 2022 interim report are set out below:

Mr. Quinn Yee Kwan LAW has retired as an independent non-executive director and has been appointed as an external supervisor and the chairman of the nomination committee of the board of supervisors of Bank of Tianjin Co., Ltd. (stock code: 1578) with effect from 22 August 2022.

Ms. Edith Manling NGAN has been appointed as an Independent Non-executive Director, the chairman of the Environmental, Social and Governance Committee, and a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company with effect from 1 September 2022.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 August 2022.

Directors' Emoluments and Five Highest Paid Individuals

The emoluments of the Directors of the Company are recommended by the Remuneration Committee and are decided by the Board, having regard to the Group's operating results, individual performance and comparable market statistics. Details of the remuneration of the Directors and those of the five highest paid individuals of the Group for the year ended 31 August 2022 are set out in notes 5 and 6 to the "Notes to the Financial Statements", respectively.

Pre-emptive Right

There are no provisions for pre-emptive rights under the Articles, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Corporate Governance

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" section on pages 102 to 120 of this annual report.

Sufficiency of Public Float

On the basis of information that is publicly available to the Company and within the knowledge of the Directors of the Company, the Company has maintained a sufficient public float as required under the Listing Rules during the year ended 31 August 2022 and up to the date of this annual report.

Indemnity of Directors

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the Directors of the Company is currently in force and was in force throughout the year ended 31 August 2022.

Subsequent Event

The Environmental, Social and Governance Committee was established by the Company on 1 September 2022.

Ms. Edith Manling NGAN has been appointed as an Independent Non-executive Director, the chairman of the Environmental, Social and Governance Committee, and a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company with effect from 1 September 2022.

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

Professional Tax Advice Recommended

If the shareholders of the Company are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the shares of the Company, they are advised to consult an expert.

Auditors

The financial statements have been audited by KPMG who shall retire and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

The Company has not changed its auditors since the Listing Date.

On behalf of the Board

Mr. Chu Kwong YEUNG
Executive Director
Hong Kong, 27 October 2022

As highlights of our achievements, HKBN proudly received the following awards and recognitions in FY22:

MSCI ESG Rating of AA in 2021*

MSCI ESG RATINGS AA

CCC	B	BB	BBB	A	AA	AAA

Hang Seng Corporate Sustainability Index Series – AA Rating for the past 3 consecutive years (2020, 2021 and 2022)

Hang Seng Corporate Sustainability Index Series Member 2022-2023

Amazon Web Services

- AWS Managed Service Provider Partner of the Year

FORTINET

- Top Performance – Secure Access Solutions
- Star Performer Award – Presales – Security-Driven Networking
- Advanced Partner

Cisco

- Greater China Technology Excellence: Collaboration
- Greater China Managed Services Partner of the Year

Most Respected Organizations Award by the Hong Kong Management Association

H3C

- 2021 Top Growth Partner Award
- Gold Partner

NetApp

- FY22 Solution Innovation Award (the only Hong Kong winner in APAC region)

* https://reg.hkbn.net/WwwCMS/upload/pdf/en/2021_mscidisclaimer.pdf

Poly: Partner of the Year

- No.1 Voice Partner of Greater China

Alibaba Cloud

- SI & Telecom Rising Star Award

Jabra

- HKTW Top Reseller of the Year 2021 Award

East Week

- Hong Kong Service Awards 2022 – Internet Service

PCM

- Best of IT Business Broadband Service Provider

Check Point Software Technologies Ltd

- Outstanding Performance Partner 2021 — Harmony

Caring Company by the Hong Kong Council of Social Service

LinkedIn Talent Award 2021 – Best Employer Brand

HR Magazine Awards 2021

- Best Work-life Integration – Silver Award
- Best Recruitment Campaign – Bronze Award
- Best Covid-19 HR Initiative – Bronze Award

Staying ahead of the changing world is crucial to the success of our business. This approach, which involves keeping our pulse on emerging market trends and adjusting strategy whenever necessary, has helped maintain our leadership as one of the fastest growing in our industry.

Compared to HKBNES of six years ago, our Enterprise business has expanded tremendously with a more than eight-fold increase in revenue and an over two-fold increase in total number of enterprise customers, equivalent to 1-in-2 active companies in Hong Kong. During the same period, we transformed from a telco largely focussed on connectivity to an ICT powerhouse with one-stop expertise across the full digital technology spectrum.

Enterprise business revenue expanded
8x over 6 years

New Leadership: The Next Chapter in Enterprise Solutions

With headwinds from the pandemic in full force, this year we began a process of exploring deeper ways to improve the agility and resilience of our Enterprise Solutions business. Core to this complex process was streamlining our focus, restructuring operational resources for efficiency, hiring and promoting outstanding leaders, and creating opportunities to expand revenue.

A pivotal point came in June 2022, when William Ho, a highly respected ICT senior executive who has led at multinationals like Cisco, Ruckus and most recently Juniper Networks, joined us as our Co-Owner to-be and new CEO – Enterprise Solutions.

"We are transitioning to become a better version of Enterprise Solutions, a version 2.0 where our primary focus will be on maximising the performance of our core business units, streamlining our efficiency and portfolio of solutions so that we address customer needs in the best way possible, and unlocking accelerated growth in the colossal mainland China and ASEAN markets," says William.

"In the first 100 days as CEO, my team and I have met with countless enterprise customers, technology partners, and our own Talents at every working level, to fully understand each group's desires, pain-points and the areas that our strategy is working, and those that aren't. The feedback we've gotten has been tremendous, and have helped strengthen the exciting strategic changes we're making in the next chapter of HKBNES," says William.

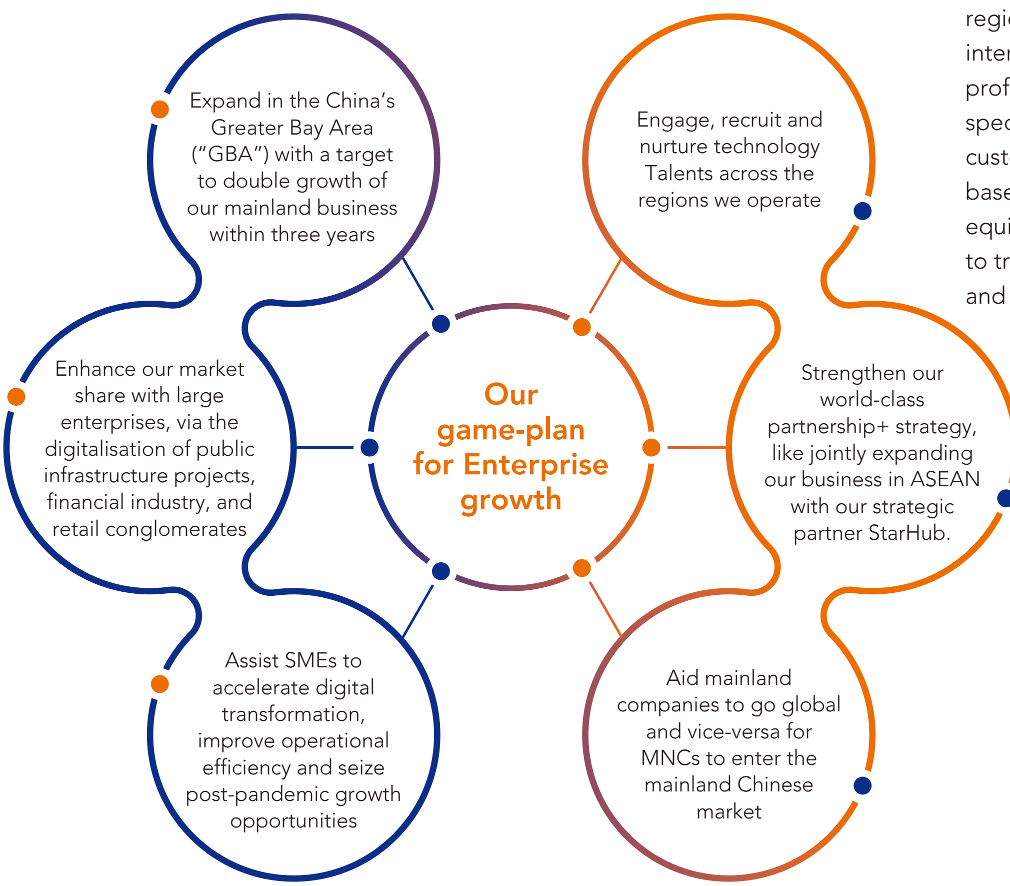
Our transformations going-forward

William meets the team on his first day as CEO – Enterprise Solutions.

As our Enterprise teams execute the game-plan, we are already shifting our resources and Talents to put much greater emphasis on core business growth drivers like our highly profitable FTNS, which we are adding dedicated relationship teams to enhance specialisation for a deeper level of customer servicing & engagement; or our System Integration solutions, which – despite the headwind challenges caused by the pandemic, continued to exceed our targets for growth in FY22 – we are reshuffling, as well as adding industry star leaders and Talents to strengthen our edge in SI and digital transformation solutions.

Other core priority solutions that will be key contributors in growing our enterprise business include our powerful suite of data centre and cloud services, our deep range of cybersecurity solutions, and our leadership in the box-moving business – which we'll take to all new levels with added-value services and upsell cross-synergies. In parallel, we are also modifying internal workflow systems so that processes are faster, more precise and more efficient. Additionally, to meet our growth needs in mainland China, we are bolstering our teams with new elite Talents added at a steady pace.

Doing business smartly is about finding a need and filling it. Mindful that IT and technically-trained professionals are increasingly hard to come by – meaning companies are facing difficulties in addressing their own digital technology needs – we're leveraging our leadership as the region's largest in-house team of internationally-accredited professionals to build a brand-new specialisation: providing enterprise customers with a full suite of solutions based on IT-as-a-Service, from equipment and device maintenance to troubleshooting, network setup and much more.



At HKBN, we believe that in facing a constantly evolving market landscape, businesses must either **Change or Die**, and we choose to live on via adapting and transforming, and by making sure we have the agility and resilience to do so.

Change is in our DNA

"Since our IPO in 2015, HKBN has taken on significant changes to grow beyond our comfort zone of connectivity services. This included a series of major strategic expansions, as mirrored by a shift from Multi-play to Infinite-play services via our embrace of OTT entertainment service partners, our tremendously successful launch into MVNO (mobile) and much more," says NiQ, our Co-Owner and Group CEO.

"To diversify and supercharge our tech and infrastructure capabilities, we also embarked on a series of M&As eyeing companies like cloud solutions expert ICG, telcos NWT and WTT, and top system integrator JOS. Without these industry-shaking moves, HKBN would likely become stagnant in the long-term rather than fully transform into what we are today: a growing one-stop ICT powerhouse, with our eggs stowed in far more baskets. Each new acquisition functioned like a mutual win-win partnership, where our Talents, expertise and cultures would silo-lessly synergise to achieve our ultimate objective – to help enterprise customers run their businesses better," says NiQ.

Unstoppable Power of Us, Together

At HKBN, words like "us", "we" and "win-win" will always take precedence over "I" or "alone".

This is the core motivation driving our embrace to go big with partnerships – the more strategic partners we have aligned within HKBN Group, the more competitive we'll be at delivering must-have solutions, services and products (at a faster time-to-market) which our customer base of 1-in-3 Hong Kong households and 1-in-2 active Hong Kong companies are demanding.

And for our partners, we offer their business access to our massive reach into one million household customers, and importantly, HKBN's strengths in tech, scale, marketing, and regional expertise. In simple terms, this means Customer Acquisition Costs are reduced, while customer traffic is increased.

Geographical partnerships with major regional players are also paving the way for our accelerated growth in markets across mainland China and southeast Asia.

Interestingly, with each partnership that encompasses a new project or opportunities, our Talents are afforded greater agency to immerse themselves outside their comfort zones – learning and flourishing from each new experience.

What our partnerships are unlocking this year:

Opportunities in GBA

With our eyes set on helping enterprises expand in the lucrative GBA (China's Greater Bay Area) market, our alliance with Alibaba Cloud as digital transformation partners is a massive win-win. Backed by both our companies' complete array of capabilities, unparalleled understanding of the region, extensive coverage in the GBA, this partnership is meant to supercharge companies in Hong Kong and the GBA with everything they need to thrive and grow.

"HKBN has always been a pivotal partner of Alibaba Cloud. We are delighted to strengthen our cooperation with HKBN, working together to support Hong Kong enterprises, especially those in the financial sector."

Leo Liu
General Manager of Hong Kong SAR, Macau SAR and Philippines, Alibaba Cloud Intelligence

APAC Joint Venture & Partnerships

In November 2021, Singapore-based StarHub finalised a joint-venture agreement to purchase a 60% stake in HKBN JOS Singapore and HKBN JOS Malaysia respectively. Broadly speaking, this overall partnership between StarHub and HKBN will boost our mutual competitiveness through cross-selling and upselling of capabilities, connectivity and solutions for enterprise customers across Singapore, Malaysia, and Hong Kong. StarHub and HKBN will also strengthen our collaboration in areas like the provision of telco services, such as international, backhaul, local network, fixed-line voice and mobile services.

To step up our opportunities in ASEAN, we also forged a strategic partnership with Singapore's ViewQwest to synergistically elevate our regional capabilities in providing ICT and transformation services, especially for large regional retailers.

"We look forward to working closely with HKBN, to open up business opportunities for both companies in the provision of bundled connectivity and ICT services, delivering real value to our customers across our respective markets and creating significant business synergies."

Nikhil Eapen
Chief Executive of StarHub

"Our unique arrangement with 3HK is designed to disrupt and grow our 5G market share by delivering unprecedented value and innovation. With this partnership, we will continue to launch wave after wave of 5G breakthrough offers designed to drive mass adoption."

William
Our Co-Owner and Executive Vice-chairman

See what 3HK is saying about our partnership, scan here:

World Class Entertainment

With customers turning to popular streaming services for entertainment, in October 2021 we became the exclusive broadband service provider for Disney+ in Hong Kong. Our close partnership with Disney+ has enabled our sales and marketing to engage residential customers with more options and choices, whether it is getting Disney+ standalone or as a featured attraction of our super-value bundles.

3HK x HKBN 5G Synergy

True partnerships happen when there are shared common goals with skin-in-the-game by both parties. With this in mind, we took our 5G business forward in a unique win-win arrangement with 3HK, our 5G MNO partner. As both our companies sought to supercharge our 5G business, particularly in the enterprise space, our 3HK and HKBN teams came together silo-lessly to accomplish much more, such as upselling a whole range of 5G services to our 105,000 enterprise customers.

Award-winning SI Partner

System Integration (SI) is highly complex work that requires expertise and support from the world's leading technology vendors. As a regional leader in SI, our relationships with world-class vendors are critical factors in ensuring that we can provide clients with the best possible combination of tech, delivery, cost & time performance, ongoing support and more, throughout each transformation journey. This year, we continued to receive many top technology partner awards, including Partner of the Year and Managed Services Partner of the Year recognitions, from vendors like H3C, NetApp, Cisco, AWS, Alibaba Cloud, Fortinet and others.

"We're delighted to work with HKBN on the launch of Disney+ in Hong Kong, to bring some of the world's best stories told by the world's most talented creators to fans and consumers."

Kerwin Lo
General Manager of Taiwan and Hong Kong, The Walt Disney Company

More than ever, innovation, and disruption, are major catalysts in making the world a better place. As a leading ICT solutions provider, our ability to innovate ensures that we can keep HKBN's existing customer base engaged and satisfied, whilst attracting more new customers – who respectively rely on us for best-in-class offerings.

As such, we invest great effort in applying innovation, the latest technologies and our eye on emerging trends to deliver better products, services, experiences and value for customers. The following are examples of how we added more innovation to our portfolio in FY22:

Cloud and Digital Transformation Solutions for the GBA

According to research by KPMG, HSBC and the Hong Kong Chamber of Commerce, 52% of business executives seek to expand their business into the Greater Bay Area ("GBA") by 2022. With more than 71 million people living in this burgeoning region, gaining access to the GBA market will be a key driver for near and long-term growth.

With our eyes on creating win-win for our business and for enterprises seeking to expand, we teamed up with Alibaba Cloud as digital transformation partners to help enterprises more seamlessly tap into the GBA market. Backed by both companies' full array of capabilities, unparalleled understanding of the region, extensive coverage in the GBA, our multi-faceted solutions will supercharge companies in Hong Kong with the fibre connectivity and one-stop technology expertise needed to operate better within the GBA. Through this partnership, we expect to see transformations across numerous industries such as manufacturing, healthcare, financial services, F&B, retail and more.

Enabling Hybrid Work Transformation for Enterprises

Impacts of the pandemic and a prolonged global shortage of computer chips have made the need to work from anywhere on any device more critical than ever. With this in mind, we teamed up with Microsoft Hong Kong to empower businesses with Windows 365. Our one-stop solutions enable business users to truly work anytime, anywhere on any device thanks to the cloud computing power and utility of Windows 365. And by leveraging the connectivity and technical capabilities of HKBN's network and technology expertise, our solutions are helping customers maximise efficiency and cost effectiveness.

> **Our collaboration embodies Microsoft Hong Kong's commitment to optimise the modern workplace using Microsoft's Cloud technology paired with HKBN's powerful fibre network and technical support in Hong Kong.**
>
> **Cally Chan**
> *General Manager of Microsoft Hong Kong and Macau*

> **From the productivity of our employees, the scale of our banking services or the reliability of our systems, having the support of a trusted telecommunications provider can improve the efficiency and speed of our team. These are the key areas for us to develop in the future, and we hope our collaboration with HKBN can be even better and deeper.**
>
> **Edmond Chan**
> *Head of Partnership, ZA Group*
>
> Scan QR Code for full video message

> **We will definitely continue to partner with HKBN. HKBN has the best management, the best sales team and the best marketing team to showcase our edge to customers.**
>
> **Jerry Tang**
> *General Manager of NetApp*
> Hong Kong and Macau
>
> Scan QR Code for full video message

Enterprise-level Cyber Protection for SMEs

As more systems and devices get connected in the digital era, an unwelcome consequence has been the increase in information security threats – with over 40% of Hong Kong Small-to-Medium Enterprises (SMEs) having reported cyber-attacks in 2021*. To address these mounting challenges, we launched our exclusive Secured Business Broadband Bundle with always-on Cisco Umbrella Easy Protect to strengthen Internet security for companies of all sizes. Our partnership with Cisco brings users flexible cloud-delivered security protection to their network (blocking malicious attacks at the DNS level), reducing risk and improving performance at affordable costs.

* According to Cisco's "Cybersecurity for SMBs: Asia Pacific Businesses Prepare for Digital Defense"

> **Cisco is excited to work with HKBN to provide cloud-native cyber protections for Internet users, helping them identify cyber traps, automatically mitigate outages and defend against ransomware at an early stage.**
>
> **Wilson Ching**
> *General Manager of Cisco Hong Kong & Macau*

Disney+

Unsurprisingly, customers love having more options and more choices. When Disney+ first launched in November 2021, we became the exclusive broadband service provider for the highly anticipated streaming platform in Hong Kong. Since then, we've aggressively engaged consumers with a slew of incredible Disney+ bundle and standalone plans, including offering 12 months of free broadband/mobile service to new customers – making us one of the best places in Hong Kong to enjoy Disney's flagship service.

5G for All

With the power of 5G, customers – in both the personal and enterprise markets – can enjoy all the entertainment, quality of life, and business application possibilities unlocked by ultra-low latency, high-speed mobile data. As part of a long-term strategy to grow our market share – and significantly lower the cost barriers for mass adoption – in February we launched our unprecedented 5G offers. Subsequently, we introduced a variety of competitive 5G plans targeting all types of users, like our 10GB value plans with unlimited thereafter data that start as low as $68/month, 30GB plans with unlimited thereafter data that start from $124/month, and 60GB with unlimited thereafter data that start from $189/month – all exceptional deals which include administration fee waivers and 6-12 months of Disney+ service.

Wi-Fi 6 Routers-as-a-Service

With demand for faster and better home Internet growing by the day, we teamed up with the global leader in network equipment, TP-Link, to provide customers with more choice and a hassle-free one-stop service experience. Unlike the traditional way of buying routers through retail channels – and having to complete the entire installation unaided – our one-stop subscription service delivers a range of Wi-Fi 6 routers from TP-Link (first to market exclusively at HKBN) with professional on-site installation, assessment of home Wi-Fi conditions and 24-hour service support, for optimal performance and peace-of-mind. For added flexibility, customers can choose routers and wireless extenders based on priorities like Coverage, Speed and Gaming.

> **Whenever we develop the latest technology products, we always think of partnering with HKBN to bring them to market first. In this collaboration, we're taking it to the next level with an upgrade that combines the latest technology with 24/7 network support for a truly next-generation experience with high speeds, low interference and low latency.**
>
> **Alvin Ou**
> *Regional Director of TP-Link*

We are thrilled to partner with HKBN to launch Smart D. We are committed to developing innovative technologies that add function, convenience and style to modern lives, and bring Hong Kong households into the new era of smart living.

John Cheng
CEO of MOMAX Hong Kong

HKBN Smart Living Ecosystem

As consumers embrace the convenience of smart home living, our HKBN Smart breaks new ground by making it extremely easy for anyone to set up and manage a variety of smart IoT devices – via our HKBN Smart app. Eschewing the prerequisite for expensive home upgrades or the need to replace existing appliances, HKBN Smart delivers home automation in an affordable way.

In September 2021, we enhanced our partnership with consumer electronics brand MOMAX by jointly launching "Smart D", a new smart living brand that's seamlessly compatible with HKBN Smart. Blending style, user-friendliness and cutting-edge automation, Smart D is all about bringing smart technology to everyday life in a versatile (and growing) range of products.

Beyond-HK Innovation

By leveraging a diverse range of expertise, our teams in mainland China and Macau are unleashing their collective tech prowess to help customers overcome a wider range of challenges and requirements, from COVID-imposed restrictions to the future of business and work. The following is an example of how our innovations are creating all-new opportunities:

Robotic Process Automation ("RPA")

In the post-pandemic new normal, we see tremendous opportunities in leveraging RPA to help businesses and institutions benefit from automation of repetitive, inefficient operational processes. Through our teams in mainland China and Macau, our growing range of RPA solutions are helping more enterprise users fundamentally transform and evolve how they operate by boosting productivity and efficiency.

I believe that with Huawei's technology and with HKBN's Talents, every business and industry will be able to accelerate their digital transformation, and in turn, take Hong Kong's digital economy to new heights.

Scan QR Code for full video message

Alex Wong
Chief Cyber Security & Privacy Officer and Head of Marketing & Communications, Huawei

What we're really searching for are partners like HKBN, which have large teams for cloud, application development and network security solutions. That's why we hope to improve our partnership with HKBN, taking it to all new levels.

Scan QR Code for full video message

Bryan Yeung
Director, Channel Sales, Greater China, Palo Alto Networks

We are only beginning to see what's possible when HKBN, particularly our Enterprise Solutions business, fully transforms and expands to address the challenges that confront our customers in Hong Kong and beyond. As always, success at HKBN hinges on our Talents – the creative and entrepreneurial force behind everything we do.

Growth mode:

WE'RE HIRING!

As we continue to grow beyond through improving our market share, performance and our capabilities where they matter most, what's clear is: we need more high-quality Talents. And so, we started a plan to recruit top tier leaders and ICT experts. Inside HKBN, we believe strongly that the best attracts the best, i.e. the ripple effect which comes from hiring high calibre leaders can not only induce more elite Talents to join HKBN, but having the right leaders will also positively impact, motivate and build synergy with fellow Talents.

Where professional women thrive

In conversation with Sophia Yap, our Co-Owner to-be and General Counsel. A consummate professional and expert in corporate legal affairs, Sophia first joined HKBN in June 2022.

Q: What attracted you to join HKBN?

"As someone who has worked at Fortune 500 companies, it felt like a homecoming easing into HKBN's culture. Elements like its entrepreneurial spirit, transparency, and ability to execute decisions quickly are qualities of a fast-moving, international business with sustainable growth traits. I appreciate that the company does not focus solely on organic growth alone. HKBN has also been very active with M&As, joint ventures and Co-Ownership. HKBN's diversified strategy is super dynamic, which is synonymous to my prior experiences of working on acquisitions, JVs or projects that were industry unique. I am confident I could contribute at HKBN."

Q: Tell us how you feel about HKBN's unique culture.

"I love the LIFE-work priority here. The respect given to all Talents enables us to work with the flexibility to accommodate the complexities and demands of life. As a professional woman, I know how difficult it is to build a career while balancing life at home and raising kids. HKBN's Talent-first commitments make it a great place to work, including for women."

Sophia, on her first day as Head of our Legal team.

Award winning place to work

This year, HKBN continued to earn distinction as one of the best places to work in Asia. Our unique Purpose and culture, Co-Ownership opportunities, and our obsessive Talent-first commitment, remain critical factors in attracting and retaining top-tier Talents.

The following are some of the leading workplace awards we received this year:

LinkedIn Talent Award 2021
- Best Employer Brand

HR Magazine Awards 2021
- Best Work-life Integration – Silver Award
- Best Recruitment Campaign – Bronze Award
- Best Covid-19 HR Initiative – Bronze Award

Hong Kong Management Association's Most Respected Organizations

Best of breed Talents

In conversation with Stephen Lau, our Co-Owner to-be and Deputy Chief Technology Officer. A seasoned leader in technology and in guiding the progress of numerous ICT power players, Stephen first joined HKBN in June 2022.

Q: What attracted you most to join HKBN?

"From time to time, I have bumped into people like Danny, our CTO, at industry conferences and the conversations have sometimes been about inviting me to join HKBN. I appreciate the persistence, the entrepreneurial aggressiveness, and have long kept HKBN's progress on my radar. Within our industry, M&As are rare. Compared to the other players, HKBN has been super aggressive, embracing the idea of mixing and matching Talents and their skillsets into the broader HKBN vision."

Q: What are some of the challenges in recruiting ICT Talents?

"Admittedly, technical-minded Talents are harder to come by nowadays. Competition is fierce within the industry and even beyond it, coming from banks, fintech and others. One significant advantage HKBN has is our objective focus on rewarding Talent merit and strengths. Even though HKBN has gone through four M&As in four years, the company has elevated a great mix of Talents to leadership positions – including at the MC and MC+ levels – regardless of whether a Talent is home-grown, a new hire or integrated from a previous acquisition."

Stephen (front row, right) is joined by our team of technology and networking experts.


Eric Leung
Co-Owner and Director –
Cloud Service, Enterprise
Solutions
Joely Wu
Co-Owner and Senior
Cloud Solutions Consultant,
Enterprise Solutions

TALENT CO-OWNERSHIP

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

Talent Interest Alignment

We believe magic happens when our Talents hold a stake in our goals. And having "skin-in-the-game" via Co-Ownership and pain/GAIN (see the next section for details) further deepens their motivation.

FY25 Goals

Achieve at least 88% cumulative success rate* in ESG-related special incentive programmes

FY22 Progress

On top of our pain/GAIN schemes, we are exploring ways to broaden the scope via incentive programmes that encourage Talents to embed ESG elements in their business proposals for greater impacts.

*Calculated based on the cumulative success rate achieved since pain/GAIN was first introduced in 2016.

Driving success with 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. Our Co-Ownership culture gives Talents a one-of-a-kind opportunity to prosper as part owners of the company they serve.

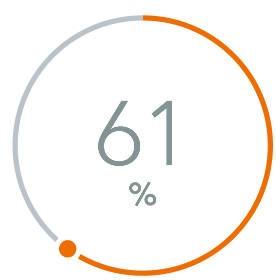
To participate in the scheme, Talents can choose to invest between 2 and 24 months of salary to acquire HKBN shares at full market price. The shares are then matched with free shares vested at a certain ratio after 3 years, only if key company performance targets are met.

Co-Ownership Participation Rate*[1]

Management Committee Executives

Senior Executives

Managers



* As at the end of FY22

[1] Based on the number of Talents who are eligible for the scheme

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.

pain/GAIN Schemes

Our pain/GAIN schemes offer Talents actionable opportunities to prosper by putting their "skin-in-the-game" in specific company projects or initiatives. pain/GAIN is entirely voluntary and open for Talents to start – typically in team groups.

To participate, Talents can propose a plan when they see the potential to deliver enhanced performance results for our Company. As a rule, all proposed plans must incorporate some element of ESG within the project. Once approved, Talents are then required to invest their own money as a "skin-in-the-game" commitment. After project completion, if the results exceed the ROI target, participants will be rewarded with monetary "GAIN". Miss the target and initial investments are forfeited as "pain".

Showcasing Purpose in action, our Co-Owner and Chief Strategy Officer Almira Chan (left) donates to HKBN Talent CSI Fund after earning from our Beyond HK pain/GAIN scheme.

Recognising Talent excellence with fairly rewarded remuneration

At HKBN, our remuneration packages are equitable, competitive, and correspond 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.

To help HKBNers unleash their potential and overachieve, we have a flexible commission and incentive system in place not only for sales-related Talents, but also for back-end support Talents. Commission amount and incentives will depend on each scheme set for individual departments or individual roles.

In addition, our unique Co-Ownership and pain/GAIN schemes offer Talents opportunities to prosper together with HKBN by aligning their interests with our Group's business and Purpose goals via putting their "skin-in-the-game".

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 an appealing range of leave benefits and insurance benefits, which cover medical, life, critical illnesses and personal accident.

To appreciate Talents for their contributions, we organised a series of activities in FY22. In July 2022, we held our HKBN Tenniversary Awards recognising over 270 HKBNers for 10, 20 and 30 years of working with our Group. Throughout the year, we also hosted over 30 team dinner gatherings for different teams with over 3,000 Talents served.

HKBN is stronger because we have diverse young and veteran Talents, like this group with 30 years of contributions, working as one team.

Talent-obsessed Engagement & Development

We take great pride in cultivating HKBN as a workplace where people feel valued, supported, and empowered to thrive professionally and personally. Faced with the prolonged impacts of COVID-19 and a rapidly changing digital technology environment, we continued to empower our Talents to evolve and become agile – working smarter, collaborating silo-lessly, tackling problems with design thinking, and staying resilient with the skills, expertise and tools to emerge stronger.

FY25 Goals	FY22 Progress
Reach an overall engagement score of 70% favourability in our Talent Engagement Survey	Achieved an overall favourability score of 65%* in our Talent Engagement Survey

*25% of respondents gave a neutral score, with the remaining 10% giving an unfavourable score.

A holistic talk on helping Talents enhance their personal wellness.

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.

Our efforts in this area include providing benefits like a shortened 7-hour work-day, 17-day public holiday entitlement for all Talents, monthly half-day off Friday, half-day off on festive occasions, family care leave, work anniversary leave, one of the best (in the region) maternity and paternity leave packages, grandparent leave, adoption leave, sabbatical leave, exam leave (extended to cover parents helping their child study), volunteer leave, and more.

> **Thanks to HKBN's Talent-first culture I enjoyed 16 weeks of maternity leave, which is 2 weeks beyond the employment ordinance. I benefitted with more time to rest and take care of my newborn baby.**
>
> 
>
> **Yoyo Szeto**
> *Assistant Manager –*
> *Talent & Organisation Development*

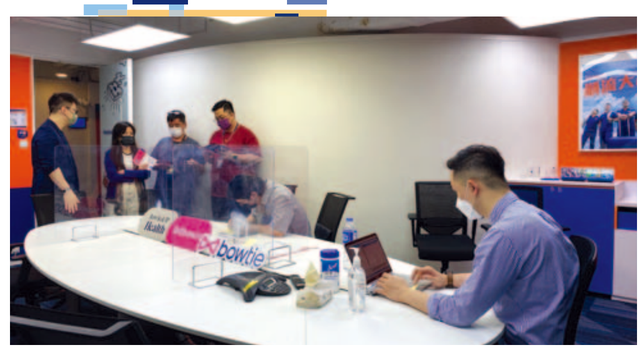
Since the pandemic's outset two years ago, our Talents have smoothly transitioned to hybrid work-from-home modes and have all the tools they need to operate remotely and securely. Beyond Hong Kong, we implemented "Work from Anywhere" (WFA) working options for some Talents, enabling them to support our Group's business and operations remotely.

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, in FY22 we initiated the following:

Encouraging healthier Talent lifestyles

For improved physical wellness, this year we offered a brand new Talent-care service – "Traditional Chinese Doctor Mobile Clinic Services" at our offices, featuring consultations followed by next-day delivery of prescribed medicines. In mainland China, healthy drinks are freely provided whilst a regimen of activities such as "GreenFood@Friday" encourage our Talents to adopt healthier diets.



Staying healthy means staying proactive; teaming with Bowtie Insurance, we provided traditional Chinese medical consultations to our Talents.

At HKBN, we work hard to grow our business, and we play just as hard to grow our team spirit.

Understanding how Talents are still strained by the In pandemic, we initiated various programmes to help HKBNers maintain a healthy state of mind. These included a stress level wellness test, and actively encouraging our Talents to take weekly 10 to 15-minute chat breaks with their teammates.

Promoting a FUN working culture

Having fun at work is important for building team spirit, as well as a sense of belonging for Talents. In December 2021, we organised the FUN Making Carnival featuring a series of fun activities for Talents in Hong Kong, Guangzhou, Shanghai, Beijing and other regions across mainland China. In total, more than 2,800 Talents joined in the fun together.

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. Our occupational health and safety system is certified to ISO 45001 Occupational Health and Safety. In addition, our Safety Committee, which consists of Talents from technical and Talent engagement departments, is responsible for formulating our occupational health and safety strategy, as well as monitoring, reviewing and making recommendations to improve our overall safety performance. On a quarterly basis, the Safety Committee meets to discuss and review health and safety issues.

To ensure 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. When the need arises, we also share health and safety know-how such as heatstroke prevention tips and COVID-19 precautions.

Our work-safety training programmes ensure that our frontline Talents and contractors always prioritise safety first.

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 Hong Kong's 5th wave of COVID-19 outbreak in early 2022, we began distributing Rapid Antigen Tests ("RAT") to all frontline Talents and upgraded protective supply items for frontline and core operational Talents. These items included an unlimited supply of ASTM Level 3 masks, protective clothing, shoe covers, goggles and disinfectant products to safeguard Talents, our families and our customers.

For maximum safety, all HKBN shops are fully equipped with IoT temperature monitors, Food and Environmental Hygiene Department-certified air purifiers and disinfectant hand sanitisers. To reduce the risk of cross infections, our shops' business hours have been temporarily shortened to 11:00 a.m. – 7:30 p.m., ensuring our Talents won't need to work in shifts.

In March 2022, we also launched the "HKBN Stay-with-YOU" campaign to answer Talents' questions and concerns regarding COVID-19, via hotline and e-mail. For Talents who became infected, we delivered around 400 COVID-19 Care Packs, which contained $500 HOME+ e-coupons, medicine, disinfectant, and free telehealth consultation for Talents and their family members.

Open Communication with Talents

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 a company-wide engagement survey in December 2021. The survey results revealed that qualities like teamwork and managerial effectiveness stood out, while integration changes and organisational efficiencies were identified as areas needing improvement.

Listening to Talents helps us evolve and grow stronger. Throughout FY22, we organised a series of engagement activities that provided opportunities for Talents to share their thoughts directly with our Executive Vice-chairman, William, and other Management Committee members. In FY22, four engagement sessions with William were held and a total of 14 focus group sessions with our Management Committee were carried out.

From these engagement activities, we received over 190 suggestions from our Talents. As feedback with no action is meaningless, we quickly formed a Work Improvement Taskforce ("WIT") to handle the suggestions – and during the reporting period, over 80 keys items were tackled, with a majority of these successfully implemented.

Number and rate of fatalities[1]:

0
Zero

Work-related injury rate[2]:

0.37

Lost days[3] due to work-related injury:

2,698

1 In each of the past three years including the reporting year, there were 0 cases of employee work-related fatalities.

2 The work-related injury rate represents the number of reported injuries per 100 full-time employees per year. It is calculated as "total number of work-related injury multiplied by 200,000 and then divided by total hours worked". The factor 200,000 represents the annual hours worked by 100 full-time employees, based on 40 hours per week for 50 weeks a year.

3 "Lost days" is the sum total of calendar days (consecutive or otherwise) on the days which the work-related injuries and work-related ill health occurred.

Our ability to mobilise quickly and effectively stems from a willingness to embrace open and direct communication. From notes which inspire us to memos on strategy and even mission objectives for the future, members of our senior management team favour an off-the-cuff approach when sharing insights with all HKBNers.

REPLY MAIL

Almira Chan
7/3/2022

To: **All HKBNers**

Subject: **Infinite SI Business**

Let's build an infinite SI business, sustainable on its own as well as complimenting FTNS to turn us into a strong ICT market leader.

Since the beginning of ES2.0, we found many issues in sales mix and process. We read Talents' comments from Mercer's survey report. We heard you, and promise to take action. In last Elevate Leadership talk, I shared views on ES business. We have 3 networks after acquiring NWT and integrating WTT. SI is an entirely different business. Without huge capital outlay or research & development investment, we work with partners and join them to provide system integration services to customers. Talents are our assets, our only key to success. HKBN has roughly one-third of fixed line market share but only a low single digit percentage of SI market. Over the next 3-5 years, SI is our growth engine. SI market is huge and almost without boundaries. HKBN can do a wide range of SI business but we should never try all of them. We have to pick the right market, otherwise we will be getting nowhere. After we acquire JOS, we asked SI sales to sell FTNS, and FTNS sales to sell SI. End up we fell between two stools.

Almira Chan
Co-Owner & Chief Strategy Officer

REPLY MAIL

Elinor Shiu
10/3/2022

To: **All HKBNers**

Subject: RE: **Additional support to our COVID confirmed Talents**

Good on this initiative but we could do more on supporting infected Talents.

I had phone calls with infected Talents at home, and they need support. Some said no more test kit, some said no medicines for cough and no throat lozenges. See if we could send them a help pack in advance.

See if Talent Management could reserve some test kits, throat lozenges, bleach and etc. in advance to send to infected Talents to help since those are hot items which easily run out of stock.

Elinor Shiu
Co-Owner & Chief Executive Officer – Residential Solutions

REPLY

REPLY MAIL

NiQ Lai
5/8/2022

To: **All HKBNers**

Subject: **Lets win the Talents fight before arriving at the battlefield**

Dear All Fellow HKBNers,

HKBN is a Talents business, and we are in a Talents War … lets win our Talents fight before arriving at the battlefield by WOWing in advance.

Arrogant legacy companies still act as Interviews are a 1-way process for their Company to select the Candidate. These arrogant hiring managers demand the candidate to submit a CV but they themselves are not willing to reciprocate by offering their CV in return. In today's Talents shortage world, Interviews are clearly 2-way, being as much about the Candidate interviewing the Company, as the Company interviewing the Candidate. As you can see below, Boei of our Talent Acquisition & Employer Branding, is leading a complete revamp of Candidate engagement process with the objective to WOW over the Candidate's heart and mind even before they set foot in our office for their first interview.

As managers, we are only as good as the quality of the Talents that we can attract to join our team as great Talents are attracted by great leaders and are repelled by bad leaders.

Cheers,

NiQ Lai
Co-Owner & Group Chief Executive Officer

REPLY

REPLY MAIL

NiQ Lai
17/6/2022

To: **All HKBNers**

Subject: **From helping customers save money to making money …**

Dear All Fellow HKBNers,

From helping customers save money to making money …

As 1-HKBN, we are transforming from offering Telco-only and SI-only into an integrated ICT powerhouse as to evolve from helping customers save money (limited red ocean) to helping customers make money (unlimited blue ocean).

As such, as HKBNers, we all must learn to speak the basic language of ICT. Since ES 2.0, I have been upgrade patching myself with certifications on UiPATH RPA and now Fortinet Network Security Expert NES1 and NES2 (see attached certs):

1. Internally, I want to have a better understanding of ICT terms so that when I talk with experts like Danny Li/Sam Tan/Wilson Tang/Terry Fa, etc. in our quarterly CISO review, I have a better understanding of the parameters of our discussion. I do not need to know as much as our experts, but I must be able to speak their basic language.

2. Externally, I want to be top 10% in ICT knowledge compared to my peers of non-ICT CEOs. If I am to advocate our ICT services to my peer group CEO, I must be able to speak the language.

A good proverb is "In the land of the blind, the one-eye man is King" … to execute it means that if you have one-eye, look for the land of the blind! … in short, I am really looking forward to speaking about Network Security at my next Finance or HR conference, or about Finance & HR at my next Network Security conference.

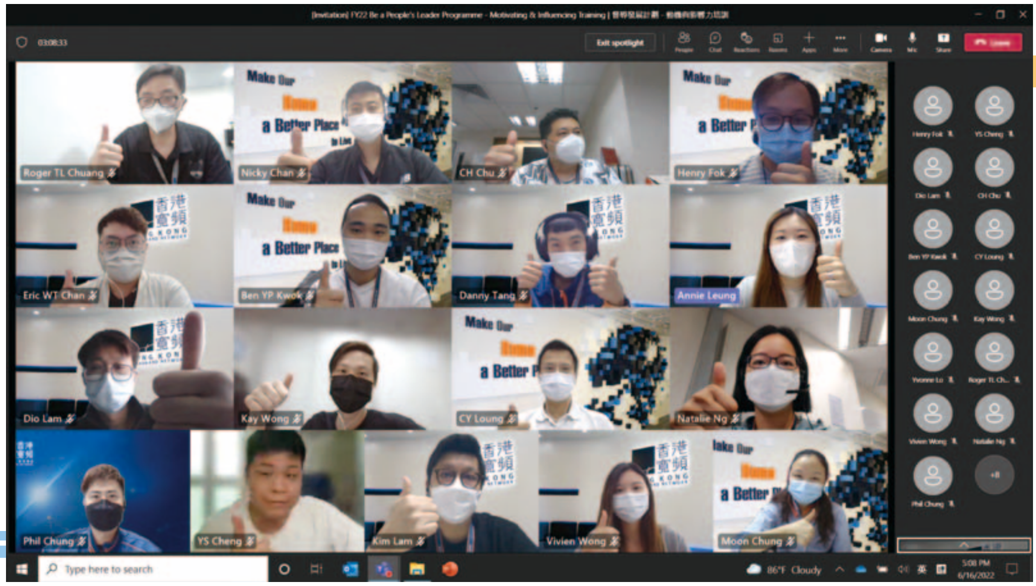
If you want to make more money as a Sales, upgrade yourself to speak ICT from merely Telco-only or SI-only. Telco-only and SI-only are commodities which are dominated by price, whereas ICT is based on value differentiation.

Danny & Adele, will shortly be launching a number of initiatives to drive-up our 1-HKBN ICT learning curve.

Cheers,

NiQ Lai
Co-Owner & Group Chief Executive Officer

REPLY



A multi-region virtual graduation ceremony for our Be a People's Leader participants.

Life-long Talent Development

As champions of change, we fully embrace lifelong learning and development to ensure that our Talents can adapt and 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. In mainland China, we offer a **Management Trainee Programme** which aims to develop promising Talents into all-round leaders with an enhanced emphasis on innovation and transformation – the programme also serves to augment our succession planning.

To support Talents on their individual learning paths such as degree programmes or certifications, all Talents are entitled to our **$500,000 per year Talent Development Sponsorship Scheme**. This scheme aims to accelerate Talent development as a way to improve the quality of work in our individual departments.

Besides providing Talents of every level a broad range of mandatory job-related knowledge and skills, leadership development and comprehensive training, we also offer tailor-made programmes for selected Talents. For example, our **Be a Pioneer** programme helps prepare selected Talents to step into management roles, while our **Be a People's Leader** programme equips supervisory Talents with the leadership skills to lead teams more effectively.

"My supervisor strongly encouraged me to take this course, and I'm glad I did! Through the programme's teachings and lectures, I learned new skills in areas like time management, task organisation and communication, and became much better and successful at doing my job."
Jonathan Lai, Assistant Officer – Operations, Be a Team Champion participant

"The programme was extremely useful. Each workshop provided us with concrete and easy-to-understand tools and lifted the veil on the skills and thinking I needed to enhance my career path in the future."
Cody Woo, Assistant Manager – Sales, Be a Pioneer Participant

Congrats! Our senior leaders were on-hand to celebrate the growth of our Be a Pioneer graduates.

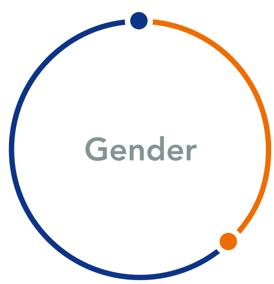
In terms of required training for all Talents, we offer annual refresher on job-specific areas like customer service, as well as ethics training covering anti-bribery, anti-corruption and whistleblowing.

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

In FY22, approximately 82,911 hours of training were organised, with each Talent receiving an average of 17 hours of training.

We challenge and cultivate Talents by requiring that they present business ideas to our senior leaders.

Breakdown of FY22 training provided based on:



Female
36%
17.4 hours per Talent

Male
64%
16.9 hours per Talent

Managerial-or-above-level Talents
3%
6.9 hours per Talent

Supervisory-level Talents
9%
15.3 hours per Talent

All other Talents
88%
18.2 hours per Talent

Summer Innovator Programme 2022

Over the years, our 8-week Summer Innovator ("SI") programme has been adventurously designed to immerse university students and fresh graduates in a wide range of career-life lessons, leadership opportunities and transformative exposures.

In 2022, the journey of our 9 Summer Innovators included 1-1 mentorships from our top leaders, networking with CXO executives, learnings from world-renowned author and Room to Read founder John Wood, hands-on collaborations with external talents – all helping them take change-leading ownership of their futures.

> **"Throughout these 8 weeks, we were given an electric mix of career and life-building exposures. From participating in networking events with CXOs to hosting a leadership forum on digital transformation, every moment was a golden opportunity that I will leverage to drive my career."**

2022 Summer Innovator Carey Tang

Scan the QR Code to watch a video of our 2022 Summer Innovators

Diversity & Inclusion

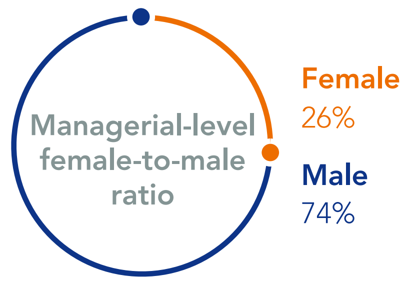
Creating a culture of inclusion where everyone feels they belong, where diversity is embraced, and where equity is fostered defines who we are as a company. From the way we recruit and support our Talents to the voices of Talents, our journey to create positive change is firmly grounded in diversity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

FY25 Goals	FY22 Progress
	
Enhance female representation in technical roles to 18% or above	12.5% of female representation in technical roles

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.

We aim to increase the proportion of Talents from diverse backgrounds and implement diversity initiatives that go beyond normal expectations. Our Talent Engagement team is responsible for managing our overall workforce diversity and related initiatives. As part of our diversity and inclusion strategy, we are committed to building stronger female representation across our technical roles. In FY22, 12.5% of our technical Talents were female. Looking ahead, we will be adjusting our recruitment practices and leveraging more channels to attract Talents from more diverse backgrounds. We are also exploring new LIFE-work Priority initiatives so that our Talents can enjoy much greater flexibility.



As an ideal workplace for building careers, we offer a variety of opportunities for internal transfers so that Talents can gain all-round exposure across more areas of our operations. Our **Career Rotation Programme** gives Talents a 1-year pathway to develop new skills, strengthen their resilience and gain broader exposure.

We also proactively reach out to a wider talent audience by conducting recruitment days and collaborating with different parties such as universities, secondary schools and NGOs to promote our job openings.

HKBN embraces organisational restructuring in a socially responsible way. For Talents reaching retirement age, we encourage individuals to discuss their retirement plans with a department head and Talent Management team, or even explore post-retirement arrangements like switching to contract or part-time work. In the case of major team restructures or merger activities, our Talent Engagement team will provide additional support to departing Talents, such as outplacement and career transition services, employee assistance programme, resume workshops, medical insurance conversion, and more.

Total workforce by gender:

Male
3,169

Female
1,695

Total workforce by employment type:

Full Time
4,864

Part Time
56

Contract
95

Total workforce by age group*:

≤30
1,035

31-50
3,281

≥50
548

Total workforce by geographical location*:

Hong Kong
2,856

Macau
36

Mainland China
1,972

Employee turnover rate by gender*:

Male
34%

Female
33%

Employee turnover rate by age group*:

≤30
61%

31-50
28%

≥50
18%

Employee turnover rate by geographical location*:

Hong Kong
32%

Macau
20%

Mainland China
36%

*Calculated based on full-time Talents only.

Respect for human rights and labour practices

As stipulated in our Talent Handbook, we respect and strive to uphold all internationally recognised human rights, in line with the principles and guidance contained in the United Nations Guiding Principles on Business and Human Rights, International Bill of Human Rights and International Labour Organization's ("ILO") Declaration on Fundamental Principles and Rights at Work.

Workplace diversity and prevention of harassment and discrimination

HKBN is an equal opportunity employer that prohibits discrimination and harassment of any kind. Embracing workplace diversity, we are committed to the principle of equal employment opportunity for all employees and for providing employees with a work environment free of discrimination and harassment. All employment decisions at HKBN are based on business needs, occupational requirements and individual qualifications, without regard to race, religion, colour, cultural background, politics, national origin, gender, sexual orientation, gender identity, gender expression, age, status as a protected veteran, status as an individual with a disability, or any other applicable legally protected characteristics. We strive to foster a professional and inclusive environment where all Talents are respected, valued and enabled to thrive. We treat all acts of discrimination seriously and will not tolerate any forms of discrimination.

Whenever Talents suspect they are being discriminated or suspect other Talents of violating the above policies, complaints can be made directly to a department head or head of Talent Engagement team. If the complaint is found valid after investigation, disciplinary actions will be taken, including summary dismissal without notice or payment in lieu of notice.

Prevention of forced labour and protection of children

Our Company strictly forbids forced labour and child labour, which also extends to our suppliers as specified in our Supplier Code of Conduct. We only employ young Talents in accordance with the Employment of Children Regulations and the Employment of Young Persons (Industry) Regulations. We treat all illegal employment seriously and will not tolerate such acts.

Scan to read our Supplier Code of Conduct

Freedom of Association and Collective Bargaining

We respect our Talent's freedom to negotiate with the Company in regards to their working conditions. We observe the right of association, and respect our Talents' freedom to form or join trade unions or labour unions in accordance with local laws. There is no labour union organised in Hong Kong and overseas offices, but employees do have direct access with HKBN management.

TECHNOLOGY FOR GOOD

Rainse Lai
Co-Owner and Manager – Product Management & Marketing

Wilson Tang
Co-Owner and Director – Information Security

At HKBN we don't just do technology, we love technology. 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 improve life, and bring transformative progress to 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

This year, we began a deep examination into the kinds of market-ready ESG-themed solutions – such as cybersecurity – which would be most viable for customers.

FY25 Goals

Launch new ESG-themed solutions every year

FY22 Progress

Commenced research on development of new market-ready ESG solutions

The following are some examples of how our technology solutions helped change things for the better in FY22:

Keeping businesses cybersecure

As the threat in cyberattacks continue to rise in the digital era, companies, especially SMEs are having a hard time keeping up – in terms of costs, expertise and technology. To address these mounting challenges, we launched our exclusive Secured Business Broadband Bundle with Cisco Umbrella Easy Protect to strengthen Internet security by leveraging flexible cloud-delivered security protection to their network, reducing risk for businesses at an affordable cost.

Making 5G more affordable

With faster speeds, 5G is powering incredible change and innovations for both residential and enterprise customers. However, the cost of entry has been relatively high – hampering mass adoption. In February, we launched our unprecedented 5G offers and have continued to attract customers in greater numbers with a competitive range of 5G plans, with our most affordable 10GB plan going for as low as $68/month.

Enhancing Wi-Fi 6 adoption

Remote working and learning coupled with more people staying home has seen demands for Wi-Fi soar through the roof. Delivering optimal performance in terms of speed, bandwidth, and minimal signal interference, Wi-Fi 6 – the latest wireless standard – is perfect for households with multiple users and connected devices. For this reason, we teamed up with TP-Link, to provide Wi-Fi 6-as-a-service. Our one-stop subscription service delivers a range

of Wi-Fi 6 routers from TP-Link with professional on-site installation, assessment of home Wi-Fi conditions and 24-hour service support.

The future of work from anywhere

As the new normal changes the way businesses work and operate, we're focussed on enabling our enterprise customers to evolve and transform – including their capability to work from anywhere. This year, we teamed up with Microsoft Hong Kong to empower businesses with Windows 365. Our one-stop affordable solutions enable business users to truly work anytime, anywhere on any device thanks to the cloud computing power and utility of Windows 365.

Solutions during COVID-19

With the COVID-19 pandemic wreaking havoc with each new wave of infections, we responded aptly by teaming up with various partners to offer different IoT and robotic solutions to help our retail and F&B customers maintain operational safety and efficiency. Meanwhile, we also offered FixIT, our flexible IT support services, at affordable prices to help SME clients during the most challenging period of the pandemic.

Scan to learn how we provide enterprise-grade ICT support to SMES

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. And to make a far greater impact with our Corporate Social Investment ("CSI") initiatives in the future, we target to apply new metrics that can more effectively measure the impact of our digital inclusion initiatives. In July 2022, we kickstarted development of a brand-new social impact assessment with an external consultant to help us better understand and monitor the digital impacts we brought to the community.

FY25 Goals

Conduct social impact assessments for all digital inclusion community initiatives

FY22 Progress

Commenced research on development of new social impact assessment metrics to effectively measure impact of our digital inclusion initiatives

Sparking sustainable and inclusive growth for all

As a responsible ICT leader, we remain committed to providing accessible and reliable services, and also promote digital inclusion to address societal needs, including for target groups like the elderly, youths, people with disabilities, low-income households, and more, by leveraging our corporate resources and Talent expertise. Through our efforts, we strive to achieve three key digital inclusion priorities via our CSI ("Corporate Social Investment") initiatives in two main strategic ways:

Our Digital Inclusion Priorities

Access
Enhancing access to digital technologies

Skills
Improving people's technological skills

Use
Cultivating a safer use of technology for marginalised groups and social profit organisations

Strategic Approach

Creating Shared Value ("CSV") to benefit both our business and our communities

Introducing volunteering and community-focussed initiatives which address the community's most pressing connectivity and technology needs

404 Not F_und?

Since the outset, HKBN Talent CSI Fund ("Fund") – our independently operated charity first established by a group of HKBN Co-Owners in 2015 – has supported numerous social investment projects aimed at promoting access to digital technologies and communications, and youth creativity empowerment.

This year, following the launch of the Fund's "404 Not F_und?" initiative in June 2021, two youth teams were selected and were each given up to $100,000 to turn their bright ideas into reality. The CSI Fund is also prepping to launch its first project in mainland China, Innovation Laboratory. In partnership with World Vision China, the Innovation Laboratory programme will engage high school students from Guangzhou and support them to develop far-reaching social impact projects for local communities.

Fusing smart breakthroughs in robotics and automation, Team "IQ404" reinvented their favourite sport to facilitate virtual snooker playing. Through trial and error – and iterative design and re-design – this youth team gained practical technical knowledge and created a one-of-a-kind robotic arm.

Our funding support enabled Team "Filminal" to develop their own digital platform dedicated to micro-filmmaking, short mini videos gaining worldwide popularity a la Tik Tok and YouTube shorts. Throughout the execution process, they learnt that good project planning and crisis management are critical for running a business.

I'm proud for the opportunity to inspire children by sharing the latest artificial intelligence knowledge. Our team really enjoyed getting together for social good and having fun at the same time.

Jethro Au
Co-Owner and Senior Manager – Information Technology

Our CSI initiatives also aim to foster a culture of volunteerism that seeks opportunities to serve our local communities, putting our Talents' time and multifaceted skillsets to a greater good. During the year, 84 Talents volunteered 464 hours for our local communities.

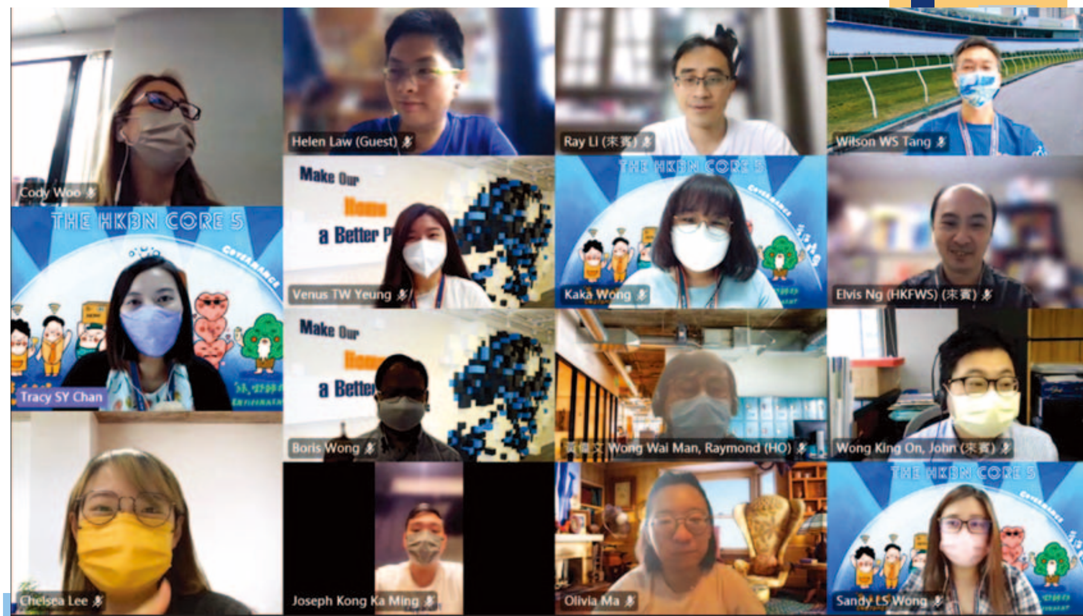
Enhancing access to digital technologies

Bridging the digital divide and enhancing tech accessibility has become an essential part of improving social wellbeing, particularly for those who face the highest barriers, such as children from low-income households, the elderly, underprivileged women and persons with disabilities.

Over the years, across different regions we have implemented various initiatives to help social profit organisations ("SPOs") improve their access and/or improve their digital and IT capabilities. With a "pay it forward" mindset, these initiatives empower SPOs to create and achieve greater possibilities for the underprivileged communities they serve. For example, the **HKBN "Makes IT Easy" Academy** launched by our Enterprise Solutions team, provides easier access to our technology expertise and IT solutions via discounts on our FixIT and cybersecurity solutions, as well as free IT consultations and IT workshops for the SPOs. During FY22, our volunteers have empowered 31 different SPOs and their staff on IT management skills and cybersecurity knowledge.

Before the workshop, I had very limited knowledge about cybersecurity. I now have a much clearer concept and am aware of how important it is in both daily life and in the workplace.

Olivia Ma
Senior Program Manager, VOLTRA



Our Information Security Specialist conducted three workshops for our SPO partners, introducing crucial know-how to uphold cybersecurity.

Improving people's technological skills

Understanding that our role and responsibilities go beyond just connectivity and access, we also provide people with the digital literacy they need to keep up and even thrive in the digital world. Our digital inclusion community initiatives are focussed on creating better ways for marginalised groups to learn critical new skills to compete in the digital economy.

Our PC Doctor volunteers had a blast helping the elderly become more digitally literate.

With the launch of our "**PC Doctors**" volunteer programme in 2015, our Talents have continued to provide free assistance to help diagnose and repair computers for low-income households. Our PC Doctors have also delivered a series of IT classes on cyber wellness for children, underprivileged women and the elderly to help enhance their awareness on cybersecurity, and also to develop healthy digital habits. Likewise, our volunteer team in Hong Kong joined hands again with Evangelical Lutheran Church Social Service Hong Kong and launched the "**Net Friends with Elderly**" project in December 2021, teaching elderly participants the fundamentals of using mobile applications and educating them on cyber wellness and cybersecurity.

Beyond Hong Kong, our IT Talents in Guangzhou have taken the lead on "**TEENgineer**", a series of AI-code programming courses which equips local youths with critical skills and knowledge in programming. This year, 40 students took part in our programme.

In December 2021, under "**Stack Never Overflow**" programme, our IT Talents also formed a special volunteer tech group to answer IT-related questions from a global online community platform for IT technicians, helping more than 3,000 IT practitioners with their professional knowledge.

Safe use of technology

Besides ensuring that our network is safe and secure for end-users, we know that digital safety also starts with education in the communities. For this reason, we continue to do more through collaborating with community partners, and providing educational programmes on important topics like information security, personal information protection and cyber empathy.

Our workshop on cyber wellness educated people from our local communities.

Inspiring the next generation of programming wizards!

Seniors are often the most likely victims of cyber fraud. To help this at risk group enhance their awareness in cybersecurity and prevent personal information from being stolen, our Talents in Guangzhou collaborated with the Guangzhou Qichuang Social Work Service Center and carried out "Cybersecurity Workshop for Seniors" in June 2022 for seniors from the local community. Through the workshop, participants learned the importance of information security and how to recognise online scams and protect their personal information.

Well known for its experiential activities promoting social inclusion, Dialogue In the Dark (HK) Foundation ("DIDF") teamed up with us in May 2022 and created a pitch dark experience themed around cybersecurity called **Cyber Wellness In The Dark**. With our team of cybersecurity experts playing a key role in the design, this unique tour engages and helps youths learn what it means to surf the Internet in the "dark", i.e. the perils of navigating unknown websites and interacting with strangers online. Key learnings include tips on password security, personal info protection and cyber empathy. Within the first 3 months since launch, over 60 students have participated in the tour.

> **"Experiential learning is powerful for students to catch new concepts. 'Cyber Wellness in the Dark' allow students to learn effectively with their multiple senses."**

Louis Hou
Deputy CEO,
Dialogue In The Dark (HK) Foundation

> **"I enjoyed taking part in providing knowledge on information security to tailor design 'Cyber Wellness in the Dark' specifically for students. It was so nice to get involved in community projects with my teammates."**

Wilson Tang
Co-Owner and Director,
Information Security

TRANSFORMING BUSINESS

Climate Action

Win-win-win partnership and value chain


Reliable and responsible services
Impactful Customer Experiences
Data Privacy and security

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.

FY25 Goals

Set science-based emissions reduction targets

FY22 Progress

Developed in-house digital platform to track and report GHG reduction performances

Our Approach to Environmental Management

<table>
<tr><th colspan="5">At HKBN, we're focussed on reducing our Impact on the Environment</th></tr>
<tr><td>Managing Approach</td><td colspan="4">Environmental Policy
Environmental Management System (EMS)</td></tr>
<tr><td>Focus Area</td><td>Climate Action</td><td>Energy Management</td><td colspan="2">Resources Management</td></tr>
<tr><td>Approach</td><td>Governance</td><td>Operational Excellence</td><td>Partnership</td><td>Awareness Building</td></tr>
</table>

Our Environmental Policy applies to HKBN Group and our subsidiaries, and is reviewed and updated regularly with the goal of ensuring that our daily operations employ effective approaches that are in line with industry best practices. Our Environmental Taskforce and senior management team regularly reviews the policy and effectiveness of the internal Environment Management System ("EMS") to facilitate continual progress in our sustainability journey. During the reporting period, there was no substantiated case of non-compliance against environmental laws and regulations.

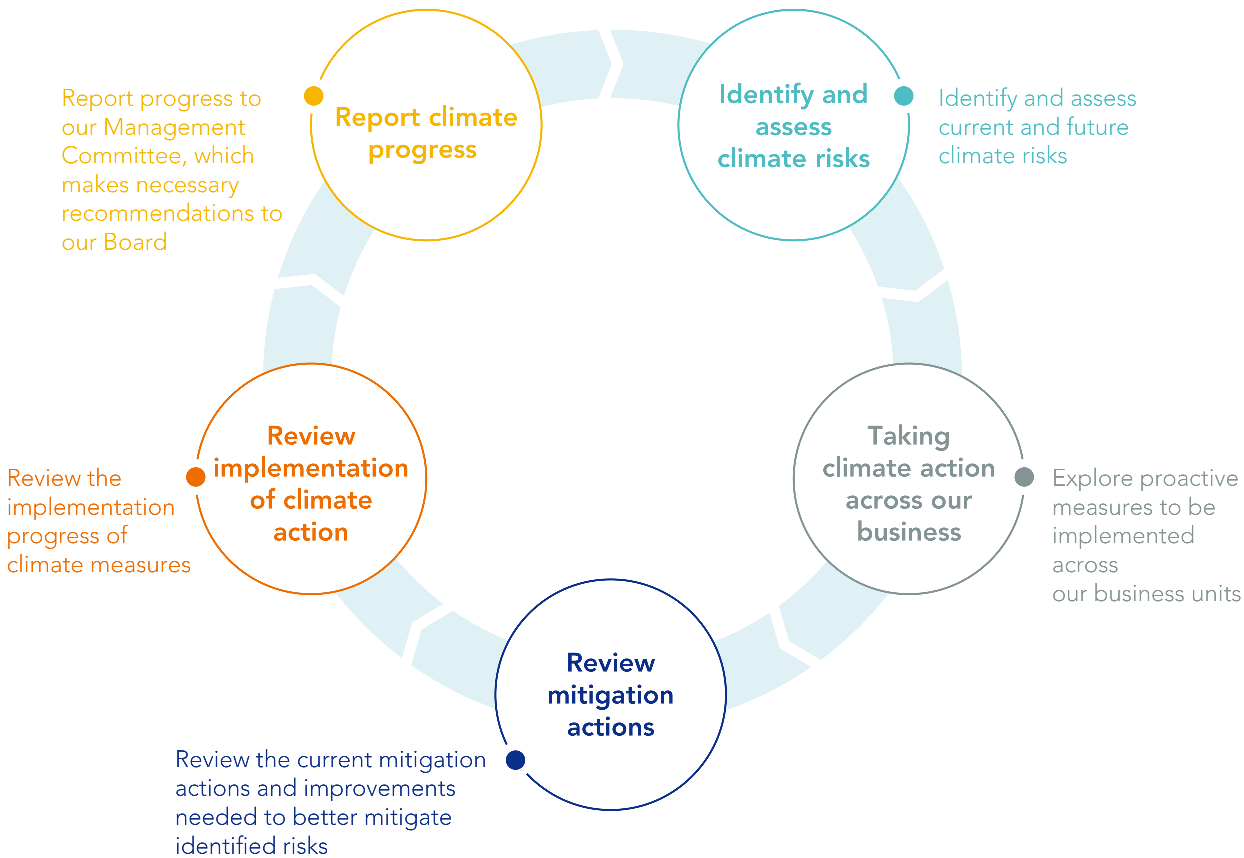
This year, we formalised our EMS and established the scope, organisational structure, responsibilities, and processes as they pertain to our Environmental Policy. Our EMS provides a framework for managing operational risks relating to carbon, energy, and waste management. This year, we also kick-started the process of aligning the EMS of our Enterprise Solutions and JOS operations to ISO 14001 standard, with a target for certification before the next financial year.

Scan QR code to view our Environmental Policy

Preparing for a climate-resilient future

We recognise that climate change can have a tremendous impact on businesses and on communities. As such, we're taking proactive steps to transform our business into a climate resilient organisation. Our Climate Risk Management ("CRM") team helps to identify the business risks related to climate change and ensure they are actively mitigated. The CRM Team is led by our Co-Owner & Associate Director – ESG and Administration, and comprises members from Environment and Network Operations teams. The CRM team meets annually and reports its progress directly to our Management Committee, which makes necessary recommendations to our Board.

Our Climate Risk Management Process



This year, we continued to identify and manage the climate issues most relevant to our business. The following table summarises climate-related risks and opportunities, potential consequences for our business, and how we are managing these potential business impacts.

Major climate risks identified

Risks Identified	Implications to HKBN	Adaption/Mitigation Plans
Physical Risks		
Rising Mean temperature	• Increased risk of equipment outage • Harm and stress on our labour force, especially Talents who work outdoors	• Increase the protection and tolerance of network equipment against higher temperatures • Continue to evaluate working guidelines in hot weather conditions
Intense Rain	• Office premise is inaccessible • Damage to building infrastructure	• Implemented emergency reporting mechanism for flooding • Continue monitoring building infrastructure and proactively prevent water leakage
Rising Sea Levels	• Flooding and storm surges may lead to shut down of computer systems and servers • Talents may get injured due to electric shock	• Ensure data centres are located away from the coastal sea areas and equipped with raised floor and alarm systems • Deploy disaster recovery plan if necessary
Intense Typhoons	• Severe damage to our network and permanent loss of property value	• Implement preventative measures and rectification for network equipment • Deploy disaster recovery plan if necessary
Transition Risks		
Costs of Transition to Lower Emissions Technology	• Increased capital investment and transition costs for technology implementation	• Install energy-efficient equipment through Energy Performance Contracting to reduce carbon emissions without CAPEX costs

HKBN supports the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD") and intends to adopt the TCFD framework for disclosing climate impacts. We plan on conducting a climate scenario analysis to provide us with better insights on how we should manage our climate risks and opportunities. As part of our climate action journey, this year we also participated in the Carbon Disclosure Project ("CDP") climate survey for the first time.

HKBN has a critical role to play in helping Hong Kong transition to a low-carbon economy, and we are proud to do this as a signatory of the Business Environment Council's Low Carbon Charter. Through our commitment, we've pledged to achieve carbon reduction targets via strategic decarbonisation across our operations. Furthermore, we actively promote climate awareness across our business units and are engaging our Talents to address climate change together.

Improving Energy Efficiency

"Something from Nothing" – a multi-win collaboration for energy efficiency

Since 2016, we have partnered with a consultant to enhance our energy efficiency through a ground-breaking collaboration project. While this project has involved numerous energy efficiency upgrades implemented at our offices, warehouses, and data centres, it has required no capital investment from HKBN. Our collaboration in the form of an Energy Performance Contract ("EPC") means investments for all incurred retrofitting and consultancy have been fully funded by our financier, who shares a fraction of our energy cost savings as payment. A tremendous success, the EPC model has empowered us with significant energy and cost savings, and has enhanced our resilience against possible energy cost increases in the future.

EPC Project in FY22 – LED replacement at DJ building

- Switched 800 28-Watt fluorescent tubes with 10-Watt LED tub
- Expected **47,000 kWh** saved per year (CO_2 emissions reduction equivalent to 18 tonnes)

As at the end of FY22, "Something from Nothing's" accumulated savings over the past six years:

- **8,728,522 kWh** electricity (about 4,400 tonnes CO_2e)
- Over **$3.4 million** net savings in electric utility costs*

Data centre equipment upgrade

In our quest for efficiency, we're also replacing end-of-life legacy equipment with more optimised solutions. This year, we replaced three Computer Room Air Conditioning units at our data centre, which is expected to garner an annual energy savings of 81,000 kWh. Similarly, we will continue replacing obsolete equipment with more energy efficient infrastructure, and target to complete our replacement programme by FY24.

Redesigning office environments for the new normal

COVID-19 has made us rethink the way we work at HKBN. As such, we began redesigning some of our office space areas to accommodate for better work flexibility and optimal energy efficiency.

Starting in March 2022, our Hong Kong offices began their future-ready transformation. We expect this initiative to further reduce our energy usage by about 273,000 kWh annually. In addition, we terminated the lease of a relatively low energy efficient office building and reintegrated existing office facilities for a smarter use of resources in Guangzhou. This shift is expected to additionally save us about 170,000 kWh in electricity annually.

Improved Resource Management

Laptop trade-in programme

From March to May 2022, HKBN Enterprise Solutions customers were offered the chance to trade-in their old working laptops for a 13-inch MacBook Air. Our trade-in offer included a discounted price, 3 years of AppleCare+ Service, free delivery and a recycling service. In total, 120 laptops were collected, refurbished by NGO Caritas Computer Workshop and then given to underprivileged individuals. This initiative is a great example of how HKBN can bring our customers together with the community and create a wider positive impact.

With new AC units installed, our data centre is now more energy efficient.

*After sharing a fraction of our energy cost savings as payment to our financier.

Recycling Waste Lead Acid Batteries ("WLAB")
Since 2019, we have actively partnered with the Hong Kong Battery Recycling Centre, who safely and responsibly recycles our WLAB. This year, our recycling efforts diverted 77,128 kg of WLAB from entering landfills.

77,128kg
of WLAB recycled

Encouraging "Food Wise" low-waste habits
In FY22, we engaged a third-party consultant to conduct an audit and found that food waste accounts for a relatively large percentage of our overall office waste. In response, we started a food waste recycling evaluation in our Hong Kong offices and will expand our food waste recycling practices accordingly.

Towards the end of 2021, we implemented a food waste recycling programme at our Guangzhou offices. This programme facilitates the processing of food waste for recycling, whilst also encouraging our Talents to adopt "food wise" low waste habits. To date, waste diversion at our Guangzhou offices has increased by 38%.

In Guangzhou, our food waste recycler is essential to our waste diversion efforts.

Doing our part for the environment through team activities like plogging (jogging + litter pick up).

VOOL Exchange Group
The power of social media lies in how it connects and brings people together. To bring our Talents together for the environment, we established the VOOL (short for "Very Cool") Exchange Group in January 2022 to provide our Hong Kong and mainland China HKBNers with a convenient platform to exchange and share pre-loved personal items. To date, our VOOL Exchange Group has enabled the exchange of 31 items.

Celebrating Earth Day – Climate Change Flash Challenge
To help Talents gain a better understanding of our environmental KPIs, we conducted two rounds of HKBN Climate Risks Quizzes. On Earth Day, we also held a Climate Change Flash Challenge to showcase the many ways HKBN is combating climate change. With over 500 Talents having participated, the activity helped mobilise Talents in joining our climate change efforts.

Our Talents Wilson Tang, Winnie Hung and Laura Wong enjoy ice-cream as a treat for participating in our Earth Day Flash Challenge.

	Unit	FY20	FY21	FY22
The types of emissions and respective emissions data				
Sulphur oxides (SOx)[11, 12]	kg	0.61	1.18	**0.94**
Nitrogen oxides (NOx)[11, 12]	kg	167.13	495.80	**479.02**
Particulate matter (PM)[11, 12]	kg	15.44	26.52	**44.22**
Greenhouse gas emissions				
Scope 1 emission[2]	tCO_2e	235.16	214.12	**196.73**
Scope 2 emission[3]	tCO_2e	54,351.27	39,713.91	**43,484.67**
Carbon emission from business travel	tCO_2e	14.60	27.75	**7.13**
Carbon emission generated from consumption of recycling office paper	tCO_2e	13.46	21.11	**16.13**
Carbon emission generated from government departments for processing fresh water and sewage	tCO_2e	0.95	1.86	**1.41**
Total Greenhouse gas emissions[1]	tCO_2e	54,615.43	39,978.75	**43,706.67**
Greenhouse gas emissions intensity[10]	tCO_2e/Revenue ($ million)	7.89	3.49	**3.76**
Direct energy consumption[4]	kWh	821,545.26	787,249.24	**763,643.43**
Direct energy intensity[10]	kWh/Revenue ($ million)	118.62	68.67	**65.68**
Indirect energy consumption[5]	kWh	105,861,346.32	103,662,519.42	**106,476,138.06***
Indirect energy intensity[10]	kWh/Revenue ($ million)	15,284.63	9,042.44	**9,158.32**
Water consumption[6]	m^3	1,606.00	3,149.13	**2,207**
Water intensity[10]	m^3/Revenue ($ million)	0.23	0.27	**0.19**
Waste				
Hazardous waste generated[7]	tonnes	56.81	71.72	**77.13**
Hazardous waste intensity[10]	tonnes/Revenue ($ million)	0.01	0.01	**0.01**
Non-hazardous waste generated[8]	tonnes	220.85	254.41	**256.58**
Non-hazardous waste intensity[10]	tonnes/Revenue ($ million)	0.03	0.02	**0.02**
Waste diverted[9]	tonnes	88.73	119.37	**130.77**
Waste diversion Rate	%	40.18	46.92	**50.97**

1 Carbon emissions generated from the operation owned and controlled in Hong Kong, mainland China and Macau offices.
2 Scope 1 emissions are direct GHG emissions from sources that are owned or controlled by HKBN such as emissions from fuel of company vehicles and genset, the refrigerant of air conditioning and chiller. The emission factors are based on IPCC Fourth Assessment Report: Climate Change, ASHRAE Standard and EPD — Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong 2008 Edition.
3 Scope 2 emissions are indirect GHG emission resulting from the generation of electricity purchases by HKBN.
4 Vehicle, generator and mobile generator fuel consumption are included in the direct energy consumption.
5 Electricity purchases are included in the indirect energy consumption.
6 Water consumption included waters used in offices, data centres and shop (Yuen Long). Since there is no water supply in hub sites and switch rooms, so this part is not included.
7 Hazardous waste generated is included uninterruptible power system and lighting tube only.
8 Non-hazardous waste included construction waste and general waste in offices, shops and data centres.
9 Waste diverted included paper, plastic, metal, wooden, e-waste, food waste and glass. Overall waste diversion rate in FY22 is 50.97%.
10 The revenue as at 31 August 2020, 31 August 2021 and 31 August 2022 was $6,926m, $11,464m and $11,626m. The revenue of HKBN JOS is excluded from the total revenue of FY20 as intensity metrics are calculated based on full-year operational date only.
11 To align with calculation method and facilitate meaningful year-over-year comparison, the SOx, NOx & PM emissions for FY20 and FY21 have been restated. The emission factors are based on the Hong Kong Environmental Protection Department's ("EPD") EMFAC-HK Vehicle Emission Calculation and the United States Environmental Protection Agency's Vehicle Emission Modelling Software — MOBILE6.1.
12 This KPI is concerned with the air pollution produced by the issuer. Air pollution includes NOx, SOx, and respiratory suspended particles, also known as Particulate Matter ("PM") produced by HKBN's motor vehicles, generators, and mobile generators powered by fuel.
* Absolute electricity consumption increased due to increased utilisation rates of our data centres in FY22.

Impactful Customer Experience

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

FY25 Goals

Futureproof HKBN's customer services by launching new customer experience initiatives every year

FY22 Progress

Initiated a yearly Health Check Survey to gain a comprehensive understanding of overall customer (Residential Solutions) satisfaction levels

Improving customer experience and satisfaction

Our commitment to deliver exceptional customer experiences never wavers. Throughout the year, our Residential Solutions and Enterprise Solutions businesses have implemented measures to 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 also utilised Chatbots to provide instant responses to general enquiries. We also have a set of "Customer Enquiry Handling" service pledges in place. In FY22, we achieved a combined answer rate of 75% for our customer service hotline, online platform and email during normal business hours.

Our service engineers ensure that our network and infrastructure is best in the industry.

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. These options have helped reduce our customer on-site maintenance orders with "Customer Education" from a monthly average of 394 to 244 in FY22.

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. In FY22, 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 2 calendar days*. In FY22, 99% of maintenance appointments were arranged within 2 calendar days.

Enterprise Solutions

To ensure that our customer service quality stays consistent and that we can more closely monitor issues, this year we implemented various initiatives to better address customer needs. 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 each Enterprise Solutions

*For repair locations situated in non-HKBN block-wiring buildings or where there are circumstances beyond our control, additional time will be required. The target will no longer apply if the customer agrees to a later repair date.

customer. For our customer service hotline, online platforms, emails and other channels, we achieved a combined average answer rate of 91% for Enterprise Solutions and 99% for HKBN JOS across our Beyond Hong Kong regions in FY22.

As part of our commitment to enhance the customer experience, we adopted a new customer relationship management ("CRM") system to consolidate all our customer data into one platform, and also introduced a case management system that oversees all customer requests. Monthly communication sessions are also carried out to address customer issues encountered by our frontline teams. Moreover, various internal quality assurance measures are in place to monitor our service quality across different customer processes.

Beyond Hong Kong, this year our HKBN JOS team updated the mobility system for their project and field engineers, which is helping to reduce turnaround times.

Listening to our Customers

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

Residential Solutions

Following every contact with our Customer Service team, customers are invited to rate the level of their satisfaction, based on a score from 1 to 6. If the score is 2 or below, our Team Leaders will contact the customer to better understand why, and if necessary, carry out follow-up actions to rectify or improve the experience. In FY22, the average satisfaction scores of our combined customer service channels, which includes our customer service hotline, online platform and email, was 5.3 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 FY22, our new broadband customers rated their satisfaction at 4.66 out of 6, while the score given to our installation and maintenance service was 5.76 out of 6. For scores of 3 or below, our team will contact the customer to follow-up.

Besides surveys, we have also adopted quality enhancement programmes such as mystery shopper and promoter booth assessment to evaluate the performance of our direct sales teams. In FY22, the mystery shopper assessment and promoter booth assessment results were 83.2 and 96.2 out of 100 respectively.

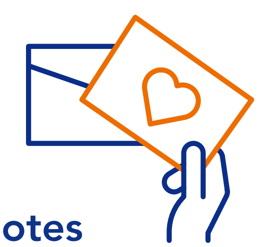
To ensure our residential customer service can address customer inquiries, deliver a consistent level of support and manage complaints in a timely manner, a dedicated Resolution Service team conducts investigation into complaint cases with the relevant parties and provides a response to each complainant 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. During the reporting period, our Residential Solutions business received a total of 1,163 complaints related to products and services from customers.

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 6 calendar days*. In FY22, about 81% of Residential Solutions related complaints received were fully settled within the target response timeframe.

In FY22, we received

5,836

complimentary notes



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

Enterprise Solutions

To help us better understand customer expectations, monthly surveys are carried out to gather feedback on our products and services. Throughout the year, an average of 1,500 satisfaction surveys were sent out monthly. Customer feedback and survey results are also shared with our relevant teams to help them improve when needed. In FY22, the average satisfaction scores we received were 4.7 out of 6 for Enterprise Solutions and 5 out of 6 for HKBN JOS across our Beyond Hong Kong regions, indicating the majority of respondents were satisfied with our services.

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.

During the reporting period, we received a total of 1,139 customer complaints relating to Enterprise Solutions products and services. In FY22, 94.6% of Enterprise Solutions related complaints were resolved within 5 business days.

Selling responsibly

Doing business the right way means we are committed to being fair and transparent 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.

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.

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

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. In FY22, over 48,950 hours of product, sales, marketing and quality improvement trainings were provided to our Residential and Enterprise Solutions Talents.

Over **48,950 hours** of products and quality improvement trainings provided to Talents

Data Privacy & Security

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.

FY25 Goals

Achieve less than 2% phishing assessment average failure rate among Talents

FY22 Progress

2.2% phishing assessment average failure rate among Talents (vs a benchmark of 5.8% in organisations with 1,000+ employees)

Our approach to information data security

To systematically lead our data privacy and security efforts, our Management Committee is responsible for oversight, ensuring adherence to the following strategy in managing our cybersecurity risks:

Identify

- Identify, assess and manage cybersecurity risk through effective cybersecurity risk management processes with proper governance and accountability.
- Identify risks at an early stage and remediate as soon as possible through proactive threat hunting.

Protect

- Protect against cyber-attacks by adopting appropriate security measures with centrally deployed capabilities to enable protection at scale.
- Cultivate a culture of vigilant cybersecurity by improving awareness and knowledge among all Talents, partners and customers.

Detect

- Ensure comprehensive monitoring of systems, networks and services to enable threat detection before they become actual incidents.

Respond and recover

- Swiftly contain and assess cybersecurity incidents to allow rapid response at scale, and ultimately minimise impact on customers.

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 by other policies, we have clearly defined the 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.

Data Centres and Security Operation Centre of HKBNES and HKBN JOS HK are certified with

ISO 27001

0 data breaches identified in FY22

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.

During the reporting period, there was no substantiated legal case relating to customer privacy.

Strengthening our information security capabilities

Improved security awareness for all Talents is the most effective way we can protect our operations from cyber-attacks. 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, a total of 261 PCPD training hours were conducted. Starting from June 2022, all new joiners are now required to complete their security awareness training as a pre-requisite to passing probation.

In FY22, we continued to strengthen our information security capabilities via the following:

- Monthly 5-minute animated video training to raise Talent cybersecurity awareness
- Performed 10 impromptu phishing assessments with tailor-made training provided to Talents who fail the assessments
- Introduced 12 awareness training modules for all Talents covering different topics such as cyber-attacks, phishing and information security best practices
- 33 cybersecurity tips were sent to all Talents covering topics like data classification and protection, password complexity best practices, software security, and more

33 **cybersecurity tips** sent to all Talents

With the aim of assisting businesses to become more aware of cyberthreats and risk mitigation, we also shared good practices and tips via videos and posts on social media.

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.

FY25 Goals

Reduce affected customer hours from residential network service disruptions by 14%, relative to FY22 baseline

FY22 Progress

Pre-emptively completed 582 on-site maintenance visits to enhance resilience against possible failure. Continued to add layer of IoT monitoring across our network to enhance resilience against real-world interferences

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.

Residential Customers

Availability of Core Network*	Availability of Access Network*
100%	99.9949%

Enterprise Customers

Availability of Core Network*	Availability of Access Network*
100%	99.9997%

*Not for events or circumstances beyond HKBN's control ("Force Majeure Event"). A Force Majeure Event includes acts of God, war, civil disobedience, explosion, fire, typhoon, flood, government action, restraints imposed by government or any other regulatory authorities, labour disputes, trade disputes or delays from third parties over which HKBN has no control.

Not long after a fire resulted in sweeping power failures in Hong Kong's Tin Shui Wai district, we set up ad-hoc support stations to help customers resume their Internet service.

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 get 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.

Network coverage and affordability

Over the past several years, we have continuously expanded our residential and enterprise coverage with 5G development in mind. 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 which are in close proximity to our existing fibre network coverage. In FY22, our fibre coverage was extended to 46,369 additional homes, of which 2,868 were in rural areas. Likewise, over 420 commercial buildings were added to our fibre network coverage.

In FY22, our fibre network reached over

2.5 million homes

and

8,000 commercial buildings and facilities

in Hong Kong

Adhering to our Core Purpose, we position our products and services to be 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 to enhance the competitiveness of our products and services.

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. For example, we're undertaking an upgrade of Cloud Voice/Cloud Voice S platform to deliver better quality of service and the latest cutting-edge features for our enterprise customers.

We are also working on network enhancements which would upgrade our existing network infrastructure. The following are the network enhancement initiatives currently in progress:

- Upgrading network platform hardware and software for service sustainability, e.g. GPON Access, DWDM Transmission, Metro Ethernet, and IP Routing;
- Enabling network infrastructure for emerging market demand from new services and ad-hoc demand surges, e.g. 10G Broadband Service and n x 100G Network Core;
- Enhancing our network security protection mechanism via additional cyber awareness training; and
- Enhancing power supply facilities at essential hub sites.

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 continued to offer flexibility in payment methods and terms for our enterprise customers, including partners and suppliers. With this scheme, enterprise customers can exchange their products and services to 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.

We also work closely with our suppliers to promote sustainability in procurement. Every year, our Procurement team reviews the supply chain management system, sets our yearly supply chain ESG targets, and communicates these strategies to our senior management and our Chief Strategy Officer, who report to the Board.

This year, we laid out our ESG targets for the next three years with a vision to improve our procurement process and supplier management via enhancing internal governance and promoting ESG awareness and best practices amongst our suppliers. In the coming year, we aim to develop a new supplier assessment form with a broader set of sustainability criteria such as data privacy and protection to better evaluate the performance of our target groups, which include high-spending suppliers and SMEs. We will then utilise the assessment results to provide ESG training so that underperforming suppliers can improve their ESG performance.

FY25 Goals

2025

Improve at least 20 SME suppliers' ESG assessment scores

FY22 Progress

- Added ESG scoring criteria to our Vendor Maintenance Portal
- Performed a gap analysis of sustainable procurement standards across our suppliers to identify improvement areas

Adopting comprehensive supply chain management and assessment procedures

To help our suppliers better manage their performance, as well as drive their development, we use a set of sustainability criteria to evaluate each supplier during the onboarding process. These sustainability criteria include compliance with the applicable ethical, labour and environmental standards and regulations, as well as a supplier's health and safety procedures. A supplier's ESG score will also be reviewed. To promote sustainable supplier operations, since October 2021 we began engaging suppliers that have a below-average ESG score in our database. Only suppliers that agree to enhance their internal ESG practices and improve their ESG scores will be allowed to maintain their position in our supplier database.

To take our 5G strategy to all new levels, we upgraded our partnership to work silo-lessly with 3HK. Pictured are our Co-Owners Ben Yeung (left), Elinor Shiu (2nd from right) and William Yeung (right), and Jess Mak of 3HK.

During FY22, HKBN sourced products and services from

2,677 suppliers, with

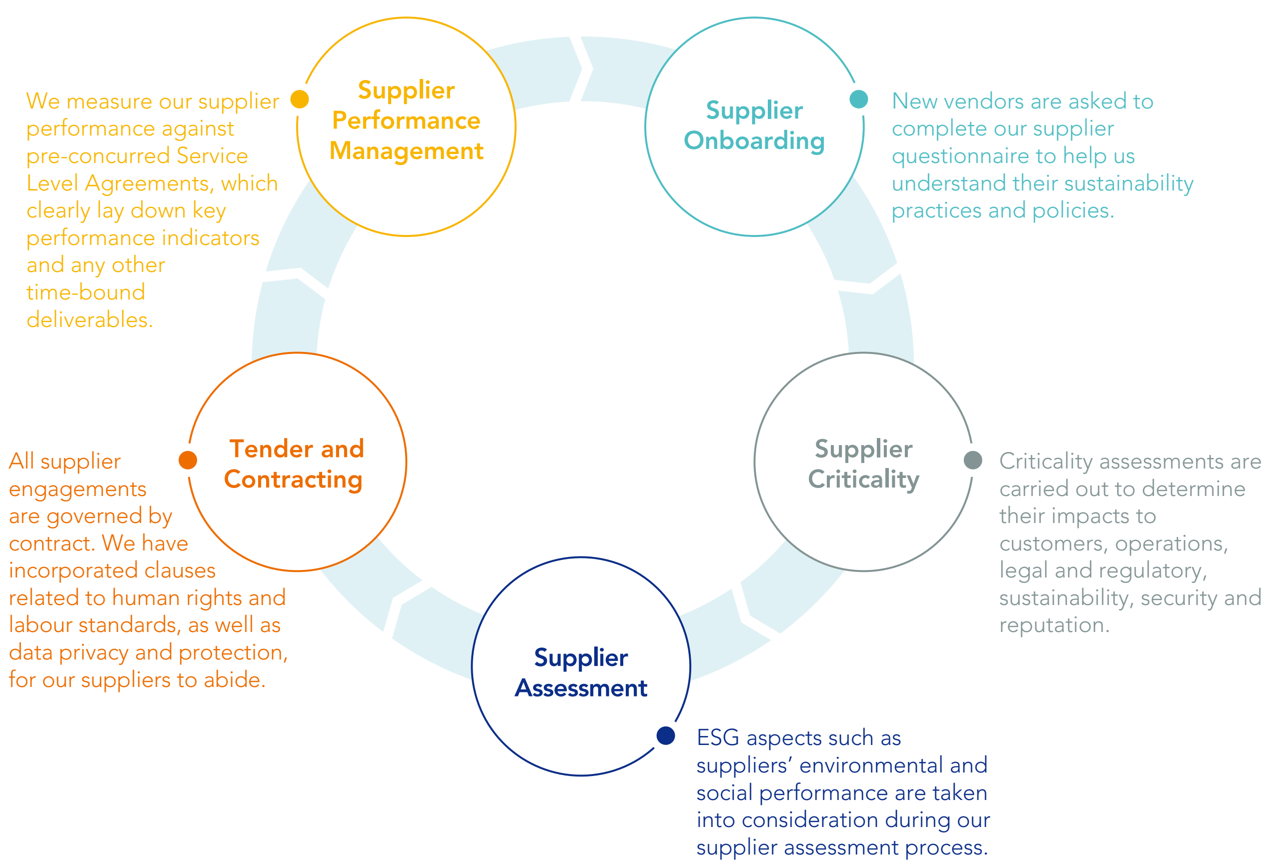
94% of suppliers sourced locally

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. With the launch of our digitalised criticality assessment form in December 2020, our business units can now evaluate supplier criticality on a project-by-project basis by entering project details into our e-tool. The e-tool also facilitates report generation by 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.). To facilitate efficient analysis and comparison of supplier performance, we aim to launch the digitalisation of the Supplier Performance Assessment Tool at the end of 2022.

Our Integrated Sustainable Procurement Practices



*Suppliers located in Singapore and Malaysia are also considered as "local suppliers", since our 40%-owned associates in Singapore and Malaysia were subsidiaries of HKBN during the year before disposal in January 2022.

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. The Supplier Code of Conduct ("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.

90% of our suppliers

have either accepted our SCoC terms or have their own code of conduct

Enhancing interaction and communication with suppliers

HKBN greatly values the opinions and views of our suppliers. Over the past several years, we have integrated sustainable practices into our supply chain activities. In October 2021, we published an eco-friendly reference document to share practical environmental measurements with our suppliers to encourage a greater focus on environmentally sound products, services and practises across their business operations.

With COVID-19 bringing a shift towards remote working, our Procurement team has effectively utilised virtual meetings to maintain strong engagement with suppliers, ensuring that our sourcing of products and services are obtained at the right quality and value without delay. On an annual basis, we invite active suppliers in 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.

The Board is pleased to present this "Corporate Governance Report" for the year ended 31 August 2022.

Corporate Governance Practices

The Company is committed to the establishment of a good standard of corporate governance practices by emphasising transparency, accountability and responsibility to our stakeholders, which are considered essential to safeguard the integrity of the Group's operations and maintain stakeholder trust in the Company.

Corporate Governance Code

The Company has complied with all the code provisions as set out in the "Corporate Governance Code and Corporate Governance Report" (the "CG Code") contained in Appendix 14 to the Listing Rules on the Stock Exchange throughout the year ended 31 August 2022.

Corporate Governance Functions

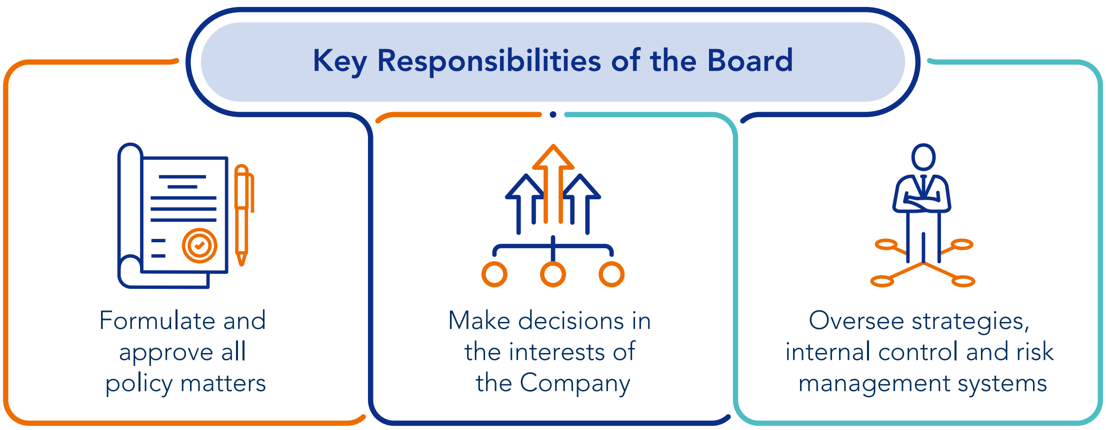
The Board is primarily responsible for performing the corporate governance functions of the Company, including the following, which are contained in the Corporate Governance Manual adopted by the Board on 6 February 2015 and updated on 28 May 2019:

- developing and reviewing the Company's policies and practices on corporate governance and compliance with legal and regulatory requirements;
- reviewing and monitoring the training and continuous professional development of Directors and senior management;
- developing, reviewing and monitoring this policy and any other codes of conduct or policies applicable to Talents, Directors and officers of the Company; and
- reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Board of Directors

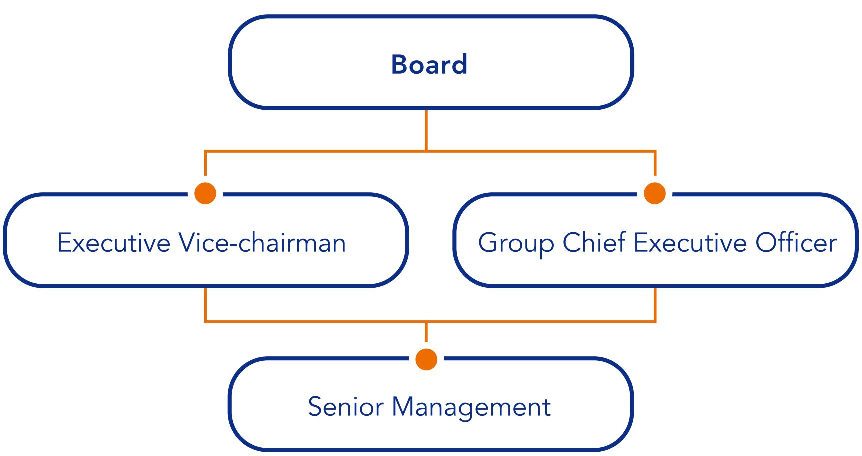
Roles and Responsibilities

The Board plays a critical role in ensuring that our corporate governance best serves the Company's interest in building a sustainable business. The overall management of the Company's business is also vested in the Board. The Board takes responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems, and monitoring the performance of the senior management. The Directors make decisions objectively in the interests of the Company. Directors may seek independent professional advice when performing their duties at the Company's expenses and Directors are also encouraged to consult senior management of the Company independently.



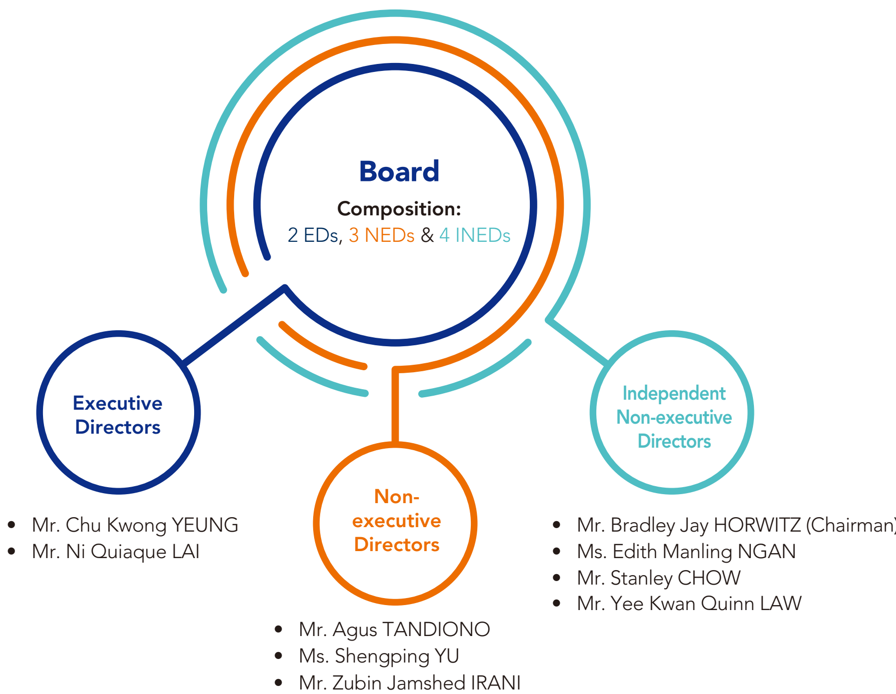
Board meetings are held at least four times per year. Matters which are immaterial and may not cause potential conflicts of interest will be dealt with by way of written resolutions. The Company Secretary of the Company prepares minutes which are recorded in sufficient detail of matters considered by the Board and the decisions reached, with the final version open for inspection at any reasonable notice by any Director. The Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings with reasonable advance notice.

The day-to-day management, administration and operation of the Company are delegated to the Executive Vice-chairman, Group Chief Executive Officer and the senior management of the Group. The delegated functions and work tasks are periodically reviewed.



Board Composition

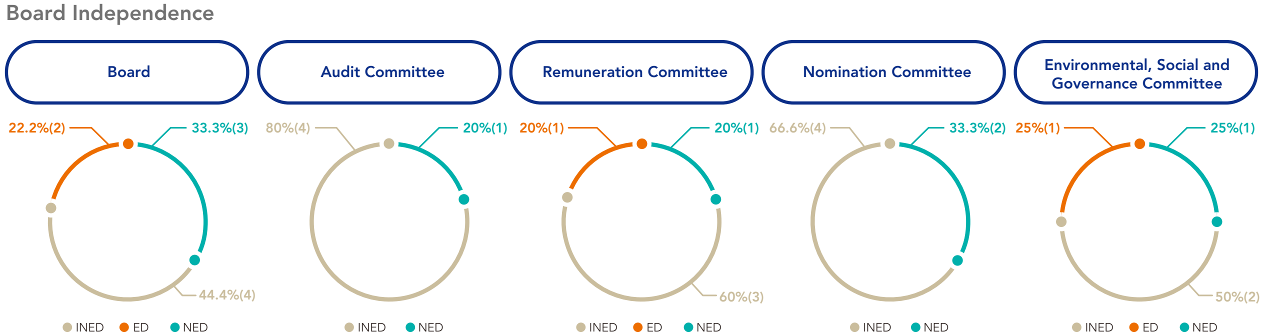
The Board currently comprises nine Directors, including two Executive Directors, three Non-executive Directors and four Independent Non-executive Directors. The Directors' biographical details are set out in the "Board of Directors" section on pages 8 to 11. None of the members of the Board are related to one another.



Independence

We have a strong element of independence on the Board, providing independent and objective oversight on strategic issues and performance matters. The Audit Committee, the Remuneration Committee, the Nomination Committee and the Environmental, Social and Governance Committee are each chaired by an Independent Non-executive Director.

Board Independence



During the year ended 31 August 2022, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors with at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise, and appointed Independent Non-executive Directors representing at least one-third of the Board.

In addition, the Company has received from the Independent Non-executive Directors a confirmation of their independence for the year ended 31 August 2022 pursuant to Rule 3.13 of the Listing Rules, and considered them to be independent.

Board Diversity

The Company recognises the benefit and value of diversity across the organisation, and endorses the view that a diverse Board, with a breadth of perspectives, is one of the key drivers of an effective Board.

An analysis of the Board's current composition based on the measurable objectives is set out below:

Gender

- Male: 7 Directors
- Female: 2 Directors

Designation

- Executive Directors: 2 Directors
- Non-executive Directors: 3 Directors
- Independent Non-executive Directors: 4 Directors

Nationality

- American: 2 Directors
- Australian: 1 Director
- British: 2 Directors
- Canadian: 1 Director
- Chinese: 1 Director
- Indian: 1 Director
- Indonesian: 1 Director

Age Group

- 31–40: 1 Director
- 41–50: 1 Director
- 51–60: 4 Directors
- 61–70: 3 Directors

Educational Background

- Science: 3 Directors
- Business Administration: 4 Directors
- Arts: 1 Director
- Accounting & Finance: 1 Director
- Commerce: 4 Directors
- Other: 2 Directors
- Legal: 1 Director

Business Experience

- Telecommunications: 4 Directors
- Banking: 1 Director
- Accounting & Finance: 4 Directors
- Legal: 1 Director

Board Diversity Policy

In considering and reviewing board composition, both the Nomination Committee and the Board will consider the benefits of all aspects of diversity, including age, gender, skills, knowledge, cultural, experience, expertise, professional and educational qualifications, background and other personal qualities of the directors. While the ultimate decision on all Board appointments would be based on meritocracy and the contributions that the Director candidate is expected to bring, considerable weight would be given to ensuring a diverse Board with balanced composition.

The Company values gender diversity. As at the date of this report, the Board has 22% female Directors (2 females out of 9 Directors). The Board is committed to improving greater gender diversity and wishes to achieve at least 30% of female Directors by the end of 2025.

During the year ended 31 August 2022, the Nomination Committee and the Board considered that the composition of the Board was balanced and diversified.

The policy will be reviewed periodically to ensure it remains relevant to the Company's needs and reflects both regulatory requirements and good corporate governance practices.

Appointment and Re-election of Directors

The appointment of a new Director is made on the recommendation of the Nomination Committee and the Board and approved by the shareholders at a general meeting of the Company. Any Director who is appointed by the Board to fill a casual vacancy or as addition to the Board shall hold office only until the next following annual general meeting.

Currently, all Directors are subject to retirement by rotation at least every three years and re-election in accordance with the provision of the Listing Rules and the Articles. At least one-third of Directors shall retire from office every year at the Company's annual general meeting.

Nomination Policy

The policy sets out the criteria, procedures and process to be adopted when considering candidates to be appointed or re-appointed as directors. The main provision of the policy is set out below:

Nomination Criteria

When selecting a candidate to be nominated for directorship or re-appointment, considerations will be given to the following:

(a) age, gender, skills, knowledge, experience, expertise, professional and educational qualifications, background and other personal qualities of the candidate;

(b) effect on the Board's composition and diversity;

(c) ability and commitment of the candidate to devote sufficient time to effectively carry out his/her duties. In this regard, the number and nature of offices held by the candidate in public companies or organisations, and other executive appointments or significant commitments should be considered;

(d) potential/actual conflicts of interest that may arise if the candidate is selected;

(e) the contributions that the candidate is expected to bring;

(f) independence of the candidate; and

(g) other factors considered to be relevant on a case by case basis.

Nomination Procedures and Process

The following is a summary of the nomination procedures and process adopted by the Company for newly appointed or re-appointed Directors based on the criteria set out in the previous page.

Shareholders

- Vote on the Directors' election at the Company's annual general meeting

Board

- Deliberates and decides on the appointment based upon the recommendation of the Nomination Committee
- Newly appointed Directors may only hold office until the next annual general meeting of the Company under the Articles. If eligible, they would stand for election by the shareholders at the first annual general meeting following their appointment. A circular accompanying the notice of the annual general meeting containing all relevant information would be sent to shareholders by the Board

Nomination Committee

- Identifies or selects candidates, with or without assistance from external agencies or the Company, pursuant to the criteria set out above
- May use any process it deems appropriate to evaluate the candidates, which may include personal interviews, background checks, presentations, written submissions by the candidate or third-party reference
- Provides all relevant information and makes recommendation to the Board, including the terms and conditions of the appointment

Chairman and Chief Executive

The roles of Chairman and chief executive are held separately to ensure a balance of power and authority. As at 31 August 2022, the roles of the Chairman, Executive Vice-chairman and the Group Chief Executive Officer are served by Mr. Bradley Jay HORWITZ, Mr. Chu Kwong YEUNG and Mr. Ni Quiaque LAI respectively.

The Chairman is responsible for leadership of the Board and for ensuring that the Board functions effectively and acts in the best interests of the Company. In performing the role of Chairman, responsibilities mainly include:

(a) providing leadership and ensuring effective performance by the Board of its responsibilities, including that it acts in the Company's best interests;

(b) ensuring that all key and appropriate issues are discussed by the Board in a timely manner;

(c) leading the Board in establishing good corporate governance practices and procedures for the Group;

(d) encouraging constructive and timely communication between the Board and the management;

(e) ensuring effective communication with shareholders and ensuring that their views are communicated to the Board; and

(f) promoting a culture of openness and debate by facilitating the effective contribution of Non-executive Directors in particular and ensuring constructive relations between Executive and Non-executive Directors.

Subject to specific delegations by the Board from time to time, in performing the roles of Executive Vice-chairman and the Group Chief Executive Officer, responsibilities include:

(a) leading the management in the daily operations of the Group;

(b) recommending policies, business plans and strategic directions for Board's approval;

(c) ensuring the strategies and policies approved by the Board are effectively implemented; and

(d) keeping the Board informed of material developments in the Group's business.

Meetings

The Board meets on a regular and on an ad hoc basis, as required by business needs. The attendance of each Director at the Board meetings, committee meetings and general meetings during the year ended 31 August 2022 is set out in the following table:

	Board Meeting	Independent Board Committee Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	General Meeting
	Number of Meetings Attended/Held [1]					
Chairman and Independent Non-executive Director						
Mr. Bradley Jay HORWITZ	7/7	N/A	3/3	N/A	2/2	2/2
Executive Directors						
Mr. Chu Kwong YEUNG	7/7	N/A	3/3[2]	2/2	1/1	2/2
Mr. Ni Quiaque LAI	7/7	N/A	3/3[2]	2/2[2]	1/1[2]	2/2
Non-executive Directors						
Mr. Agus TANDIONO[3]	6/6	N/A	N/A	N/A	1/1	N/A
Ms. Shengping YU[3]	6/6	N/A	N/A	N/A	1/1	N/A
Mr. Zubin Jamshed IRANI	5/7	N/A	2/3	2/2	N/A	0/2
Ms. Suyi KIM[4]	1/1	N/A	N/A	N/A	1/1	0/2
Mr. Teck Chien Kong[5]	1/1	N/A	N/A	N/A	1/1	2/2
Independent Non-executive Directors						
Ms. Edith Manling NGAN[6]	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Stanley CHOW	6/7	N/A	3/3	2/2	2/2	2/2
Mr. Yee Kwan Quinn LAW	7/7	N/A	3/3	2/2	2/2	1/2

Notes:

(1) Directors may attend meetings in person, or by means of telephone or video conference in accordance with the Articles. The figures exclude resolutions in writing signed by all Directors.

(2) By invitation.

(3) Appointed on 14 December 2021.

(4) Resigned on 14 December 2021.

(5) Resigned on 13 December 2021.

(6) Appointed on 1 September 2022.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by Directors of the Company. Having made specific enquiries with all Directors, they confirmed that they have complied with the required standard as set out in the Model Code for the year ended 31 August 2022.

Directors' Liability Insurance

The Company maintains appropriate liability insurance to indemnify its Directors for their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis. During the year ended 31 August 2022, no claim was made against the Directors.

Induction and Continuous Professional Development

According to the Code Provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. As such, briefing materials are provided to each newly appointed Director (if any) to ensure that the Director is familiar with the role of the Board, the legal and other duties and responsibilities necessitated as Director as well as the business and corporate governance practices of the Company.

All Directors have provided a record of training they received during the year ended 31 August 2022 to the Company, including:

(a) attending training from the Company's external legal advisers about the legislative or/and regulatory updates on various applicable laws and regulations, as well as topics pertinent to the business of the Company;

(b) receiving from the Company Secretary of the Company regular updates on the Group's business affairs, and providing with training materials about matters relevant to their duties as Directors; and

(c) attending external trainings, briefings, seminars and conferences about financial, commercial, economic, legal, regulatory and/or business affairs.

The chart below summarises the participation of Directors in training and continuous professional development for the year ended 31 August 2022.

Name	Attending trainings/ briefings/ seminars/ conferences	Reviewing legislative or regulator updates	Reading materials relevant to the Company or its business/ attending corporate events
Mr. Bradley Jay HORWITZ	✓	✓	✓
Mr. Chu Kwong YEUNG	✓	✓	✓
Mr. Ni Quiaque LAI	✓	✓	✓
Mr. Agus TANDIONO	✓	✓	✓
Ms. Shengping YU	✓	✓	✓
Mr. Zubin Jamshed IRANI	✓	✓	✓
Ms. Edith Manling NGAN*	N/A	N/A	N/A
Mr. Stanley CHOW	✓	✓	✓
Mr. Yee Kwan Quinn LAW	✓	✓	✓

* Appointed on 1 September 2022

Time Commitment of Directors

The Directors have demonstrated a strong commitment to the Board affairs and they are well aware that they are expected to have a sufficient time commitment to the Board. Directors have given certain confirmations and made disclosures about their other commitments.

Sufficient time and attention

Directors have confirmed that they have given sufficient time and attention the affairs of the Company for the year ended 31 August 2022.

Other offices and commitments

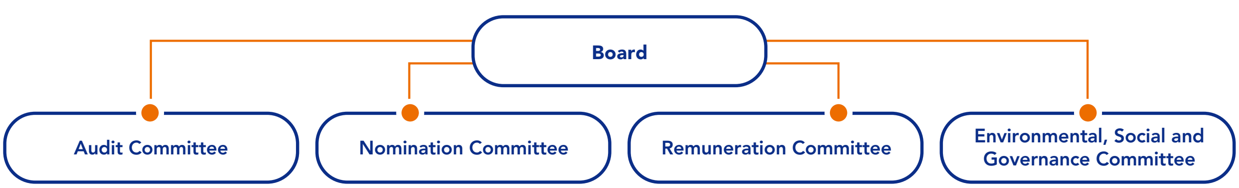
Directors disclose to the Company annually the number, identity and nature of offices held in Hong Kong or overseas listed public companies and organisations and other significant commitments.

Board Evaluation

The Board has a structured process to evaluate its own performance and directors' contribution on an annual basis including a self-evaluation questionnaire which is completed by all directors. The objectives of the evaluation are to assess whether the Board and the Board committees, as well as the Directors have adequately and effectively performed its/their roles and fulfilled its/their responsibilities; have devoted sufficient time commitment to the Company's affairs; and to recommend areas for improvement. The evaluation process has confirmed that the Board and the Board committees continue to operate effectively and that the performance of the Directors and the time commitment in discharging their duties as Directors of the Company for the year ended 31 August 2022 were satisfactory.

Board Committees

The Board has established four Board committees, namely the Audit Committee, the Nomination Committee, the Remuneration Committee and the Environmental, Social and Governance Committee. The Board delegates some of its responsibilities, with appropriate oversight, to the respective Board Committees. The written terms of reference of all Board committees are disclosed in full on the websites of the Company and the Stock Exchange.



As at the date of this report, the compositions of the four Board committees of the Company are as follows:

Audit Committee	Nomination Committee	Remuneration Committee	Environmental, Social and Governance Committee
Chairman Mr. Yee Kwan Quinn LAW *(Independent Non-executive Director)*	**Chairman** Mr. Bradley Jay HORWITZ *(Independent Non-executive Director)*	**Chairman** Mr. Stanley CHOW *(Independent Non-executive Director)*	**Chairman** Ms. Edith Manling NGAN *(Independent Non-executive Director)*
Members Mr. Zubin Jamshed IRANI *(Non-executive Director)* Mr. Bradley Jay HORWITZ *(Independent Non-executive Director)* Ms. Edith Manling NGAN *(Independent Non-executive Director)* Mr. Stanley CHOW *(Independent Non-executive Director)*	**Members** Mr. Agus TANDIONO *(Non-executive Director)* Ms. Shengping YU *(Non-executive Director)* Ms. Edith Manling NGAN *(Independent Non-executive Director)* Mr. Stanley CHOW *(Independent Non-executive Director)* Mr. Yee Kwan Quinn LAW *(Independent Non-executive Director)*	**Members** Mr. Chu Kwong YEUNG *(Executive Director)* Mr. Zubin Jamshed IRANI *(Non-executive Director)* Ms. Edith Manling NGAN *(Independent Non-executive Director)* Mr. Yee Kwan Quinn LAW *(Independent Non-executive Director)*	**Members** Mr. Ni Quiaque LAI *(Executive Director)* Mr. Agus TANDIONO *(Non-executive Director)* Mr. Stanley CHOW *(Independent Non-executive Director)*

Audit Committee

The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor and any questions of its resignation or dismissal, review of the Company's financial information and oversight of the Company's financial reporting system, risk management system and internal control system and procedures. It is also responsible for reviewing the interim and annual results of the Company.

The majority of the Audit Committee members are Independent Non-executive Directors. None of the members of the Audit Committee are a former partner of the Company's existing external auditor.

The Audit Committee meets, at least twice a year, with the external auditor to discuss their audit plan and any area of major audit and internal control concern during the audit or review. At least twice a year, the Audit Committee meets with the external auditor without the presence of any Executive Directors.

During the year ended 31 August 2022, the Audit Committee held 3 meetings with the following summary of work performed:

- reviewed the audited consolidated financial statements, the annual report and the annual results announcement for the year ended 31 August 2021 and recommended them for the Board's approval;
- reviewed and approved the reappointment of KPMG as the Company's auditor, with a recommendation to the Board for the re-appointment of KPMG at the 2021 Annual General Meeting;
- reviewed the internal audit work plan, the risk management and internal control systems of the Group for the year ended 31 August 2021;
- reviewed the interim report and the interim results announcement for the six months ended 28 February 2022 and recommended them for the Board's approval; and
- discussed the audit plan with the external auditor and reviewed the professional fees for the audit services.

The audited consolidated financial statements for the year ended 31 August 2022 have been reviewed by the Audit Committee.

Nomination Committee

The Board has a Nomination Committee with written terms of reference in compliance with the CG Code.

The principal duties of the Nomination Committee are to review the structure, size and composition of the Board and the Board committees, review the Nomination Policy and the Board Diversity Policy on a regular basis to ensure their continued effectiveness, make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identify individuals suitably qualified to become Directors and select or make recommendations to the Board on the selection of individuals nominated for directorships, assess the independence of Independent Non-executive Directors of the Company, and make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

During the year ended 31 August 2022, the Nomination Committee held 2 meetings with the following summary of work performed:

- assessed the independence of Independent Non-executive Director;
- considered the re-election of the retiring Directors at the forthcoming annual general meeting of the Company; and
- reviewed the composition of the Board, the nomination policy and Board Diversity Policy.

Remuneration Committee

The primary responsibilities of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration, make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, make recommendations to the Board on the remuneration of Non-executive Director and Independent Non-executive Directors and the Company's Co-Ownership Plan(s), and review and approve the compensation arrangement for Directors and senior management in the event of loss or termination of office.

During the year ended 31 August 2022, the Remuneration Committee held 2 meetings with the following summary of work performed:

- reviewed the remuneration package and discretionary bonus of Directors, senior management and Talents; and
- reviewed the remuneration policy of the Company and made recommendations for the Board's approval;

Pursuant to the Code Provision E.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 August 2022 is set out in note 6 to the "Notes to the Financial Statements".

Environmental, Social and Governance Committee

The Board established an Environmental, Social and Governance Committee (the "ESG Committee") on 1 September 2022 and the written terms of reference of the ESG Committee are available on the websites of the Company and the Stock Exchange.

The main responsibilities of the ESG Committee include (i) reviewing and monitoring the Company's environmental, social and governance ("ESG") strategies, policies and practices; (ii) reviewing and monitoring the Company's ESG risk management and internal control systems; (iii) reviewing major ESG trends and related risks and opportunities; (iv) reviewing the Company's ESG report; (v) supervising and reviewing the work of the Company's ESG working group; (vi) assessing and reviewing the Company's ESG performance; and (vii) performing other ESG related duties delegated by the Board.

As at the date of this report, the ESG Committee held 1 meeting with the following summary of work performed:

- reviewed the terms of reference of the ESG Committee;
- review the Company's 2022 ESG report;
- review the Company's ESG policies and practices; and
- assessed and reviewed the Company's ESG performance.

Company Secretary

Ms. Chung Man CHENG ("Ms. CHENG") is the Company Secretary of the Company. She also acts as the secretary to all the Board committees. To ensure information flow between the Board and the Board committees, Ms. CHENG is responsible for ensuring the effective conduct of meetings and that proper procedures are followed (including organising meetings, preparing agendas and written resolutions or minutes, collating and distributing meeting materials, and keeping records of substantive matters discussed and decisions resolved at the meetings). She also advises the Board on compliance and corporate governance matters, including updating the Board on any legal and regulatory changes, as well as facilitating the induction and professional development of the Directors.

Ms. CHENG has complied with the requirement to undertake not less than 15 hours of professional training for the year ended 31 August 2022.

Auditor

Company continues to engage KPMG as the external auditor for the year ended 31 August 2022. KPMG has confirmed Company its independence, and there are no relationships between KPMG and the Company that are likely to impair its independence.

The statement of the Directors' responsibility and auditor's statement of reporting responsibilities in respect of the financial statements of the Group for the year ended 31 August 2022 are set out on pages 125 to 127 of this report.

Auditor's Remuneration

During the year ended 31 August 2022, the remuneration paid or payable to the Company's external auditor, KPMG, is set out as follows:

	$'000
Audit services	7,464
Other services (Note)	3,265
	10,729

Note: Other service fee includes the review of the Group's interim financial report amounting to $785,000, tax advisory service amounting to $759,000 and other professional services amounting to $1,721,000.

Governance Beyond Just Compliance

Our commitment to uphold a higher standard of governance and integrity is not something that we simply aspire for, but rather it is deeply ingrained in our everyday culture. Thanks to Co-Ownership Plans, the skin-in-the-game of our Talents means each Co-Owner and their immediate teams operate with self-motivation to ensure that every decision we make is positive, accountable and in the best interest of our Group. In a very unique way, the role our Talents play – together with the governance policies we have in place – help take our culture of integrity beyond mere compliance of laws and regulations.

Co-Ownership Plans and Entrepreneurial Mindset

As a Group led by 452 Co-Owners (as at 31 August 2022), our Talents operate with the mindset of entrepreneurs and shareholders. Whilst most legacy companies have an agency problem, in that there can be a misalignment of interest between employees, management and stakeholders, our Co-Ownership Plans negate this as Talents from all facets of our business are part owners of HKBN. For every action we make, our interests are fully aligned with shareholders.

Calculated risk

While we embrace risk in our operation for faster and more agile decision-making, we also examine the risk and weigh its impact based on the opportunity outcome before taking action. In addition, sound procurement policies are in place as a baseline to empower our decision making.

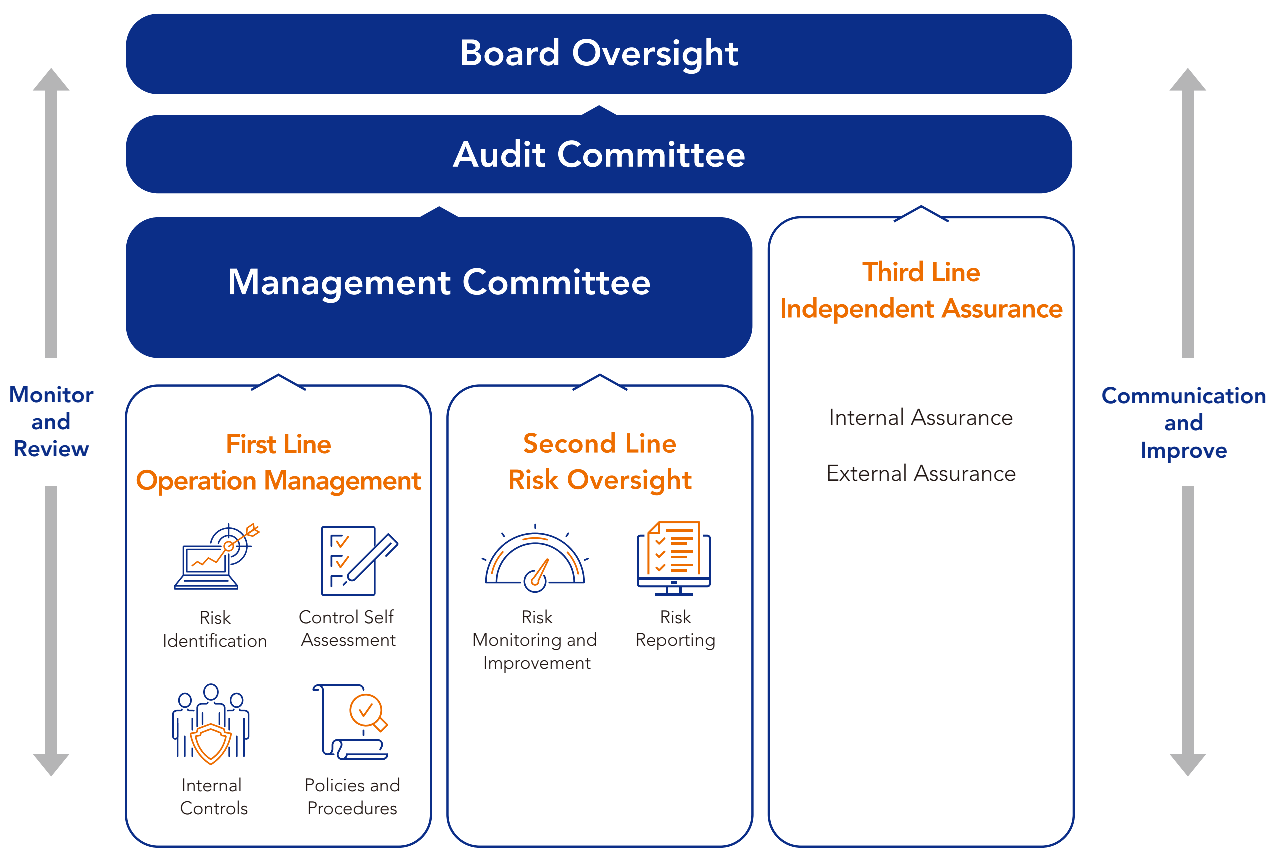
Trustworthy

Trust plays a vital role in ensuring that we can operate with agility. As such, we actively encourage our Talents to adopt a "Sunshine test" and "Newspaper test" when making decisions. Our rule is simple: we ask Talents "would you be proud of your action or decision if it was shared with the entire company?" or "would you be content if it was reported in a newspaper?" If the answer is yes to both, we ask our Talents to proceed.

When in doubt, Internal Audit and Talent Management Talents are available to provide advice. However, under any circumstance, we adopt zero tolerance for dishonesty and unethical behaviour, with the Management Committee of the Company responsible for overseeing business ethics and corruption related issues.

The Three-Line of Defence and Enterprise Risk Management

Apart from our culture-related governance methodology, our risk management structure is also based on the "Three Lines of Defence" model. This framework and its process are designed to manage and mitigate risks rather than eliminate all risks. As such, it does not provide absolute protection against unpredictable risk or uncontrollable events such as natural catastrophes, fraud, and errors of judgment.



Risk Management Framework

First Line of Defence

Internal Control

The Group adopted an integrated framework of internal controls in consistence with the "Committee of Sponsoring Organisations of the Treadway Commission" framework (the "framework"). Under this framework, management is responsible for the design, implementation and maintenance of internal controls to ensure appropriate policies and control procedures have been designed and established to safeguard our assets against improper use or disposal, ensuring that relevant laws, rules and regulations are adhered to and complied with; and that reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements. Departmental Operating Procedures are established for major operations.

Company Policies

All Talents are required to comply with multiple company policies which align with our core values. These policies regulate the behaviour of our Talents which permeate the Group's integrity and ethical values as fundamental principles. All Talents are required to follow our Code of Business Conduct which details our expectations for responsible business conduct.

Anti-bribery, Anti-corruption, Anti-fraud and Conflict of Interest Policy

This outlines our expected conduct to ensure we are always in compliance with anti-corruption laws, such as the Prevention of Bribery Ordinance (Cap. 201) (the "Ordinance"). This includes compliance with all laws, domestic and foreign, prohibiting improper payment, gifts or inducement s of any kind to and received from any person, including officials in the private or public sector, customers and suppliers. The policy is available on the Company's website and intranet.

Training

Directors' training is carried out annually for all the Directors, which is provided by the Independent Commission Against Corruption (ICAC). As for Talents of the Company, multiple new join and refresher trainings are provided in Hong Kong, Macau and mainland China. The topics of the anti-bribery and anti-corruption trainings include location and country specific prevention of bribery ordinance, conflict of interest and company policies including Anti-Bribery, Anti-Corruption, Conflict of Interest Policy and No Business Gift Policy. In 2022, we arranged one session for the Directors and seven sessions for 1,036 Talents of training with speakers from ICAC and local specialists in Hong Kong, Macau and mainland China to strengthen our understanding of anti-corruption laws and enhance our alertness to corruption, conflict of interest and integrity issues.

Complaint handling

Complaints and reports are handled by the Audit and Risk Department. Appropriate actions will be taken for potential valid cases, remediation actions will be taken to improve the operations accordingly. During FY22, no substantiated court cases or complaints relating to HKBN and corruption, bribery or conflict of interest occurred.

Whistleblowing Policy

The Whistleblowing Policy facilitates Talents and other stakeholders (e.g. vendors, contractors and all that we have business relationships etc.) to report concerns to us about suspected unethical behaviour or malpractice in confidence and without fear of reprisal, victimisation, subsequent discrimination, disadvantage or dismissal. Reports are directly received by the chairman of the Audit Committee and the head of Audit and Risk, investigation will then be carried out by the appropriate Talents within the team. If cases are concluded sustained, mitigating actions will be taken, improvements will be made, and the investigation report will be reported to the Audit Committee. During FY22, no substantiated cases were received through the channel.

Risk Register and Control Self-Assessment
Business units are at the forefront of our risk management. While there is change in our operations, leaders from different departments are responsible to identify business and operation risk and perform risk assessments, risk ranking, establishing and implementing mitigating actions and reporting to the Internal Risk Management ("IRM") team on a yearly basis through the Departmental Risk Register. By processing the "control self-assessment" ("CSA"), we allow each operation to evaluate the effectiveness of control related to identified risks.

Intellectual Property Rights Policy
As a technology Group that develops our own products, solutions and applications, as well as partners with so many different companies, we embrace our responsibility to respect and protect everyone's intellectual property ("IP") rights. In general, all HKBN Talents are required to install and use only our Company's authorised programs on our systems or platforms and there should not be any unauthorised copying or distribution of materials. We will be introducing an Intellectual Property Rights Policy shortly. This new Intellectual Property Rights Policy requires our Talents to protect the Company's intellectual property rights ("IPRs") and to respect the IPRs of third parties to avoid potential legal liabilities from IPR infringement. In our agreements with suppliers, we seek their representations/warranties that their products do not infringe on third party IPRs and will indemnify us against any damages from any such infringements.

Cybersecurity
Information Security Policy provides rules and best practices to maintain the confidentiality, integrity, and availability of the Company's information and outlined the responsibilities for Talents, contractors and third-party in relation to information security.

During the year, we continued to subscribe to a threat intelligence service to identify phishing websites and impersonation of HKBN brands on cyberspace. We also subscribed to a cloud-based cyber range service to provide real-life simulation training on cyber security events across different departments. During the year, we performed 10 impromptu phishing tests to strengthen our Talent's information security awareness, followed by additional training for Talents who failed in the test. We achieved 2.2% average failure rate on phishing tests in FY22.

Data Privacy
Personal Data Protection Policy is established by our Company to set out how our Company protects personal data and ensures ongoing compliance with Personal Data (Privacy) Ordinance. We implement accountability by appointing a Data Protection Officer and have established reporting mechanisms in place on data privacy within our Company. We also perform annual assessments and revisions in order to stay effective and relevant.

Risk Governance

Second Line of Defence
The second line of defence is overseen by the IRM team whose composition comprises nominated department heads and executives. The team is responsible for (i) understanding risks that are affecting the Group, and (ii) ensuring major risks are addressed with appropriate actions. IRM team ensures appropriate actions are taken on risks affecting the Group's business, operations and ESG related issues. The IRM team meets twice a year and from time to time when needed to review risks affecting the Group's operation. The Group Risk Register is the result of a top down risk assessment from the corporate level and is complemented by a bottom up approach of separate risk registers reported by different departments.

Third Line of Defence – Independent Assurance
The Group's internal audit function is performed by the Audit and Risk Department ("ARD"). It is responsible for conducting independent reviews of the adequacy and effectiveness of the Group's internal control and risk management systems. It also assists management in assessing the risks inherent in particular business or functional areas, including fraud, corruption, ethics and conducts, and legal compliance through reviews or audits to provide reasonable, though not absolute, assurance that adequate governance and controls are in place to address such risks. The ARD has a reporting line to the Executive Vice-chairman and has direct access to the chairman of the Audit Committee.

Internal audit reports on control design and effectiveness are submitted to the Audit Committee in line with the agreed audit plan. The annual audit plan is prepared based on the major risks identified during the latest risk review on a three-year rotational basis covering a majority of operations that have the most impact to our Group, and includes controls related business ethics issues such as the prevention of corruption, fraud and other misconduct. This audit plan is subject to changes according to the outcome of continuous risk review processes, and any proposed changes to the audit plan will be communicated to and approved by the Audit Committee accordingly.

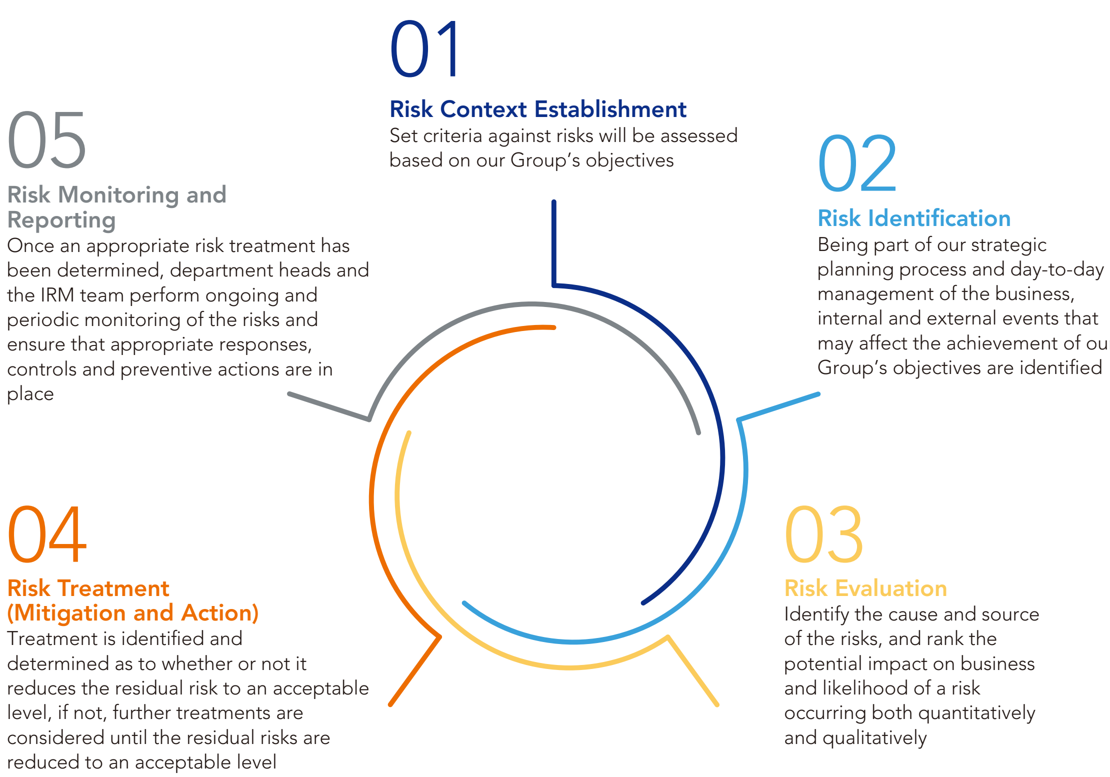
Apart from the Audit and Risk Department, an independent Quality Enhancement/Quality Management team has been established. The team facilitates different kinds of training programs and performs certain quality enhancement activities to achieve excellent service quality. All new joiner frontline customer service and sales representatives must attend training on product knowledge, service standards, guidelines and regulations such as Personal Data (Privacy) Ordinance, Trade Descriptions Ordinance and Code of Practice on Person-to-Person Marketing Call. We also conduct quality improvement training and product refresher training to narrow the gaps of individual performance and quality standard. Regular call monitoring and promoter booth assessment allow us to evaluate the performance of our sales teams. To understand our customer's expectations, requirements, and feedback for improvement, new customers will receive a customer satisfaction e-survey 2 months after subscribing. Continuous review on performance and processes enable us to meet and exceed customers' requirements. Survey findings will be shared to management and related departments for review.

External Assurance and Consultation

External auditor and consultants further supplement the third line of defence by providing independent assessment on the Group's processes, especially with respect to the significant risks and control issues identified over the financial reporting process.

Risk Management and Principal Risks

It is our commitment to launch service quickly and meet market demands at a fast pace to pursue long-term growth in our business. Because we embrace risk as an inherent component in our daily operation, HKBN takes an "enterprisewide approach" for the management of key business risks. This approach provides consistent processes to identify, assess, treat, monitor and communicate key risks.



Principal Risks

The Group faces several risks and uncertainties which, if not properly managed, could create an adverse exposure for the Group. Through the effective risk management, risks are managed with appropriate mitigation measures in place to minimise the exposure. The Group has identified the following principal risks:

Potential risks	Potential impacts	Mitigating actions
Market Risk		
The Group operates in markets which may be subject to pricing and other competitive pressures	Failure to respond to pricing and competitive pressures could result in losing customers and affect the Group's profitability	• Proactively monitor market conditions • Conduct responsive project management to allow flexible allocation of resources for strategy changes • Closely monitor price levels and act accordingly
Financial (Interest Rate Risk)		
A significant amount of indebtedness and the majority of our indebtedness bear floating interest rates determined by reference to HIBOR, which is subject to market movements and may increase in the future	Any significant increase in interest rates could increase our finance costs and adversely affect our profitability	• Continue to monitor interest rate trend and market conditions diligently and devise hedging strategy accordingly • Utilise interest-rate swaps to hedge against our interest rate risks as appropriate
Operation		
The continuity of our services is highly dependent on the proper functioning of our network and infrastructure as well as proper handling of customer data	Any damage to or failure in our network or such infrastructure could adversely affect our business Leakage of customer data could adversely affect the Group's reputation, operations and financial performance	• The Group has implemented a multi-vendor approach • Continuously monitor of network status • Provide network/IT security awareness training to all Talents • Continuously review and update our customer data collection and retention policy
People		
The Group's success is dependent upon continued service from Talents employed by our Group	The loss of key personnel, or the inability to find additional qualified personnel, could materially and adversely affect the Group's prospects and results of operations	• The Group has a succession planning strategy in place for key management positions

Potential risks	Potential impacts	Mitigating actions
Technology		
The telecommunications industry is characterised by rapidly changing technology and industry standards, evolving customer demands and services with increasingly short life cycles	If we cannot implement new technology expediently and offer new services demanded by our customers in a timely manner and at competitive prices, our business, financial conditions, operations and prospects could be adversely affected	• Explore and roll out emerging network technologies as we see fit • New service is provided to customers by partnering with industry leaders
Legal and Regulatory		
The Group operates in markets and industries which require compliance with legal and regulatory requirements	Failure to comply with applicable legal and regulatory requirements may adversely affect the Group's reputation, operations and financial performance	• ARD will conduct compliance review on business activities and new initiatives where appropriate • Legal and Regulatory Department will review contracts before their execution • On-going trainings on legal and regulatory compliance will be provided to Talents to promote awareness and ensure compliance

Board Confirmation

The Board has considered and endorsed the Audit Committee's assessment of the effectiveness of risk management and controls systems in the Group. During the year ended 31 August 2022, there was no area of concern identified which might materially affect the operational, financial reporting and compliance controls of the Group, and that the existing risk management and internal control systems remain effective and adequate.

Shareholders and Investors

Dividend Policy

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 pay-out ratio as appropriate from time to time.

Shareholder Communication Policy

The Company has adopted a Shareholder Communication Policy to set out the Company's procedures in providing shareholders and the investment community with ready, equal and timely access to balanced and understandable information about the Company, in order to help shareholders exercise their rights in an informed manner, and to allow shareholders and the investment community to engage actively with the Company.

Shareholders' Rights

The general meetings of the Company provide a communication channel between the shareholders and the Board. An annual general meeting of the Company is held each year at a location as may be determined by the Board. Each general meeting, other than an annual general meeting, is called an extraordinary general meeting. The Board may whenever it deems fit convene extraordinary general meetings. Any vote of the shareholders at a general meeting must be taken by poll except where the Chairman of the general meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted by a show of hands.

Procedures for Shareholders to Convene an Extraordinary General Meeting

An extraordinary general meeting could be convened on the written requisition of any two or more members or any one member which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Procedures for Sending Enquiries to the Board

The enquiries must be in writing with the detailed contact information of the requisitionists and deposited with the Board or the Company Secretary of the Company at the Company's principal place of business in Hong Kong as below:

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

Procedures for Shareholders to Put Forward Proposals at Shareholders' Meetings

There are no provisions in the Company's Articles or the Companies Law of the Cayman Islands for shareholders to put forward new resolutions at general meetings. Shareholders who wish to put forward a new resolution may request the Company to convene a general meeting in accordance with the procedures set out on page 120 in the paragraph under "Procedures for Shareholders to Convene an Extraordinary General Meeting". Detailed procedure for shareholders to propose a person for election as a Director is available under the Corporate Governance section of the Company's website.

Information Disclosure and Investor Relations

The Board and the Company maintain an on-going dialogue with the Company's shareholders and the investment community mainly through the Company's financial reports, annual general meeting and other general meetings that may be convened, as well as by making available all the disclosures submitted to the Stock Exchange and its corporate communications and other corporate publications on the Company's website.

Constitutional Documents

The constitutional documents of the Company were adopted by special resolution passed on 21 February 2015 and effective on the Listing Date. Certain amendments to the previous memorandum and articles of association of the Company (the "Memorandum and Articles of Association") were duly passed by the Shareholders at the annual general meeting of the Company held on 14 December 2020 and the amended version of the Memorandum and Articles of Association (the "Existing Memorandum and Articles of Association") has been adopted during the year ended 31 August 2022.

Save as disclosed above, there was no other change made to the Memorandum and Articles of Association during the year ended 31 August 2022.

On 27 October 2022, the Board proposed to make certain amendments to the Existing Memorandum and Articles of Association. The proposed amendments are subject to the approval of the Shareholders by way of a special resolution at the forthcoming annual general meeting. Please refer to the announcement of the Company dated 27 October 2022 for further details.

KPMG

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HKBN LTD.

(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of HKBN Ltd. ("the Company") and its subsidiaries ("the Group") set out on pages 128 to 221, which comprise the consolidated statement of financial position as at 31 August 2022, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 August 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HKBN LTD. (continued)

(Incorporated in the Cayman Islands with limited liability)

Key audit matters (continued)

Assessing of potential impairment of goodwill, intangible assets, property, plant and equipment ("PP&E") and right-of-use assets

Refer to notes 9, 10 and 11 and accounting policies in notes 1(f), 1(h) and 1(i) to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
The carrying values of the Group's goodwill, intangible assets, PP&E and right-of-use assets as at 31 August 2022, which amounted to HK$9,017 million, HK$3,203 million, HK$3,731 million and HK$706 million, respectively, were mainly contained in two cash-generating units ("CGUs"). Management performs an annual impairment assessment of its goodwill and the associated intangible assets, PP&E and right-of-use assets. Management compares the carrying value of each of the CGUs to which the goodwill, intangible assets, PP&E and right-of-use assets have been allocated against discounted cashflow forecast of each of the CGUs to determine the amount of impairment loss which should be recognised, if any. The preparation of discounted cashflow forecasts involves the exercise of significant management judgement, particularly in estimating the long term revenue growth rates and the discount rates applied. We identified assessing the potential impairment of goodwill, intangible assets, PP&E and right-of-use assets as a key audit matter because the impairment assessment prepared by management is complex and contains judgemental assumptions, particularly the long term revenue growth rate and discount rate applied, which could be subject to management bias in their selection.	Our audit procedures to assess potential impairment of goodwill, intangible assets, PP&E and right-of-use assets included the following: • evaluating the Group's identification of CGUs and the value of goodwill, intangible assets, PP&E and right-of-use assets allocated to each of the CGUs and assessing the methodology applied by management in the preparation of the discounted cashflow forecasts with reference to the requirements of the prevailing accounting standards; • evaluating the discounted cashflow forecasts prepared by management by comparing specific data and significant assumptions in the discounted cashflow forecasts with the financial budget which was approved by the Board of directors. Our evaluation has taken into account our understanding of the Group's future business plans and the observable market data of the industry; • comparing the revenue and operating costs included in prior year's discounted cashflow forecasts with the current year's performance in order to assess the reasonableness of prior year's forecast and making enquires of management as to the reasons for any significant variation identified; • comparing the long term revenue growth rate and discount rate adopted in the discounted cashflow forecasts with that of comparable companies and external market data; and • obtaining from management sensitivity analysis of long term revenue growth rate and the discount rate adopted in the discounted cashflow forecasts and assessing the impact of changes in these key assumptions to the conclusions reached in the impairment assessments and whether there were any indicators of management bias.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HKBN LTD. (continued)

(Incorporated in the Cayman Islands with limited liability)

Key audit matters (continued)

Accuracy of revenue due to complex billing systems

Refer to note 2 and accounting policies in note 1(v) to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
The Group's revenue from fixed telecommunications network services, international telecommunications services and other services totalled HK$5,813 million, which accounted for 50% of the total revenue for the year ended 31 August 2022. The accuracy of such revenue recorded in the consolidated financial statements is an inherent risk because the Group's billing systems are complex, and process large volumes of data including a variety of service packages with price changes in the year.	Our audit procedures to assess the recognition of revenue included the following: • with the assistance of our information technology specialists, evaluating the design, implementation and operating effectiveness of key internal controls with particular emphasis on: — the capturing and recording of data usage; — authorising rate changes; and — calculating amounts billed to customers. • assessing the design, implementation and operating effectiveness of key non-automated internal controls over the revenue recognition process; • reconciling revenue recognised in the telecom billing system to the general ledger and assessing whether the reconciling items were properly supported by underlying documentation, on a sample basis;

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HKBN LTD. (continued)

(Incorporated in the Cayman Islands with limited liability)

Key audit matters (continued)

Accuracy of revenue due to complex billing systems (continued)

Refer to note 2 and accounting policies in note 1(v) to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
Significant management judgement can be required in determining the appropriate measurement and timing of recognition of different elements of revenue within bundled sales packages, which may include telecommunication services and telecommunication products, and complex settings are required in the Group's information technology ("IT") systems to achieve the appropriate allocation of prices for the different elements of revenue. We identified revenue recognition as a key audit matter because it involves management judgement and complex IT systems, both of which give rise to an inherent risk that revenue could be recorded in the incorrect period or could be subject to manipulation to meet targets or expectations.	• assessing, on a sample basis, the standalone selling prices determined by management for each distinct service and product offered in bundled sales packages, by comparison with the observable prices for such services or products when the Group sells such services or products separately in similar circumstances and to similar customers; • evaluating journal entries posted to revenue accounts, on a specific risk-based sample basis, and comparing the details of these journals entries with relevant underlying documentation, which included reports generated from the telecom billing system; and • comparing cash receipts from customers during the year and subsequent to the financial year end with invoices issued to customers during the year, on a sample basis.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HKBN LTD. (continued)

(Incorporated in the Cayman Islands with limited liability)

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HKBN LTD. (continued)

(Incorporated in the Cayman Islands with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HKBN LTD. (continued)

(Incorporated in the Cayman Islands with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yip Ka Ming, Alice.

KPMG
Certified Public Accountants

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

27 October 2022

Consolidated Income Statement

For the year ended 31 August 2022 (Expressed in Hong Kong dollars)

	Note	2022 $'000	2021 $'000
Revenue	2	**11,626,164**	11,463,745
Other net income	3(a)	**62,842**	23,251
Network costs and costs of sales		**(7,155,803)**	(6,950,885)
Other operating expenses	3(b)	**(3,532,453)**	(3,698,309)
Finance costs	3(d)	**(239,204)**	(481,029)
Share of profits of associates	13(d)	**4,167**	–
Share of losses of joint ventures	13(b)	**(53,497)**	(31,508)
Profit before taxation	3	**712,216**	325,265
Income tax expenses	4	**(158,895)**	(118,393)
Profit for the year attributable to equity shareholders of the Company		**553,321**	206,872
Earnings per share	7		
Basic		**42.2 cents**	15.8 cents
Diluted		**37.4 cents**	14.0 cents

The notes on pages 135 to 221 form part of these financial statements. Details of dividend payable to equity shareholders of the Company attributable to the profit for the year are set out in note 30(b).

	2022 $'000	2021 $'000
Profit for the year	**553,321**	206,872
Other comprehensive income for the year		
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	**(18,129)**	8,869
Share of other comprehensive income of associates	**(935)**	–
Exchange differences on translation of foreign operations transferred to consolidated income statement upon disposal	**(1,917)**	–
Other comprehensive income for the year	**(20,981)**	8,869
Total comprehensive income for the year attributable to equity shareholders of the Company	**532,340**	215,741

The notes on pages 135 to 221 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 August 2022 (Expressed in Hong Kong dollars)

	Note	2022 $'000	2021 $'000
Non-current assets			
Goodwill	9	**9,016,507**	9,016,507
Intangible assets	10	**3,202,607**	3,606,163
Property, plant and equipment	11	**3,731,436**	3,901,090
Investment properties	11	**–**	198,828
Right-of-use assets	11(c)	**705,607**	681,349
Customer acquisition and retention costs	15	**513,045**	564,849
Interest in associates	13	**56,920**	4,816
Interest in joint ventures	13	**17,110**	17,879
Loan to associates	22	**15,359**	–
Deferred tax assets	26	**26,724**	68,913
Other non-current assets	14	**98,531**	91,958
		17,383,846	18,152,352
Current assets			
Inventories	15	**111,478**	110,615
Trade receivables	17	**967,414**	1,073,306
Other receivables, deposits and prepayments	17	**463,892**	353,015
Amounts due from associates	22	**25**	–
Contract assets	16(a)	**237,189**	211,945
Amounts due from joint ventures	22	**57,449**	45,500
Tax recoverable	25	**192**	192
Cash and cash equivalents	18	**1,129,226**	1,421,124
Financial assets at fair value through profit or loss	28	**76,387**	–
Assets classified as held for sale	29	**–**	400,384
		3,043,252	3,616,081

	Note	2022 $'000	2021 $'000
Current liabilities			
Trade payables	19	**778,651**	935,864
Other payables and accrued charges – current portion	19	**960,778**	1,018,271
Contract liabilities – current portion	16(b)	**600,097**	632,492
Deposits received		**89,144**	90,475
Obligations under granting of rights – current portion	27	**–**	6,771
Amounts due to associates	22	**4,542**	4,816
Amounts due to joint ventures	22	**10,000**	10,750
Bank and other borrowings	20	**297,703**	481,283
Lease liabilities – current portion	21	**136,271**	166,649
Tax payable	25	**240,428**	189,496
Other current liabilities	23	**13,214**	12,863
Liabilities classified as held of sale	29	**–**	314,514
		3,130,828	3,864,244
Net current liabilities		**(87,576)**	(248,163)
Total assets less current liabilities		**17,296,270**	17,904,189
Non-current liabilities			
Other payables and accrued charges – long-term portion	19	**54,000**	30,397
Contract liabilities – long-term portion	16(b)	**145,807**	194,818
Deferred tax liabilities	26	**800,662**	904,848
Lease liabilities – long-term portion	21	**381,850**	305,129
Provision for reinstatement costs		**52,492**	62,442
Bank and other borrowings	20	**10,913,214**	10,831,416
Other non-current liabilities	23	**24,162**	37,376
		12,372,187	12,366,426
NET ASSETS		**4,924,083**	5,537,763
CAPITAL AND RESERVES			
Share capital	30(c)	**132**	132
Reserves		**4,923,951**	5,537,631
TOTAL EQUITY		**4,924,083**	5,537,763

Approved and authorised for issue by the board of directors on 27 October 2022.

Chu Kwong YEUNG	)	Directors
Yee Kwan Quinn LAW	)	

The notes on pages 135 to 221 form part of these financial statements.

		Attributable to equity shareholders of the Company							
	Note	Share capital $'000	Share premium $'000	Vendor Loan Notes $'000	Capital reserve $'000	Other reserve $'000	Retained profits $'000	Exchange reserve $'000	Total $'000
Balance at 1 September 2020		132	2,712,817	2,349,204	40,365	596,420	767,329	(5,768)	6,460,499
Changes in equity for the year ended 31 August 2021:									
Profit for the year		–	–	–	–	–	206,872	–	206,872
Other comprehensive income		–	–	–	–	–	–	8,869	8,869
Total comprehensive income		–	–	–	–	–	206,872	8,869	215,741
Dividend approved in respect of the previous year	30(b)(ii)	–	(498,408)	–	–	–	–	–	(498,408)
Dividend declared to equity shareholders of the Company in respect of the current year	30(b)(i)	–	(511,524)	–	–	–	–	–	(511,524)
Distribution to holders of Vendor Loan Notes		–	(128,838)	–	–	–	–	–	(128,838)
Equity-settled share-based transactions	24(a)	–	–	–	293	–	–	–	293
Balance at 31 August 2021		132	1,574,047	2,349,204	40,658	596,420	974,201	3,101	5,537,763

	Note	Attributable to equity shareholders of the Company							
		Share capital $'000	Share premium $'000	Vendor Loan Notes $'000	Capital reserve $'000	Other reserve $'000	Retained profits $'000	Exchange reserve $'000	Total $'000
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 year ended 31 August 2022:									
Profit for the year		–	–	–	–	–	553,321	–	553,321
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong, with nil tax effect		–	–	–	–	–	–	(18,129)	(18,129)
Share of other comprehensive income of associates		–	–	–	–	–	–	(935)	(935)
Exchange differences on translation of foreign operations transferred to consolidated income statement upon disposal		–	–	–	–	–	–	(1,917)	(1,917)
Total comprehensive income		–	–	–	–	–	553,321	(20,981)	532,340
Dividend approved in respect of the previous year	30(b)(ii)	–	(491,850)	–	–	–	–	–	(491,850)
Dividend declared to equity shareholders of the Company in respect of the current year	30(b)(i)	–	(524,640)	–	–	–	–	–	(524,640)
Distribution to holders of Vendor Loan Notes		–	(129,675)	–	–	–	–	–	(129,675)
Equity-settled share-based transactions	24(a)	–	–	–	145	–	–	–	145
Balance at 31 August 2022		132	427,882	2,349,204	40,803	596,420	1,527,522	(17,880)	4,924,083

The notes on pages 135 to 221 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 August 2022 (Expressed in Hong Kong dollars)

	Note	2022 $'000	2021 $'000
Operating activities			
Cash generated from operations	18(b)	**2,027,110**	2,584,440
Tax paid:			
– Hong Kong Profits Tax paid		**(149,971)**	(217,543)
– Tax paid outside Hong Kong		**(15,705)**	(14,153)
– Tax refunded outside Hong Kong		**575**	1,542
Net cash generated from operating activities		**1,862,009**	2,354,286
Investing activities			
Payment for the purchase of property, plant and equipment		**(516,124)**	(572,352)
Payment for the purchase of intangible assets		**(15)**	–
Proceeds from sale of property, plant and equipment		**3,053**	4,485
Proceeds from sale of other financial assets	33(e)	**–**	40,517
Shareholder loan to associates		**(15,359)**	–
Shareholder loan to a joint venture		**–**	(20,000)
Payment for investment in a joint venture		**(60,000)**	(40,000)
Interest received		**2,857**	2,200
Proceeds from disposal of subsidiaries	32	**276,908**	750
Net cash used in investing activities		**(308,680)**	(584,400)
Financing activities			
Capital element of lease rentals paid	18(c)	**(191,225)**	(250,224)
Interest element of lease rentals paid	18(c)	**(18,621)**	(23,772)
Proceeds from bank loans and other borrowings	18(c)	**2,210,339**	12,798,650
Repayment of bank loans	18(c)	**(2,474,470)**	(7,726,507)
Repayment of other borrowings	18(c)	**(9,340)**	(6,813)
Repayment of other liabilities	18(c)	**(14,043)**	(10,456)
Payment for redemption of senior notes	18(c)	**–**	(4,251,074)
Interest paid on bank and other borrowings, senior notes and interest-rate swap	18(c)	**(300,769)**	(297,210)
Transaction costs paid for bank loans	18(c)	**–**	(5,243)
Cash payment for currency forward contract	18(c)	**–**	(17,008)
Dividend paid to the equity shareholders of the Company		**(1,016,490)**	(1,009,932)
Dividend paid to the holders of Vendor Loan Notes		**(129,675)**	(128,838)
Net cash used in financing activities		**(1,944,294)**	(928,427)
Net (decrease)/increase in cash and cash equivalents		**(390,965)**	841,459
Cash and cash equivalents at the beginning of the year	18(a)	**1,526,661**	676,457
Effect of foreign exchange rate changes		**(6,470)**	8,745
Cash and cash equivalents at the end of the year	18(a)	**1,129,226**	1,526,661

The notes on pages 135 to 221 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 August 2022 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in joint ventures and an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities as explained in the accounting policies set out as below:

— contingent consideration (see note 1(f));

— financial assets at fair value through profit or loss and derivative financial instruments (see note 1(g));

— share-based payments (see note 1(s)(iv)); and

— non-current assets and disposal groups held for sale (see note 1(z)).

Going concern assumption

As at 31 August 2022, the current liabilities of the Group exceeded their current assets by approximately $88 million. Included in the current liabilities were (i) current portion of contract liabilities of $600 million recognised under HKFRS 15 which will be gradually reduced through performance obligations being satisfied over the contract terms and (ii) current portion of lease liabilities of $136 million recognised under HKFRS 16 relating to leases with a lease term of more than 12 months and with a corresponding asset recorded in the non-current assets as right-of-use assets. Management of the Group anticipates the net cash inflows from their operations, together with the ability to draw down from available bank loan facilities, would be sufficient to enable the Group to meet their liabilities as and when they fall due. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 38.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Change in accounting policies

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

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*

- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest rate benchmark reform – phase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates ("IBOR reform").

Amendment to HKFRS 16, Covid-19-related rent concessions beyond 30 June 2021 (2021 amendment)

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met (see note 1(j)). One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

The Group has early adopted the 2021 amendment in this financial year. There is no impact on the opening balance of equity at 1 September 2021.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in a joint venture (see note 1(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(k)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(f) and (k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Business combination and goodwill

The Group applies the acquisition method to account for business combination. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(k)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Derivative financial instruments and other investments in debt and equity securities

(i) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(ii) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 1(v)(vi)).

— fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

— fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(h) Property, plant and equipment

Property, plant and equipment, comprising cable, leasehold improvements, furniture, fixtures and fittings, telecommunications, computer and office equipment, motor vehicles and right-of-use assets arising from (i) leases over leasehold properties where the Group is not the registered owner of the property interest, (ii) interests in leasehold land where the Group is the registered owner of the property interest, and (iii) telecommunication facilities and computer equipment, are stated at cost less accumulated depreciation and accumulated impairment losses (see note 1(k)(iii)).

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

— The Group's interests in buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion
— Leasehold improvements are depreciated over the shorter of the unexpired term of the lease and their estimated useful lives
— Leasehold land is depreciated over the unexpired term of lease

— Cable	5–25 years
— Furniture, fixtures and fittings	4–5 years
— Telecommunications, computer and office equipment	4–25 years
— Motor vehicles	4–5 years

— Investment properties are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Property, plant and equipment (continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Major costs incurred in restoring property, plant and equipment to their normal working condition are charged to profit or loss. Major improvements are capitalised and depreciated over their expected useful lives to the Group.

(i) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(k)(iii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis or diminishing balance method or unit of production method over the assets' estimated useful lives. The major intangible assets with finite useful lives are amortised from the date of acquisition and their estimated useful lives are as follows:

— Customer relationship – FTNS business	14–18 years
— Customer relationship – International telecommunications services ("IDD") business	14 years
— Customer relationship – Broadband wireless ("Wi-Fi") connectivity business	18 years
— Customers relationship – Cloud services	7 years
— Customers relationship – IT business	7–18 years
— Brand and trademark – "HKBN" & "WTT" for FTNS business	11–20 years
— Brand and trademark – "IDD0030", "IDD1666", "IDD007" & "IDD1507" for IDD business	11–14 years
— Brand and trademark – "Y5Zone" for Wi-Fi business	20 years
— Brand and trademark – "ICG" for Cloud services	11 years
— Brand and trademark – "WTT" for IT business	11 years
— Brand and trademark – "JOS" for IT business	11 years
— Backlog	1.5–6 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily photocopiers. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

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

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(h) and 1(k)(iii)).

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

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

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

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Leased assets (continued)

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 1(v)(iv).

(iii) Sale and leaseback transactions

A sale and leaseback transaction involves the sale of an asset by the Group and the leasing of the same asset back to the Group. The lease payments and the sale price are usually interdependent as they are negotiated as a package. Sale and leaseback arrangements that result in substantially all of the risks and rewards of ownership of assets being transferred to the lessor are accounted for as operating leases. Any excess of sales proceeds over the carrying amount is recognised in profit or loss as gain on disposal, if the sales prices and lease back arrangements for these transactions are determined based on the prevailing market prices. Payments made under operating leases are charged to profit or loss on a straight-line basis over the lease periods.

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments, contract assets and lease receivables

The Group recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables, deposits and prepayments), contract assets as defined in HKFRS 15 (see note 1(m)) and lease receivables.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— trade receivables, other receivables, deposits and prepayments and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate;

— lease receivables: discount rate used in the measurement of the lease receivable.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Credit losses and impairment of assets (continued)

(i) *Credit losses from financial instruments, contract assets and lease receivables (continued)*

Measurement of ECLs (continued)

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 1(v)(vi) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract such as a default or delinquency in interest or principal payments;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within "trade and other payables" at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Credit losses and impairment of assets (continued)

(ii) Credit losses from financial guarantees issued (continued)

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 1(k)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected (payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(iii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment, including right-of-use assets;

— intangible assets;

— customer acquisition and retention costs;

— goodwill;

— investment in associates and joint ventures; and

— investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Credit losses and impairment of assets (continued)

(iii) Impairment of other non-current assets (continued)

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iv) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(k)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(l) Inventories and other contract costs

(i) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first in, first out cost formula and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Inventories and other contract costs (continued)

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 1(l)(i)), other property, plant and equipment (see note 1(h)) or intangible assets (see note 1(i)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, other property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 1(v).

(m) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 1(v)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in note 1(k)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 1(n)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 1(v)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(n)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 1(v)).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 1(m)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(k)(i)).

(o) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(y)).

(p) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(k)(ii), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Obligations under granting of rights

The obligations under granting of rights to use the Group's services on a free of charge basis as part and parcel of a business combination are recognised initially at fair value. The obligations are amortised over the period which the rights are granted, as follows:

— Rights to use of telecommunications services 10 years

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 1(k)(i).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Talent benefits

(i) Short term Talent benefits

Salaries, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by Talents. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Profit sharing and bonus plans

Provisions for profit sharing and bonus plans are recognised when the Group has a present legal or constructive obligation as a result of services rendered by Talents and a reliable estimate of the obligation can be made.

(iii) Retirement benefit costs

The Group contributes to defined contribution retirement schemes which are available to certain Talents. Contributions to the schemes by the Group are calculated as a percentage of Talents' basic salaries and charged to profit or loss. The Group's contributions are reduced by contributions forfeited by those Talents who leave the scheme prior to vesting fully in the contributions.

The assets of the scheme are held in an independently administered fund that is separated from the Group's assets.

(iv) Share-based payments

(a) Equity-settled share-based payments

The fair value of Restricted Share Units ("RSUs") granted to Talents of the Group in Hong Kong under the Co-Ownership Plan II is recognised as a Talent cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the RSUs were granted. Where the Talents have to meet vesting conditions before becoming unconditionally entitled to the RSUs, the total estimated fair value of the RSUs is spread over the vesting period, taking into account the probability that the RSUs will vest.

During the vesting period, the number of RSUs that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original Talent expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of RSUs that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the service condition. The equity amount is recognised in the capital reserve until the RSUs are vested (when it is included in the amount recognised in share premium for the shares vested).

(b) Cash-settled share-based payments

The fair value of the amount payable to Talents of the Group in the People's Republic of China (the "PRC") in respect of RSUs under the Co-Ownership Plan II, which are to be settled in cash and based on the price of the equity instruments of the Company, is recognised as a Talent cost with a corresponding increase in liabilities. Where the Talents have to meet vesting conditions before becoming unconditionally entitled to payment, the total estimated fair value of the RSUs is spread over the vesting period, taking into account the probability that the RSUs will vest. The liability is remeasured at the end of each reporting period and at settlement date. Any changes in the fair value of the liability are recognised as Talent costs in profit or loss.

(c) Share-based payments among group entities

In the Company's statement of financial position, the Company recognises the fair value of the RSUs granted by the Company to the subsidiaries as a capital contribution to the subsidiaries with an increase in its investments in the subsidiaries. The Company recognises the reimbursement by the subsidiaries of this capital contribution by recognising a recharge asset and a corresponding adjustment (credit) to the carrying amount of the investments in the subsidiaries.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Income tax (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(u) Provisions, contingent liabilities and onerous contracts

(i) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 1(u)(ii).

(ii) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue for the provision of international telecommunications and fixed telecommunications network service

Revenue is recognised over time on the basis of units of traffic/data processed and/or contracted fees for telecommunications services that have been provided and based on the relative fair value of the services rendered. Tariff-free period granted to customers are recognised in profit or loss rateably over the term of the service subscription agreement. Amount received in advance for the provision of services is deferred and included under contract liabilities and subsequently recognised as revenue over the related service period.

Revenue from international telecommunications and fixed telecommunications services was recognised on a similar basis in the comparative period.

(ii) Product revenue

Revenue is recognised when the customer takes possession of and accepts the goods. If the goods are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis. One customer of the Group contributed 19.4% of the Group's total revenue for the year ended 31 August 2022.

Revenue for sale of goods was recognised on a similar basis in the comparative period.

(iii) Revenue from system integration services

Revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract. When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent that it is probable the contract costs incurred will be recoverable. Accumulated experience is used to estimate the variable consideration to the extent that it is highly probable that a significant reversal will not occur, using the expected value method, to be included in the transaction price.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised in accordance with the policy set out in note 1(u)(ii).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Revenue and other income (continued)

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(v) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method.

(vii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(w) Research and development costs

Research and development costs of new services and enhancements to existing services are charged to profit or loss as incurred.

(x) Translation of foreign currencies

The Group's functional currency is Hong Kong dollars. Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill and fair value adjustments arising from acquisition, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(z) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 1.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(aa) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(ab) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position where there is a legally enforceable right to set off the recognised amount and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(ac) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, 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.

2 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.

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

	2022 $'000	2021 $'000
Disaggregated by major products or service lines:		
Fixed telecommunications network services	**4,697,959**	4,647,113
International telecommunications services	**750,192**	1,123,966
Other services	**364,789**	390,819
Fees from provision of telecommunications services	**5,812,940**	6,161,898
Product revenue	**4,765,564**	4,032,898
Technology solution and consultancy services	**1,037,159**	1,215,245
Revenue from contracts with customers within the scope of HKFRS 15	**11,615,663**	11,410,041
Rental income from leasing business	**10,501**	53,704
	11,626,164	11,463,745
Disaggregated by major categories:		
Residential Solutions revenue	**2,433,159**	2,465,294
Enterprise Solutions revenue	**4,427,441**	4,965,553
Enterprise Solutions related product revenue	**2,351,289**	2,310,286
Handset and other product revenue	**2,414,275**	1,722,612
	11,626,164	11,463,745

During the years ended 31 August 2022 and 2021, product revenue is recognised at a point-in-time and revenue from the provision of telecommunications services is substantially recognised over time.

2 REVENUE AND SEGMENT REPORTING (continued)

(a) Disaggregation of revenue (continued)

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 August 2022, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is $4,875,172,000 (2021: $4,350,030,000). This amount represents revenue expected to be recognised in the future from contracts for products or services entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the service is performed or as the work is completed, which is expected to occur over the next 1 to 20 years (2021: 1 to 18 years).

(b) Segment reporting

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.

2 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities

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

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

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

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.

2 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

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

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 August 2022 and 2021 is set out below.

	Telecom and technology solutions (Hong Kong)		Telecom and technology solutions (non-Hong Kong)		Total	
	2022 $'000	2021 $'000	**2022 $'000**	2021 $'000	**2022 $'000**	2021 $'000
Disaggregated by timing of revenue recognition						
Point in time	**3,773,979**	2,985,304	**991,585**	1,047,594	**4,765,564**	4,032,898
Over time	**6,586,239**	6,943,842	**274,361**	487,005	**6,860,600**	7,430,847
Revenue from external customers	**10,360,218**	9,929,146	**1,265,946**	1,534,599	**11,626,164**	11,463,745
Inter-segment revenue	**45,521**	20,979	**317,178**	355,391	**362,699**	376,370
Reportable segment revenue	**10,405,739**	9,950,125	**1,583,124**	1,889,990	**11,988,863**	11,840,115
Reportable segment profit (EBITDA)	**2,466,755**	2,372,049	**127,397**	196,458	**2,594,152**	2,568,507
Interest income	**575**	565	**2,282**	1,635	**2,857**	2,200
Finance costs	**235,829**	473,084	**3,375**	7,945	**239,204**	481,029
Depreciation and amortisation during the year	**1,666,884**	1,772,580	**36,368**	91,610	**1,703,252**	1,864,190
Capital expenditure incurred during the year	**556,683**	536,087	**7,251**	11,373	**563,934**	547,460
Income tax expenses	**141,126**	101,931	**17,769**	16,462	**158,895**	118,393

2 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

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

	2022 $'000	2021 $'000
Reportable segment profit derived from Group's external customers	**2,594,152**	2,568,507
Finance costs	**(239,204)**	(481,029)
Interest income	**2,857**	2,200
Depreciation	**(933,828)**	(1,011,892)
Amortisation of intangible assets	**(411,384)**	(456,754)
Amortisation of customer acquisition and retention costs	**(293,854)**	(295,767)
Impairment on investment in a joint venture	**(6,523)**	–
Consolidated profit before taxation	**712,216**	325,265

(iii) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment properties, property, plant and equipment, right-of-use assets, intangible assets, goodwill, customer acquisition and retention costs, interests in joint ventures and associates, loan to associates and other non-current assets ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of right-of-use assets, intangible assets, goodwill, customer acquisition and retention costs and other non-current assets and the location of operations, in the case of interests in joint ventures and associates and loan to associates.

	Revenue from external customers	
	2022 $'000	2021 $'000
Hong Kong (place of domicile)	**10,360,218**	9,929,146
Mainland China	**781,784**	635,630
Singapore	**116,759**	332,476
Other territories	**367,403**	566,493
	1,265,946	1,534,599
	11,626,164	11,463,745

	Specified non-current assets	
	2022 $'000	2021 $'000
Hong Kong (place of domicile)	**17,288,978**	17,995,081
Mainland China	**67,817**	87,139
Other territories	**327**	1,219
	68,144	88,358
	17,357,122	18,083,439

3 PROFIT BEFORE TAXATION

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

	2022 $'000	2021 $'000
(a) Other net income		
Interest income	**(2,857)**	(2,200)
Net foreign exchange loss	**2,313**	15,669
Amortisation of obligations under granting of rights (note 27)	**(6,771)**	(9,024)
Impairment on investment in a joint venture (note 13(b))	**6,523**	–
Fair value loss on currency forward	**–**	309
Discounts on early settlement to suppliers	**–**	(188)
Gain on disposal of subsidiaries (note 32)	**(40,033)**	–
Other income	**(22,017)**	(27,817)
	(62,842)	(23,251)
(b) Other operating expenses		
Advertising and marketing expenses	**372,138**	369,792
Depreciation		
– Property, plant and equipment	**728,941**	752,019
– Investment properties	**7,367**	7,972
– Right-of-use assets	**191,852**	201,701
(Gain)/loss on disposal of property, plant and equipment, net	**(1,459)**	827
Gain on disposal of right-of-use assets, net	**–**	(167)
Recognition of loss allowance on trade receivables and contract assets (note 33(a))	**61,327**	79,002
Talent costs (note 3(c))	**912,022**	984,184
Amortisation of intangible assets	**411,384**	456,754
Amortisation of customer acquisition and retention costs (note 15(b))	**293,854**	295,767
Others	**555,027**	550,458
– Office rental and utilities	**85,727**	79,371
– Site expenses	**93,550**	89,891
– Bank handling charges	**40,184**	42,015
– Maintenance	**121,163**	124,086
– Subscription and license fees	**97,462**	80,877
– Legal and professional fees	**31,501**	29,982
– Printing, telecommunication and logistics expenses	**42,929**	46,815
– Others	**42,511**	57,421
	3,532,453	3,698,309

3 PROFIT BEFORE TAXATION (continued)

	2022 $'000	2021 $'000
(c) Talent costs		
Salaries, wages and other benefits	**1,580,628**	1,685,362
Contributions to defined contribution retirement plan	**126,251**	123,039
Equity-settled share-based payment expenses (note 24(a)(A))	**145**	293
Cash-settled share-based payment expenses (note 24(a)(B))	**67**	127
	1,707,091	1,808,821
Less: Talent costs capitalised as property, plant and equipment	**(49,119)**	(56,158)
Talent costs included in advertising and marketing expenses and amortisation of customer acquisition and retention costs	**(397,169)**	(403,420)
	1,260,803	1,349,243
Talent costs included in other operating expenses	**912,022**	984,184
Talent costs included in network costs and costs of sales	**348,781**	365,059
	1,260,803	1,349,243

In 2022, the Group successfully applied for Talent-related funding support from the Hong Kong SAR Government, the Macau SAR Government and all regions/countries where the Group operates ("the Funds") of $19,798,000 (2021: $104,356,000), of which $Nil (2021: $85,237,000) was passed on to the Talents. The Funds is for providing time-limited financial support to employers to retain their employees with the operating pressure caused by the novel coronavirus epidemic.

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

3 PROFIT BEFORE TAXATION (continued)

	2022 $'000	2021 $'000
(d) Finance costs		
Interest and finance charges on bank loans	**302,161**	210,908
Interest on other borrowings	**3,834**	536
Interest and finance charges on senior notes	**–**	56,640
Interest on interest-rate swaps, net	**3,125**	8,313
Interest on lease liabilities	**18,621**	23,772
Interest on other liabilities	**1,180**	1,498
Loss on extinguishment of senior notes	**–**	145,463
Originating fee for banking facilities expired	**–**	20,569
Fair value (gain)/loss on interest-rate swaps	**(89,717)**	13,330
	239,204	481,029
(e) Other items		
Amortisation of intangible assets (note 10)	**475,570**	556,531
Depreciation		
– Property, plant and equipment (note 11(a))	**728,941**	752,019
– Investment properties (note 11(a))	**7,367**	7,972
– Right-of-use assets (note 11(c))	**197,520**	251,901
Rental charges		
– Telecommunications facilities and computer equipment	**514,254**	474,372
Lease expenses relating to short-term leases, in respect of:		
– Land and buildings	**13,028**	15,877
Auditor's remuneration		
– Audit services	**7,464**	8,350
– Review services	**785**	750
– Tax services	**759**	640
– Other services	**1,721**	3,174
Recognition of loss allowance on trade receivables and contract assets	**61,327**	79,002
Research and development costs	**32,118**	37,459
Rental receivable from investment properties less direct outgoings $775,000 (2021: $820,000)	**(5,360)**	(5,067)
Cost of inventories (note 15)	**4,453,689**	3,687,950
Write down of inventories (note 15)	**1,581**	2,900

Network costs and costs of sales includes $348,781,000, $5,668,000 and $64,186,000 for the year ended 31 August 2022 (2021: $365,059,000, $50,200,000 and $99,777,000), relating to Talent costs, and depreciation of right-of-use assets and amortisation of intangible assets respectively which amount is also included in the respective total amounts disclosed separately above or in notes 3(b) and 3(c) for each of these types of expenses.

4 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2022 $'000	2021 $'000
Current tax – Hong Kong Profits Tax		
Provision for the year	202,234	207,759
Over-provision in respect of prior years	(151)	(813)
Current tax – Outside Hong Kong		
Provision for the year	15,896	13,421
Under/(over)-provision in respect of prior years	2,424	(662)
Deferred tax		
Origination and reversal of temporary differences (note 26)	(61,508)	(101,312)
Tax expenses	158,895	118,393

The provision for Hong Kong Profits Tax for 2022 is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is 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 2021.

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

(b) Reconciliation between tax expenses and accounting profit at applicable tax rates:

	2022 $'000	2021 $'000
Profit before taxation	712,216	325,265
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	117,666	59,186
Tax effect of non-deductible expenses	67,326	79,004
Tax effect of non-taxable income	(29,277)	(18,838)
Utilisation of tax loss/other deferred assets previously not recognised	(1,418)	(2,518)
Tax effect of unused tax losses not recognised	997	3,596
Under/(over)-provision in respect of prior years	2,273	(1,475)
Others	1,328	(562)
Actual tax expenses	158,895	118,393

5 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2022						
	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Sub-total $'000	Share-based payments (note (i)) $'000	Total $'000
Executive directors							
Mr. Chu Kwong YEUNG	–	9,645	–	1,051	10,696	–	10,696
Mr. Ni Quiaque LAI	–	6,417	–	699	7,116	–	7,116
Non-executive directors							
Ms. Suyi KIM (resigned on 14 December 2021)	–	–	–	–	–	–	–
Mr. Zubin Jamshed IRANI	–	–	–	–	–	–	–
Mr. Teck Chien KONG (resigned on 13 December 2021)	–	–	–	–	–	–	–
Mr. Agus TANDIONO (appointed on 14 December 2021)	–	–	–	–	–	–	–
Ms. Shengping Yu (appointed on 14 December 2021)	–	–	–	–	–	–	–
Independent non-executive directors							
Mr. Bradley Jay HORWITZ	628	–	–	–	628	–	628
Mr. Stanley CHOW	628	–	–	–	628	–	628
Mr. Yee Kwan Quinn LAW	628	–	–	–	628	–	628
	1,884	16,062	–	1,750	19,696	–	19,696

	2021						
	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Sub-total $'000	Share-based payments (note (i)) $'000	Total $'000
Executive directors							
Mr. Chu Kwong YEUNG	–	10,407	888	1,040	12,335	–	12,335
Mr. Ni Quiaque LAI	–	6,926	600	692	8,218	–	8,218
Non-executive directors							
Ms. Suyi KIM	–	–	–	–	–	–	–
Mr. Zubin Jamshed IRANI	–	–	–	–	–	–	–
Mr. Teck Chien KONG	–	–	–	–	–	–	–
Independent non-executive directors							
Mr. Bradley Jay HORWITZ	628	–	–	–	628	–	628
Mr. Stanley CHOW	628	–	–	–	628	–	628
Mr. Yee Kwan Quinn LAW	628	–	–	–	628	–	628
	1,884	17,333	1,488	1,732	22,437	–	22,437

5 DIRECTORS' EMOLUMENTS (continued)

Notes:

(i) These represent the estimated value of RSUs granted to the directors under the Company's Co-Ownership Plan II ("the Plan II"). The value of these RSUs is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(s)(iv). The details of these benefits in kind, including the principal terms and number of RSUs granted, are disclosed in note 24.

During the year ended 31 August 2022, there were no amounts paid or payable by the Group to the directors or any of the highest paid individual set out in note 6 below as an inducement to join or upon joining the Group or as a compensation for loss of office (2021: Nil). There was no arrangement under which a director waived or agreed to waive any remuneration during the year ended 31 August 2022 (2021: Nil).

6 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2021: two) are directors whose emoluments are disclosed in note 5. The aggregate of the emoluments in respect of the other three (2021: three) individuals are as follows:

	2022 $'000	2021 $'000
Salaries and other emoluments	**12,630**	10,452
Discretionary bonuses	**775**	1,031
Retirement scheme contributions	**850**	1,037
	14,255	12,520

The emoluments of the three (2021: three) individuals with the highest emoluments are within the following bands:

	2022 Number of individuals	2021 Number of individuals
$3,000,001–$3,500,000	**2**	1
$3,500,001–$4,000,000	**–**	1
$4,000,001–$4,500,000	**–**	–
$4,500,001–$5,000,000	**–**	–
$5,000,001–$5,500,000	**–**	–
$5,500,001–$6,500,000	**–**	1
$6,500,001–$7,500,000	**–**	–
$7,500,001–$8,500,000	**1**	–
	3	3

7 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 $553,321,000 (2021: $206,872,000) and the weighted average number of ordinary shares in issue calculated as follows:

	2022 '000	2021 '000
Issued ordinary shares at 1 September	**1,311,599**	1,311,599
Less: shares held for the Co-Ownership Plan II	**(5,666)**	(5,666)
Add: effect of the Co-Ownership Plan II RSUs vested	**4,860**	4,770
Weighted average number of ordinary shares in issue during the year	**1,310,793**	1,310,703

(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 $553,321,000 (2021: $206,872,000) 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 Vendor Loan Notes, calculated as follows:

	2022 '000	2021 '000
Weighted average number of ordinary shares less shares held for the Co-Ownership Plan II	**1,310,793**	1,310,703
Add: effect of the Co-Ownership Plan II	**–**	34
Add: effect of the Vendor Loan Notes	**167,322**	167,322
Weighted average number of ordinary shares (diluted)	**1,478,115**	1,478,059

8 RETIREMENT BENEFIT COSTS

The Group contributes to an Occupational Retirement Scheme (the "ORSO Scheme"), a defined contribution retirement scheme, which is available to some of its Talents in Hong Kong. Under the ORSO Scheme, the Talents are required to contribute 5% of their monthly salaries, while the Group's contributions are calculated at 10% and 5% of the monthly salaries of senior Talents and other Talents respectively. The Talents are entitled to 100% of the employer's contributions after 10 years of completed service, or at a reduced scale after completion of 3 to 9 years' service. Contributions to the ORSO Scheme are reduced by contributions forfeited by those Talents who leave the ORSO Scheme prior to vesting fully in the Group's contributions.

A mandatory provident fund scheme (the "MPF Scheme") has been established under the Hong Kong Mandatory Provident Fund Scheme Ordinance in December 2000. The existing Talents of the Group in Hong Kong could elect to join the MPF Scheme, while all new Talents joining the Group in Hong Kong from then onwards are required to join the MPF Scheme. Both the Group and the Talents are required to contribute 5% of each individual's relevant income with a maximum amount of $1,250 per month before 1 June 2014, and commenced from 1 June 2014, the maximum amount has been increased to $1,500, as a mandatory contribution. Employer's mandatory contributions are 100% vested in the Talents as soon as they are paid to the MPF Scheme. Senior Talents may also elect to join a Mutual Voluntary Plan (the "Mutual Plan") in which both the Group and senior Talents, on top of the MPF Scheme mandatory contributions, make a voluntary contribution to the extent of contributions that would have been made under the ORSO Scheme. During the year, forfeited contributions totaling $122,000 (2021: $245,000) were used to reduce the current year's level of contributions and $Nil was available at 31 August 2022 (2021: $Nil) to reduce future year's contributions.

Pursuant to the relevant regulations in the PRC, the Group contributes to a defined contribution retirement scheme organised by the local social security bureau for each Talent of the subsidiary in the PRC at the rate of 20% of a standard salary base as determined by the local social security bureau, the rate has been decreased to 14% effective from 1 January 2015. The Group has no other obligation to make payments in respect of retirement benefits of these Talents.

Retirement benefits for employees in mainland China and other locations are based primarily on local mandatory requirements.

9 GOODWILL

	$'000
Cost:	
At 1 September 2020, 31 August 2021, 1 September 2021 and 31 August 2022	9,016,507
Accumulated impairment losses:	
At 1 September 2020, 31 August 2021, 1 September 2021 and 31 August 2022	–
Carrying amount:	
At 31 August 2022	9,016,507
At 31 August 2021	9,016,507

9 GOODWILL (continued)

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to operating segments as follows:

	2022 $'000	2021 $'000
Telecom and technology solutions (Hong Kong)		
– fixed telecommunications network service	**8,933,317**	8,933,317
– technology related services	**83,190**	83,190
	9,016,507	9,016,507

The recoverable amount of the CGUs is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a period of four to five years, assumptions reflective of the prevailing market conditions, and are discounted appropriately.

The key assumptions used in the value-in-use calculation are (i) the average annual growth rate of revenue of the fixed telecommunications network services (including Wi-Fi connectivity services) and technology solutions and consultancy services, (ii) terminal growth rates and (iii) discount rates, which are determined based on the past performance and management's expectation for market development. The discount rate used is pre-tax and reflects specific risks relating to the relative segment. Any adverse change in the key assumptions could reduce the recoverable amount below carrying amount.

Key assumptions adopted in the cash flow projections for impairment reviews are as follows:

	2022	2021
Telecom and technology solutions (Hong Kong)		
– fixed telecommunications network service		
Revenue growth rate	**3%**	3%
Long-term growth rate	**2%**	2%
Pre-tax discount rate	**13%**	11%

	2022	2021
Telecom and technology solutions (Hong Kong)		
– technology related services		
Revenue growth rate	**3%**	3%
Long-term growth rate	**1%**	1%
Pre-tax discount rate	**17%**	14%

10 INTANGIBLE ASSETS

	Customer relationship					Brand and trademark								
	For FTNS business $'000	For IDD business $'000	For Wi-Fi business $'000	For Cloud business $'000	For IT business $'000	For FTNS business $'000	For IDD business $'000	For Wi-Fi business $'000	For Cloud business $'000	For IT business $'000	Backlog $'000	Computer software $'000	Other intangible assets $'000	Total $'000
Cost:														
At 1 September 2020	2,886,029	164,000	9,296	1,229	522,723	1,461,205	48,819	7,721	12,228	240,393	213,977	29,973	477,778	6,075,371
Disposals	–	–	–	–	–	–	–	–	–	–	–	(56)	–	(56)
Transferred to disposal group classified as held for sale	–	–	–	–	(9,407)	–	–	–	–	(34,932)	–	(2,009)	–	(46,348)
Exchange difference	–	–	–	–	–	–	–	–	–	–	–	37	–	37
At 31 August 2021	2,886,029	164,000	9,296	1,229	513,316	1,461,205	48,819	7,721	12,228	205,461	213,977	27,945	477,778	6,029,004
At 1 September 2021	2,886,029	164,000	9,296	1,229	513,316	1,461,205	48,819	7,721	12,228	205,461	213,977	27,945	477,778	6,029,004
Additions	–	–	–	–	–	–	–	–	–	–	–	15	72,000	72,015
Exchange difference	–	–	–	–	–	–	–	–	–	–	–	(61)	–	(61)
At 31 August 2022	2,886,029	164,000	9,296	1,229	513,316	1,461,205	48,819	7,721	12,228	205,461	213,977	27,899	549,778	6,100,958
Accumulated amortisation:														
At 1 September 2020	786,074	96,640	3,956	600	40,736	419,081	14,571	2,959	2,297	32,860	187,084	7,256	280,613	1,874,727
Charge for the year	181,786	11,714	516	176	32,932	158,220	6,123	386	1,112	26,636	26,893	10,260	99,777	556,531
Written back on disposals	–	–	–	–	–	–	–	–	–	–	–	(52)	–	(52)
Transferred to disposal group classified as held for sale	–	–	–	–	(2,311)	–	–	–	–	(5,460)	–	(612)	–	(8,383)
Exchange difference	–	–	–	–	–	–	–	–	–	–	–	18	–	18
At 31 August 2021	967,860	108,354	4,472	776	71,357	577,301	20,694	3,345	3,409	54,036	213,977	16,870	380,390	2,422,841
At 1 September 2021	967,860	108,354	4,472	776	71,357	577,301	20,694	3,345	3,409	54,036	213,977	16,870	380,390	2,422,841
Charge for the year	181,786	11,714	516	176	31,588	146,886	5,656	386	1,112	22,246	–	9,318	64,186	475,570
Exchange difference	–	–	–	–	–	–	–	–	–	–	–	(60)	–	(60)
At 31 August 2022	1,149,646	120,068	4,988	952	102,945	724,187	26,350	3,731	4,521	76,282	213,977	26,128	444,576	2,898,351
Net book value:														
At 31 August 2022	1,736,383	43,932	4,308	277	410,371	737,018	22,469	3,990	7,707	129,179	–	1,771	105,202	3,202,607
At 31 August 2021	1,918,169	55,646	4,824	453	441,959	883,904	28,125	4,376	8,819	151,425	–	11,075	97,388	3,606,163

10 INTANGIBLE ASSETS (continued)

The identifiable intangible assets recognised by the Group upon the business combinations completed on 30 May 2012, 4 January 2013, 31 March 2016, 30 May 2018, 30 April 2019 and 13 December 2019 include:

— Customer relationship of FTNS and IDD business
— Brand and trademark of FTNS and IDD business, including "HKBN", "WTT", "IDD1666" , "IDD0030", "IDD007", "IDD1507"
— Customer relationship of Wi-Fi business
— Brand and trademark of Wi-Fi business
— Customer relationship of Cloud business
— Brand and trademark of Cloud business
— Customer relationship of IT business
— Brand and trademark of IT business
— Backlog of FTNS business

The fair value of the intangible assets at the dates of completion of the business combinations were appraised by independent valuers.

Other intangible assets include contractual right to receive future benefits and licences.

11 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

(a) Reconciliation of carrying amount

	Cable $'000	Leasehold land and buildings $'000	Leasehold improvements $'000	Furniture, fixtures and fittings $'000	Telecommunications, computer and office equipment $'000	Motor vehicles $'000	Sub-total $'000	Investment properties $'000	Total $'000
Cost:									
At 1 September 2020	52,449	111,195	112,857	12,462	7,134,841	4,634	7,428,438	229,371	7,657,809
Exchange adjustments	–	–	1,406	352	2,855	9	4,622	–	4,622
Additions	–	–	3,297	2,592	540,309	1,262	547,460	–	547,460
Disposals	–	–	(460)	(1,626)	(40,843)	–	(42,929)	–	(42,929)
Transferred to disposal group classified as held for sale (note 29)	–	–	(6,158)	(788)	(6,510)	(247)	(13,703)	–	(13,703)
At 31 August 2021	52,449	111,195	110,942	12,992	7,630,652	5,658	7,923,888	229,371	8,153,259
At 1 September 2021	52,449	111,195	110,942	12,992	7,630,652	5,658	7,923,888	229,371	8,153,259
Exchange adjustments	–	–	(1,962)	(348)	(2,630)	–	(4,940)	–	(4,940)
Additions	–	–	2,530	548	560,533	323	563,934	–	563,934
Disposals	–	–	(2,094)	(964)	(46,113)	(772)	(49,943)	–	(49,943)
Disposal of subsidiaries (note 32)	–	–	(2,638)	–	–	–	(2,638)	(229,371)	(232,009)
At 31 August 2022	52,449	111,195	106,778	12,228	8,142,442	5,209	8,430,301	–	8,430,301
Accumulated depreciation:									
At 1 September 2020	46,697	8,198	54,333	6,053	3,198,344	2,553	3,316,178	22,571	3,338,749
Exchange adjustments	–	–	794	161	1,626	2	2,583	–	2,583
Charge for the year	286	4,009	17,443	2,954	726,270	1,057	752,019	7,972	759,991
Written back on disposals	–	–	(420)	(1,567)	(38,478)	–	(40,465)	–	(40,465)
Transferred to disposal group classified as held for sale (note 29)	–	–	(3,369)	(556)	(3,448)	(144)	(7,517)	–	(7,517)
At 31 August 2021	46,983	12,207	68,781	7,045	3,884,314	3,468	4,022,798	30,543	4,053,341
At 1 September 2021	46,983	12,207	68,781	7,045	3,884,314	3,468	4,022,798	30,543	4,053,341
Exchange adjustments	–	–	(1,619)	(182)	(1,738)	–	(3,539)	–	(3,539)
Charge for the year	262	4,005	13,066	1,927	708,815	866	728,941	7,367	736,308
Written back on disposals	–	–	(2,094)	(938)	(45,108)	(376)	(48,516)	–	(48,516)
Disposal of subsidiaries (note 32)	–	–	(819)	–	–	–	(819)	(37,910)	(38,729)
At 31 August 2022	47,245	16,212	77,315	7,852	4,546,283	3,958	4,698,865	–	4,698,865
Net book value:									
At 31 August 2022	5,204	94,983	29,463	4,376	3,596,159	1,251	3,731,436	–	3,731,436
At 31 August 2021	5,466	98,988	42,161	5,947	3,746,338	2,190	3,901,090	198,828	4,099,918

At 31 August 2022 and 2021, the Group has certain agreements with third parties (the "Contract Parties") in which the Group would provide its network capacity to the Contract Parties in certain period, and in exchange, the Contract Parties would provide the Group the right to use the network capacity of the Contract Parties in the same period. The directors of the Group consider that since the arrangements involve exchange of a similar nature and value, the exchange is not recognised as a transaction which generates revenue, and accordingly, the network capacity of the Contract Parties under the agreements have not been recognised as an asset and no revenue or deferred revenue have been recognised in the financial statements of the Group.

11 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES (continued)

(b) Fair value measurement of investment properties

As of 31 August 2022, there was no investment properties as it was disposed through the disposal of subsidiary. The fair value of investment properties at 31 August 2021 is $231,600,000 which is estimated at their open market value by reference to recent market transactions in comparable properties (2021: the same basis of valuation adopted). The valuation was carried out by an independent firm of surveyors Asset Appraisal Limited, who have among their staff members of the Hong Kong Institute of Surveyors with recent experience the location and category of the properties being valued.

Fair value hierarchy

The following table presents the fair value of the Group's investment property 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, *Fair value measurement*. 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 measurements categorised into		
	Fair value $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Recurring fair value measurements				
Investment properties				
– 31 August 2021	231,600	–	231,600	–

During the year ended 31 August 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period date in which they occur.

The fair value of investment properties is determined by using direct comparison approach with reference to the market price of comparable properties and adjusted for building quality and timing of the reference transaction. The significant unobservable input in the fair value measurement is the property-specific adjusting rate of 9.67% as at 31 August 2021. The fair value measurement is positively correlated to the property-specific adjusting rate.

11 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES (continued)

(c) Right-of-use assets

The analysis of net book values of right-of-use assets by class of underlying asset of the Group is as follows:

	Notes	**2022 $'000**	2021 $'000
Interests in leasehold land held for own use, carried at depreciated cost, with remaining lease term of:	(i)		
– 10 years or less		**3,706**	3,939
– between 10 and 50 years		**224,717**	232,730
– 50 years or more		**5,284**	6,095
		233,707	242,764
Other properties leased for own used, carried at depreciated cost	(ii)	**340,198**	345,795
Telecommunication facilities and computer equipment	(iii)	**131,702**	92,790
		705,607	681,349

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2022 $'000	2021 $'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Interests in leasehold land held for own use	**9,055**	9,055
Other properties leased for own used	**158,219**	169,272
Telecommunication facilities and computer equipment	**30,246**	73,574
	197,520	251,901

During the year, additions to right-of-use assets were $233,829,000 (2021: $76,234,000). This amount primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 18(e) and 21 respectively.

(i) Interests in leasehold land held for own use

The Group holds several commercial buildings, industrial buildings, hub sites and car park space for its business and is the registered owner of these property interests. Lump sum payments were made upfront to acquire these property interests from their previous registered owners.

11 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES (continued)

(c) Right-of-use assets (continued)

(ii) Properties leased for own use

The Group has obtained the right to use other properties as its office, data centre, server rooms, warehouse and retail stores through tenancy agreements. The leases typically run for an initial period of 2 to 10 years (2021: 2 to 10 years).

The Group has a 3 year extension option exercisable to renew the lease of one warehouse and Group assessed not reasonably certain to exercise the extension option, the future lease payment during the extension period are not included in the measurement of lease liabilities. The potential exposure to the future lease payment is summarised below:

	2022 Lease liabilities recognised (discounted) $'000	**2022 Potential future lease payments under extension option not included in lease liabilities (undiscounted) $'000**	2021 Lease liabilities recognised (discounted) $'000	2021 Potential future lease payments under extension option not included in lease liabilities (undiscounted) $'000
Warehouse – Hong Kong	**–**	**–**	3,599	18,247

The Group leased a number of retail stores which contain variable lease payment terms that are based on 1%-5% of sales generated from the retail stores and minimum fixed lease payment terms. No variable lease payment occurred during the years ended 31 August 2022 and 2021.

(iii) Telecommunications facilities and computer equipment

The Company leases telecommunications facilities and computer equipment under leases expiring from 2 to 9 years (2021: 2 to 9 years). None of the leases includes variable lease payments.

(d) Investment properties

The Group leases out investment properties under operating leases. The leases typically run for an initial period of two years, with an option to renew the lease after that date at which time all terms are renegotiated.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2022 $'000	2021 $'000
Within 1 year	**–**	4,176
	–	4,176

(Expressed in Hong Kong dollars unless otherwise indicated)

11 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES (continued)

(e) Sales and leaseback arrangement contracts

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 is that the lessors provide finance to the Group with the asset as security. The Group continues to account 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 (note 20(b)(vi).

(f) Security

At 31 August 2022, certain telecommunications, computer and office equipment with carrying amount of $33,078,000 (2021:Nil) were pledged against the other loan (note 20(b)(vii)).

12 INVESTMENTS IN SUBSIDIARIES

The following is a list of principal subsidiaries of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation/ establishment	Particulars of issued and paid up share capital	Percentage of ownership interest held	Principal activities and place of operation
ADURA CYBER SECURITY SERVICES PTE. LTD.	Singapore	SG$1	100	Provision of IT and security related services in Singapore
Adura Hong Kong Limited	Hong Kong	$1	100	Provision of IT and security related services in Hong Kong
COL LIMITED	Hong Kong	40,000 shares	100	Provision of data processing services in Hong Kong
COL (SHANGHAI) LTD.*	PRC#	US$700,000	100	Provision of data processing/data centre services in the PRC
CONCORD IDEAS LTD.	BVI	US$10	100	Investment holding in Hong Kong
COSMO TRUE LIMITED	BVI	US$1	100	Property investment in Hong Kong
DYNAMIC FUTURE INVESTMENTS LIMITED	Hong Kong	1 share	100	Property holding in Hong Kong
EC TELECOM LIMITED	Hong Kong	2 shares	100	Provision of telecommunication services in Hong Kong
Guangzhou Cangxun Electron Technology Service Limited Company*	PRC#	$1,000,000	100	Provision of telecommunication services in the PRC
Guangzhou City Telecom Customer Services Co. Ltd.*	PRC#	$8,000,000	100	Provision of administrative support services in the PRC

(Expressed in Hong Kong dollars unless otherwise indicated)

12 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation/ establishment	Particulars of issued and paid up share capital	Percentage of ownership interest held	Principal activities and place of operation
HKBN Enterprise Solutions Cayman Corp ("HKBNESCC")	Cayman Islands	US$1	100	Investment holding in Hong Kong
HKBN Enterprise Solutions Cloud Services Limited	Hong Kong	100 shares	100	Provision of consulting services in Hong Kong
HKBN Enterprise Solutions Development Ltd ("HKBNESDL")	Cayman Islands	US$0.01	100	Investment holding in Hong Kong
HKBN Enterprise Solutions eBusiness Limited	Hong Kong	1 share	100	Provision of telecommunication services in Hong Kong
HKBN Enterprise Solutions HK Limited ("HKBNESHKL")	Hong Kong	1,752,079,583 shares	100	Provision of telecommunication services in Hong Kong
HKBN Enterprise Solutions Limited	Hong Kong	10,000,000 shares	100	Provision of telecommunication services in Hong Kong
HKBN Enterprise Solutions Net Limited	Hong Kong	2 shares	100	Investment holding in the PRC
HKBN Group Limited ("HKBNGL")	BVI	US$5,294	100	Investment holding in Hong Kong
HKBN International Limited	BVI	US$1	100	License holding in Taiwan
HKBN JOS Applications (HK) Limited	Hong Kong	$2	100	Enterprise systems development in Hong Kong
HKBN JOS (China) Limited	Hong Kong	100,000 shares	100	Investment holding in Hong Kong
HKBN JOS Holdings (C.I.) Limited	Cayman Islands	US$14,119	100	Investment holding in Hong Kong
HKBN JOS Limited	Hong Kong	$33,000,000	100	Enterprise systems technical services, distribution and logistics services in Hong Kong
HKBN JOS (MACAU) LIMITED	Macau	MOP$25,000	100	Enterprise systems in Macau
HKBN JOS (Shanghai) Company Limited*	PRC#	$30,000,000	100	Technical services and product sales in the PRC
HKBN JOS Synergy (HK) Limited	Hong Kong	$4	100	Consulting and outsourcing services in Hong Kong

(Expressed in Hong Kong dollars unless otherwise indicated)

12 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation/ establishment	Particulars of issued and paid up share capital	Percentage of ownership interest held	Principal activities and place of operation
HKBN JOS (Zhuhai) Company Limited*	PRC#	$2,500,000	100	Technical services and product sales in the PRC
Hong Kong Broadband Network Limited ("HKBN")	Hong Kong	383,049 shares	100	Provision of internet telecommunications and security devices installation services in Hong Kong
Jiuxin (Guangzhou) Electron Technology Service Limited Company*	PRC#	$1,300,000	100	Provision of telecommunication services in the PRC
JOS Applications Holding Limited	BVI	US$10,000	100	Investment holding in Hong Kong
JOS Asia Limited	Hong Kong	$1	100	Business referrals and consultancy services in Hong Kong
Metropolitan Light Company Limited ("MLCL")	Cayman Islands	US$1,000	100	Investment holding in Hong Kong
Metropolitan Light (HK) Company Limited	Hong Kong	400,000 shares	100	Investment holding in the PRC
Mirapoint Asia Limited	Hong Kong	1 share	100	Sales and marketing of mirapoint, and email related products in Hong Kong
NEW FORCE CUSTOMER SERVICES LIMITED	Hong Kong	2 shares	100	Investment holding in the PRC
NEW IMPACT CUSTOMER SERVICES LIMITED	Hong Kong	2 shares	100	Investment holding in the PRC
ONE. TEL LIMITED	Hong Kong	10,000 shares	100	Provision of telecommunication services in Hong Kong
ONETEL.NET LIMITED	Hong Kong	1,000 shares	100	Provision of telecommunication services in Hong Kong
PIHK Network Limited	Hong Kong	42,829,601 shares	100	Provision of telecommunication services in Hong Kong

(Expressed in Hong Kong dollars unless otherwise indicated)

12 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation/ establishment	Particulars of issued and paid up share capital	Percentage of ownership interest held	Principal activities and place of operation
SKY LEADER LIMITED	Hong Kong	2 shares	100	Provision of telecommunication services in Hong Kong
Super Advance Technology Limited	BVI	US$1	100	Investment holding in Hong Kong
UTMOST POWER LIMITED	Hong Kong	1 share	100	Property holding in Hong Kong
Y5Zone Limited	Hong Kong	2 shares	100	Provision of Wi-Fi networking consultancy and connectivity services in Hong Kong

* The English names are translated for reference only. The official names of these entities are in Chinese.

Wholly owned foreign enterprise registered under the PRC law.

13 INTEREST IN JOINT VENTURES AND ASSOCIATES

(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 holding 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.

13 INTEREST IN JOINT VENTURES AND ASSOCIATES (continued)

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

	2022 $'000	2021 $'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**17,110**	17,879
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 year	**(53,497)**	(31,508)
– Total comprehensive income	**(53,497)**	(31,508)

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

				Proportion of ownership interest			
Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Group's effective interest	Held by the company	Held by a subsidiary	Principal activity
Guangdong Broadband Network Limited*	Limited liability company	PRC#	RMB10,000,000	40%	0%	40%	Provision of telecommunications service in the PRC
JOS (MALAYSIA) SDN. BHD.	Limited liability company	Malaysia	MYR$7,500,000	40%	0%	40%	Enterprise systems technical services in Malaysia
JOS (SG) PTE. LTD.	Limited liability company	Singapore	SG$25,362,590	40%	0%	40%	Enterprise systems technical services in Singapore
JOS APPLICATIONS (S) PTE. LTD.	Limited liability company	Singapore	Ordinary shares: SG$200 Preference shares: SG$750,000	40%	0%	40%	Software and programming activities in Singapore

The management accounts of Guangdong Broadband Network Limited were not available as of the date of this report.

* The English name is translated for reference only. The official name of entity is in Chinese.

\# Chinese-Foreign equity joint venture registered under the PRC law.

13 INTEREST IN JOINT VENTURES AND ASSOCIATES (continued)

(d) Aggregate information of associates:

	2022 $'000	2021 $'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**56,920**	4,816
Aggregate amounts of the Group's share of those associate		
– Profit for the year	**4,167**	–
– Other comprehensive income	**(935)**	378
– Total comprehensive income	**3,232**	378

14 OTHER NON-CURRENT ASSETS

Other non-current assets mainly comprise prepayments and deposits for purchase of property, plant and equipment. The amounts are neither past due nor impaired.

	2022 $'000	2021 $'000
Prepayments	**69,065**	64,797
Deposits	**29,466**	27,161
	98,531	91,958

15 INVENTORIES AND CUSTOMER ACQUISITION AND RETENTION COSTS

(a) Inventories

Inventories in the consolidated statement of financial position comprise finished goods, spare parts and work in progress.

	2022 $'000	2021 $'000
Finished goods	**105,137**	103,410
Spare parts for services	**6,182**	6,373
Work in progress	**159**	832
	111,478	110,615

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2022 $'000	2021 $'000
Carrying amount of inventories sold	**4,453,689**	3,687,950
Write down of inventories	**1,581**	2,900
	4,455,270	3,690,850

The write-down of inventories made due to the decrease in net realisable value of goods for resale.

15 INVENTORIES AND CUSTOMER ACQUISITION AND RETENTION COSTS (continued)

(b) Customer acquisition and retention costs

	$'000
Cost:	
At 1 September 2020	1,127,661
Additions	265,467
At 31 August 2021 and 1 September 2021	1,393,128
Additions	242,050
At 31 August 2022	1,635,178
Accumulated amortisation:	
At 1 September 2020	532,512
Charge for the year	295,767
At 31 August 2021 and 1 September 2021	828,279
Charge for the year	293,854
At 31 August 2022	1,122,133
Carrying amount:	
At 31 August 2022	513,045
At 31 August 2021	564,849

Customer acquisition and retention costs capitalised as at 31 August 2022 and 2021 relate to the (i) customer acquisition costs paid to Talents or agents whose selling activities resulted in customers entering into contracts for the provision of telecommunications services which the contract periods are over 12 months at the reporting date and (ii) customer retention costs incurred in fulfilling a contract with a customer which the contract periods are over 12 months at the reporting date to generate or enhance resources of the Group that will be used in satisfying performance obligations in the future.

Customer acquisition costs and customer retention costs are recognised as part of "other operating expenses" in the consolidated income statement in the period in which revenue from the related contracts is recognised.

There was no impairment in relation to the customer acquisition and retention costs capitalised during the year.

16 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2022 $'000	2021 $'000
Arising from international telecommunications services	**40,750**	47,699
Arising from product revenue bundled with telecommunication services	**137,409**	110,560
Arising from system integration services contracts with conditional payment terms	**59,030**	53,686
	237,189	211,945
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade receivables, other receivables, deposits and prepayments"	**967,414**	1,073,306

Typical payment terms which impact on the amount of contract assets recognised are as follows:

— ***International telecommunications services***
The Group provides international telecommunications services to telecommunications operators. The Group and certain telecommunications operators enter into contracts with minimum commitments on either transaction amount or unit of traffic to be processed and contract term would usually last for over three months. Such contracts involve large amount of transactions and both parties are required to verify and reconcile the transactions details received from counter party against their own records. Once the verification and reconciliation work have been completed, the Group will issue an invoice to the telecommunications operator. The Group's right to the consideration is generally unconditional upon the completion of verification and reconciliation work from both parties as well as the issuance of invoice.

— ***Sales of equipment and mobile handsets bundled with services***
The Group offers packages to the customer which include the bundle sales of products and provision of services. In this situation, the customer pays to the Group in accordance with the predetermined payment schedule. If the performance obligations fulfilled by the Group exceed the total payments received to date, a contract asset is recognised. The contract assets are transferred to receivables when the Group's rights to the contract consideration become unconditional.

— ***System integration services with conditional payment terms***
System integration services is one of the services to enterprise customers. The Group's project based system integration services include payment schedules which require stage payments over the project period once milestones are reached. This gives rise to contract assets when the revenue recognised on the project exceeds the amount of the payment made by customer.

All of the current contract assets are expected to be recovered within one year.

16 CONTRACT ASSETS AND CONTRACT LIABILITIES (continued)

(b) Contract liabilities

	2022 $'000	2021 $'000
Indefeasible right of use ("IRU") arrangement		
– Billing in advance of performance	**174,538**	179,313
Telecom and technology solutions services		
– Billing in advance of performance	**571,366**	647,997
	745,904	827,310
Represented by:		
– Non-current portion	**145,807**	194,818
– Current portion	**600,097**	632,492
	745,904	827,310

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

IRU arrangements

The Group received 100% of the contract value when they sign the IRU arrangement contract with customer. This consideration is recognised as contract liabilities upon receipt.

Telecom and technology solutions services – Billing in advance of performance

The Group's telecom and technology solutions services normally include payment schedules which require advance payments from customers for the services. This gives rises to contract liabilities until revenue recognised on the services are provided.

Movements in contract liabilities

	$'000
Balance at 1 September 2020	926,766
Transferred to disposal group classified as held for sale (note 29)	(25,048)
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	(4,392,618)
Increase in contract liabilities as a result of billings in advance of IRU arrangements	7,157
Increase in contract liabilities as a result of billings in advance of the provision of telecom and technology solutions services	4,309,466
Exchange difference	1,587
Balance at 31 August 2021	827,310

16 CONTRACT ASSETS AND CONTRACT LIABILITIES (continued)

(b) Contract liabilities (continued)

Movements in contract liabilities (continued)

	$'000
Balance at 1 September 2021	827,310
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	(5,370,261)
Increase in contract liabilities as a result of billings in advance of IRU arrangements	6,516
Increase in contract liabilities as a result of billings in advance of the provision of telecom and technology solutions services	5,283,363
Exchange difference	(1,024)
Balance at 31 August 2022	745,904

The amount of billings in advance of performance and upfront service fees received in advance expected to be recognised as income after more than one year is $145,807,000 (2021: $194,818,000).

17 TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Trade receivables, other receivables, deposits and prepayments

	2022 $'000	2021 $'000
Trade debtors, net of loss allowances	967,414	1,073,306
Other receivables, deposits and prepayments	463,892	353,015
	1,431,306	1,426,321

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

Factoring arrangement

As at 31 August 2021, the Group entered into trade receivables factoring arrangement (2022: Nil).

As at 31 August 2021, trade receivables with both original carrying value and the carrying amount of approximately $23,817,000 had been assigned to banks. Since the Group has retained substantial risks and rewards relating to the trade receivables including default risks, the trade receivables continued to be recognised in the consolidated financial statements even though the trade receivables have been legally assigned to banks. Interest is charged at 1-month HIBOR plus 1% per annum secured by the trade receivables until the relevant trade receivables were fully settled.

17 TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

Ageing analysis

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:

	2022 $'000	2021 $'000
Within 30 days	**418,724**	391,683
31 to 60 days	**177,519**	211,658
61 to 90 days	**104,103**	114,712
Over 90 days	**267,068**	355,253
	967,414	1,073,306

The majority of the Group's trade receivables is due within 30–90 days from the date of billing. Further details on the Group's credit policy are set out in note 33(a).

18 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2022 $'000	2021 $'000
Cash at bank and in hand in the consolidated statement of financial position	**1,129,226**	1,421,124
Cash at bank and in hand included in assets of disposal group classified as held for sale (note 29)	**–**	105,537
Cash and cash equivalents in the consolidated cash flow statement	**1,129,226**	1,526,661

18 CASH AND CASH EQUIVALENTS (continued)

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	2022 $'000	2021 $'000
Profit before taxation		**712,216**	325,265
Adjustments for:			
Amortisation of intangible assets	10	**475,570**	556,531
Depreciation	3(e)	**933,828**	1,011,892
Amortisation of obligations under granting of rights	3(a)	**(6,771)**	(9,024)
Amortisation of customer acquisition and retention costs	3(b)	**293,854**	295,767
Interest income	3(a)	**(2,857)**	(2,200)
Finance costs	3(d)	**239,204**	481,029
(Gain)/loss on disposal of property, plant and equipment, net	3(b)	**(1,459)**	827
Gain on disposal of right-of-use assets, net	3(b)	**–**	(167)
Foreign exchange (gain)/loss		**(5,630)**	15,003
Share of losses of joint ventures	13(b)	**53,497**	31,508
Share of profits of associates	13(d)	**(4,167)**	–
Equity-settled share-based payment expenses	3(c)	**145**	293
Write down of inventories	3(e)	**1,581**	2,900
Gain on disposal of subsidiaries	3(a)	**(40,033)**	–
Fair value loss on currency forward	3(a)	**–**	309
Impairment on investment in a joint venture	3(a)	**6,523**	–
Changes in working capital:			
Increase in other non-current assets		**(4,094)**	(6,615)
(Increase)/decrease in inventories		**(28,324)**	7,168
Decrease in trade receivables		**142,620**	176,664
Increase in other receivables, deposits and prepayments		**(104,881)**	(19,353)
Decrease in finance lease receivables		**767**	3,387
Increase in customer acquisition and retention costs		**(242,050)**	(265,467)
(Increase)/decrease in contract assets		**(12,364)**	56,465
Increase in amounts due from joint ventures		**(11,199)**	(5,899)
Increase in amounts due from associates		**(25)**	–
(Decrease)/increase in trade payables		**(159,587)**	187,829
Decrease in other payables and accrued charges		**(112,431)**	(199,690)
(Decrease)/increase in deposits received		**(432)**	14,426
Decrease in contract liabilities		**(96,391)**	(74,408)
Cash generated from operations		**2,027,110**	2,584,440

18 CASH AND CASH EQUIVALENTS (continued)

(c) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as financing activities.

	Interest-rate swap/ currency forward (included in other receivables or other payables) (Notes 17 and 19) $'000	Bank and other borrowings (Note 20) $'000	Other non-current and current liabilities (Note 23) $'000	Senior notes $'000	Accrued borrowing costs (*) $'000	Lease liabilities (Note 21) $'000	Prepaid borrowing cost (**) $'000	Total $'000
At 1 September 2020	16,699	6,329,035	59,197	4,101,847	80,438	680,062	(884)	11,266,394
Changes from financing cash flows:								
Proceeds from bank and other borrowings, net of transaction costs	–	12,798,650	–	–	–	–	–	12,798,650
Repayment of bank loans	–	(7,726,507)	–	–	–	–	–	(7,726,507)
Payment for redemption of senior notes	–	–	–	(4,251,074)	–	–	–	(4,251,074)
Repayment of other borrowings	–	(6,813)	–	–	–	–	–	(6,813)
Repayment of other liabilities	–	–	(10,456)	–	–	–	–	(10,456)
Capital element of lease rentals paid	–	–	–	–	–	(250,224)	–	(250,224)
Interest element of lease rentals paid	–	–	–	–	–	(23,772)	–	(23,772)
Transaction costs for bank loans paid	–	(5,243)	–	–	–	–	–	(5,243)
Cash payment for currency forward contract	(17,008)	–	–	–	–	–	–	(17,008)
Interest paid	(8,313)	(536)	–	–	(288,361)	–	–	(297,210)
Total changes from financing cash flows	(25,321)	5,059,551	(10,456)	(4,251,074)	(288,361)	(273,996)	–	210,343
Changes in fair value	13,639	–	–	–	–	–	–	13,639
Exchange adjustments	–	6,444	–	–	–	3,124	–	9,568
Other changes:								
Increase in lease liabilities from entering into new leases during the period	–	–	–	–	–	75,211	–	75,211
Decrease in lease liabilities from lease modification during the period	–	–	–	–	–	6,044	–	6,044
Decrease in lease liabilities from lease disposal during the period	–	–	–	–	–	(5,746)	–	(5,746)
Increase in other borrowings (note 18(d)(i))	–	1,266	–	–	–	–	–	1,266
Interest and finance charges	8,313	44,313	1,498	3,764	239,692	23,772	884	322,236
Loss on extinguishment of senior notes	–	–	–	145,463	–	–	–	145,463
Total other charges	8,313	45,579	1,498	149,227	239,692	99,281	884	544,474
At 31 August 2021	13,330	11,440,609	50,239	–	31,769	508,471	–	12,044,418

18 CASH AND CASH EQUIVALENTS (continued)

(c) Reconciliation of liabilities arising from financing activities: (continued)

	Interest-rate swap/ currency forward (included in other receivables or other payables) (Notes 17 and 19) $'000	Bank and other borrowings (Note 20) $'000	Other non-current and current liabilities (Note 23) $'000	Senior notes $'000	Accrued borrowing costs (*) $'000	Lease liabilities (Note 21) $'000	Prepaid borrowing cost (**) $'000	Total $'000
At 1 September 2021	13,330	11,440,609	50,239	–	31,769	508,471	–	12,044,418
Changes from financing cash flows:								
Proceeds from bank and other borrowings, net of transaction costs	–	2,210,339	–	–	–	–	–	2,210,339
Repayment of bank loans	–	(2,474,470)	–	–	–	–	–	(2,474,470)
Repayment of other borrowings	–	(9,340)	–	–	–	–	–	(9,340)
Repayment of other liabilities	–	–	(14,043)	–	–	–	–	(14,043)
Capital element of lease rentals paid	–	–	–	–	–	(191,225)	–	(191,225)
Interest element of lease rentals paid	–	–	–	–	–	(18,621)	–	(18,621)
Interest paid	(3,125)	(3,834)	–	–	(293,810)	–	–	(300,769)
Total changes from financing cash flows	(3,125)	(277,305)	(14,043)	–	(293,810)	(209,846)	–	(798,129)
Changes in fair value	(89,717)	–	–	–	–	–	–	(89,717)
Exchange adjustments	–	4,232	–	–	–	482	–	4,714
Other changes:								
Increase in other borrowings	–	7,209	–	–	–	–	–	7,209
Increase in lease liabilities from entering into new leases during the period	–	–	–	–	–	242,891	–	242,891
Interest and finance charges	3,125	43,578	1,180	–	262,417	18,621	–	328,921
Disposal of subsidiaries (note 32)	–	(7,406)	–	–	–	(42,498)	–	(49,904)
Total other charges	3,125	43,381	1,180	–	262,417	219,014	–	529,117
At 31 August 2022	(76,387)	11,210,917	37,376	–	376	518,121	–	11,690,403

(*) Accrued borrowing costs are included in "Other payables and accrued charges – current portion" in the consolidated statement of financial position.

(**) Prepaid borrowing costs are included in "Other non-current assets "and "Other receivables, deposits and prepayments" in the consolidated statement of financial position.

18 CASH AND CASH EQUIVALENTS (continued)

(d) Material non-cash transactions:

(i) During the year ended 31 August 2022, additions to certain property, plant and equipment of the Group financed by other borrowings and other liabilities were $8,476,000 (2021: $Nil).

(ii) The initial capital investment in an associate of $4,438,000 has not been paid as at 31 August 2021 and 2022.

(e) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2022 $'000	2021 $'000
Within operating cash flows	–	15,877
Within financing cash flows	209,846	273,996
	209,846	289,873

These amounts relate to the following:

	2022 $'000	2021 $'000
Lease rentals paid	209,846	289,873

19 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

	2022 $'000	2021 $'000
Trade payables	778,651	935,864
Other payables and accrued charges		
– Current portion	960,778	1,018,271
– Long-term portion	54,000	30,397
	1,793,429	1,984,532

All trade payables, other payables and accrued charges are expected to be settled within one year, except other payables and accrued charges of $54,000,000 (2021: $30,397,000) are expected to be settled after more than one year and are classified as non-current liabilities.

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

	2022 $'000	2021 $'000
Within 30 days	262,486	388,941
31 to 60 days	146,918	111,618
61 to 90 days	134,080	132,769
Over 90 days	235,167	302,536
	778,651	935,864

20 BANK AND OTHER BORROWINGS

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

	2022 $'000	2021 $'000
Bank borrowings		
– secured	–	23,817
– unsecured	11,122,657	11,274,522
Other borrowings		
– secured	88,260	14,360
	11,210,917	11,312,699
Amounts due within one year included in current liabilities	(297,703)	(481,283)
	10,913,214	10,831,416

(b) As at 31 August 2022, the bank and other borrowings were repayable as follows:

	2022 $'000	2021 $'000
Bank borrowings (secured)		
Within 1 year on demand	–	23,817
Bank borrowings (unsecured)		
Within 1 year on demand	258,387	450,001
After 1 year but within 2 years	–	–
After 2 years but within 5 years	10,864,270	10,824,521
	11,122,657	11,274,522
Other borrowings (secured)		
Within 1 year on demand	39,316	7,465
After 1 year but within 2 years	32,129	6,895
After 2 years but within 5 years	16,815	–
	88,260	14,360
Bank and other borrowings	11,210,917	11,312,699
Amounts due within one year included in current liabilities	(297,703)	(481,283)
	10,913,214	10,831,416

(i) On 13 November 2020, the Group entered into term loan facility of $5,500,000,000 in aggregate with various international 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.

20 BANK AND OTHER BORROWINGS (continued)

(b) As at 31 August 2022, the bank and other borrowings were repayable as follows: (continued)

(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 a master buyer agreement for supply chain financing from a bank in Hong Kong. An aggregate amount of $70,042,000 was utilised as of 31 August 2022. The bank charges a handling fee based on the amount of supplier's invoices applied. The facility was unsecured and covered by a guarantee arrangement issued by the Company. The extended credit term ranged from 60 to 180 days from the date of utilisation.

(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 $188,345,000 was utilised as of 31 August 2022. The bank charges at HIBOR plus a margin of 1.15% per annum on the amount 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 loans as of 31 August 2022 is 3.46% per annum (2021: 2.02%).

(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 31 August 2022, the aggregate book value of the assets was $17,941,000 (2021: $17,349,000) and the balance of other borrowings amounting to $8,569,000 (2021: $7,465,000) was recorded as a current liability and $3,660,000 (2021: $6,894,000) 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% (2021: 0% to 3.36%).

(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 $33,078,000. The Group shall repay the interest and principal of the loan in 40 monthly instalments. As at 31 August 2022, the balance of other borrowings amounting to $30,747,000 was recorded as a current liability and $45,284,000 was recorded as a non-current liability on the Group's consolidated statement of financial position.

21 LEASE LIABILITIES

As at 31 August 2022, the lease liabilities were repayable as follows:

	2022 Present value of the minimum lease payments $'000	2021 Present value of the minimum lease payments $'000
Within 1 year	**136,271**	166,649
After 1 year but within 2 years	**111,090**	100,454
After 2 years but within 5 years	**195,115**	133,180
After 5 years	**75,645**	71,495
	381,850	305,129
	518,121	471,778

22 AMOUNTS DUE FROM/(TO) JOINT VENTURES AND AN ASSOCIATE, LOAN TO ASSOCIATES

The amounts due from/(to) joint ventures and an associate are unsecured, interest free and recoverable/(repayable) on demand.

Loan to an associate, JOS (MALAYSIA) SDN. BHD. is unsecured, interest-bearing at 5% per annum, recoverable in January 2027 and denominated in Malaysian ringgit.

Loan to an associate, JOS (SG) PTE. LTD. is unsecured, interest-bearing at 5% per annum, recoverable in January 2027 and denominated in Singapore dollar.

23 OTHER NON-CURRENT AND OTHER CURRENT LIABILITIES

During the years ended 31 August 2022 and 2021, 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.

24 SHARE-BASED TRANSACTIONS

(a) Co-Ownership Plan II

(A) Equity-settled share-based transactions

On 21 February 2015, the Company adopted the Plan 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 shares 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 dates to be $8.50.

On 20 November 2015, 158,000 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, 2,082,000 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 at the grant date to be $8.10.

On 24 January 2017, 258,000 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 $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 at 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.

Equity-settled share-based payment expenses of $145,000 (2021: $293,000) were recognised as Talent costs in the consolidated income statement (see note 3(c)) for the year ended 31 August 2022.

24 SHARE-BASED TRANSACTIONS (continued)

(a) Co-Ownership Plan II (continued)

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

(i) The major terms and conditions of the grants are as follows:

	Number of instruments '000	Vesting conditions
RSUs granted to directors:		
– on 29 June 2015	397	notes (i) and (ix)
– on 20 June 2016	329	notes (ii) and (ix)
RSUs granted to Talents:		
– on 29 June 2015	2,326	notes (i) and (ix)
– on 18 August 2015	133	notes (ii) and (ix)
– on 20 November 2015	158	notes (v) and (ix)
– on 20 June 2016	1,753	notes (iv) and (ix)
– on 24 January 2017	258	notes (v) and (ix)
– on 20 July 2017	253	notes (vi) and (ix)
– on 30 January 2019	329	notes (vii) and (ix)
– on 26 February 2019	31	notes (viii) and (ix)
Total RSUs granted	5,967	

Notes:

(i) The RSUs granted have a vesting period of three years as follows:
- — 25% of RSUs shall vest on 29 June 2016;
- — 25% of RSUs shall vest on 29 June 2017; and
- — 50% of RSUs shall vest on 29 June 2018.

(ii) The RSUs granted have a vesting period of three years as follows:
- — 25% of RSUs shall vest on 18 August 2016;
- — 25% of RSUs shall vest on 18 August 2017; and
- — 50% of RSUs shall vest on 18 August 2018.

(iii) The RSUs granted have a vesting period of three years as follows:
- — 25% of RSUs shall vest on 20 November 2016;
- — 25% of RSUs shall vest on 20 November 2017; and
- — 50% of RSUs shall vest on 20 November 2018.

(iv) The RSUs granted have a vesting period of three years as follows:
- — 25% of RSUs shall vest on 20 June 2017;
- — 25% of RSUs shall vest on 20 June 2018; and
- — 50% of RSUs shall vest on 20 June 2019.

(v) The RSUs granted have a vesting period of three years as follows:
- — 25% of RSUs shall vest on 24 January 2018;
- — 25% of RSUs shall vest on 24 January 2019; and
- — 50% of RSUs shall vest on 24 January 2020.

24 SHARE-BASED TRANSACTIONS (continued)

(a) Co-Ownership Plan II (continued)

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

(i) The major terms and conditions of the grants are as follows: (continued)

Notes: (continued)

(vi) The RSUs granted have a vesting period of three years as follows:
— 25% of RSUs shall vest on 20 July 2018;
— 25% of RSUs shall vest on 20 July 2019; and
— 50% of RSUs shall vest on 20 July 2020.

(vii) The RSUs granted have a vesting period of three years as follows:
— 25% of RSUs shall vest on 30 January 2020;
— 25% of RSUs shall vest on 30 January 2021; and
— 50% of RSUs shall vest on 30 January 2022.

(viii) The RSUs granted have a vesting period of three years as follows:
— 25% of RSUs shall vest on 26 February 2020;
— 25% of RSUs shall vest on 26 February 2021; and
— 50% of RSUs shall vest on 26 February 2022.

(ix) Directors and Talents who leave the Group prior to full vesting would forfeit their right to any unvested RSUs.

(ii) The movement of the RSUs is as follows:

	Number of RSUs	
	2022	2021
	'000	'000
Outstanding at the beginning of the year	**110**	224
Vested during the year	**(110)**	(64)
Forfeited during the year	**–**	(50)
Outstanding at the end of the year	**–**	110

The fair value of services received in return for RSUs granted is measured by reference to the fair value of RSUs granted. The estimate of the fair value of the RSUs granted is measured based on a binomial lattice model.

The expected dividends during the vesting period have been taken into account when measuring the fair value of the RSUs. The dividends paid from the Company's ordinary shares underlying the RSUs would be accrued and paid to the RSUs plan participants upon vested.

RSUs were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the RSUs granted.

24 SHARE-BASED TRANSACTIONS (continued)

(a) Co-Ownership Plan II (continued)

(B) Cash-settled share-based transaction

On 24 January 2017, 142,000 RSUs were granted to Talents of the Group in the PRC which are to be settled in cash. The weighted average share price at the date of exercise for RSUs exercised during the year was $13.87.

On 26 February 2019, 95,000 RSUs were granted to Talents of the Group in the PRC which are to be settled in cash. The directors estimated the weighted average fair value of each RSU at 31 August 2022 to be $Nil (2021: $9.38).

The amount payable to the Talents in respect of those RSUs is accounted for under cash-settled share-based payment in accordance with the accounting policy set out in note 1(s)(iv)(b).

Cash-settled share-based payment expenses of $67,000 (2021: $127,000) were recognised as Talent costs in the consolidated income statement (see note 3(c)) for the year ended 31 August 2022 and the remaining expenses related to the RSUs are to be recognised in the year ending 31 August 2022 based on the respective vesting periods.

The liability is remeasured at the end of each reporting period and at settlement date. Any changes in the fair value of the liability are recognised as Talent costs in profit or loss.

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

On 4 September 2019, the Company adopted the Plan II 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 year ended 31 August 2021, 122,092 shares (2022: Nil 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.

24 SHARE-BASED TRANSACTIONS (continued)

(c) 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 year 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.

25 CURRENT TAXATION IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Current taxation in the consolidated statement of financial position represents:

	2022 $'000	2021 $'000
Provision for Hong Kong Profits Tax for the year	**202,234**	207,759
Balance of Profits Tax provision relating to prior years	**33,717**	(22,877)
	235,951	184,882
Provision for tax outside Hong Kong	**4,285**	4,422
	240,236	189,304

Tax (payable)/recoverable in the consolidated statement of financial position represents:

	2022 $'000	2021 $'000
Tax recoverable	**192**	192
Tax payable	**(240,428)**	(189,496)
	(240,236)	(189,304)

26 DEFERRED TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Deferred tax liabilities and assets recognised:

The components of deferred tax (liabilities)/assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Depreciation allowances in excess of the related depreciation $'000	Amortisation of intangible assets $'000	Amortisation of obligations under granting of rights $'000	Contract costs $'000	Credit loss allowance $'000	Tax losses $'000	Others $'000	Total $'000
Deferred tax arising from:								
At 1 September 2020	(373,275)	(656,894)	2,606	(23,830)	2,487	104,583	2,134	(942,189)
Transferred to disposal group classified as held for sale	239	6,034	–	–	(329)	–	(1,103)	4,841
Credited/(charged) to profit or loss	41,747	73,683	(1,489)	10,697	20,862	(44,724)	536	101,312
Exchange difference	4	–	–	–	78	55	(36)	101
At 31 August 2021 and 1 September 2021	(331,285)	(577,177)	1,117	(13,133)	23,098	59,914	1,531	(835,935)
Disposal of subsidiaries	628	–	–	–	–	–	–	628
Credited/(charged) to profit or loss	24,124	66,353	(1,117)	7,724	40	(35,838)	222	61,508
Exchange difference	82	–	–	–	23	–	(244)	(139)
At 31 August 2022	(306,451)	(510,824)	–	(5,409)	23,161	24,076	1,509	(773,938)

(i) Reconciliation to the consolidated statement of financial position

	2022 $'000	2021 $'000
Net deferred tax asset recognised in the consolidated statement of financial position	**26,724**	68,913
Net deferred tax liability recognised in the consolidated statement of financial position	**(800,662)**	(904,848)
	(773,938)	(835,935)

(b) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(t), the Group had not recognised deferred tax assets in respect of cumulative tax losses of $2,258,800,000 (2021: $2,127,567,000) as it was not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses did not expire under current tax legislation.

At 31 August 2022, temporary differences relating to the undistributed profits of the Group's PRC subsidiaries amounted to RMB173,799,000 (equivalent to $197,350,000) (2021: RMB153,598,000 (equivalent to $184,932,000)). Deferred tax liabilities amounted to 10% (or 5% if tax treaty is available) of the undistributed profits have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of the subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

27 OBLIGATIONS UNDER GRANTING OF RIGHTS

	2022 $'000	2021 $'000
At the beginning of the year	**6,771**	15,795
Amortisation for the year (note 3(a))	**(6,771)**	(9,024)
At the end of the year	**–**	6,771
Less: Current portion	**–**	(6,771)
Non-current portion	**–**	–

As part and parcel of the business combination on 30 May 2012, the Group granted Hong Kong Television Network Limited ("HKTV") the telecommunication business rights to use of certain telecommunication services from the Group for a term of 10 years from 30 May 2012 to 30 May 2022. The Group recognised the obligations in connection with the granting of such rights at fair value at the date of business combination. The amortisation of the obligations is charged to profit or loss on a straight-line basis over 10 years.

28 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 $'000	2021 $'000
Current assets		
Interest-rate swap	**76,387**	–

In 2021, the Group entered into a new interest-rate swap ("the 2021 interest-rate swap"), to hedge the floating interest rate after the maturity of the current interest-rate swap. The 2021 interest-rate swap has a notional amount of $3,900,000,000 and with a maturity date on 31 May 2023.

Under these arrangements, the Group pays a fixed rate interest on the notional amount on a quarterly basis, net of a floating rate interest at 3-month Hong Kong Inter-bank Offered Rate ("HIBOR") in the corresponding period.

These derivative financial instruments are recognised initially at fair value and remeasured at the end of each reporting period. These derivative financial instruments do not qualify for hedge accounting under HKFRS 9, Financial instruments, and therefore, it is accounted for as FVPL and measured at fair value.

As at 31 August 2022, the amount of the interest-rate swap was $76,387,000. As at 31 August 2021, the amount of the interest-rate swap included in other payables and accrued charges (note 19) was liabilities of $13,330,000.

29 ASSETS AND LIABILITIES HELD FOR SALE

On 28 July 2021, the directors approved a plan ("the Plan") to sell part of its technology solutions operations outside Hong Kong ("the Disposal Group"). Management assessed that the criteria for the classification of the Disposal Group held for sale were fulfilled based on the facts and circumstances specific to the Plan. Accordingly, the assets and liabilities associated with the Disposal Group have been classified as held for sale on that date.

The assets and liabilities associated with the Disposal Group classified as held for sale as at 31 August 2021 were as follows:

	Note	2021 $'000
Intangible assets	10	37,965
Property, plant and equipment	11	6,186
Right-of-use assets		35,088
Contract assets		35,429
Deferred tax assets	26	1,193
Other assets		1,697
Finance lease receivables		4,400
Inventories		35,619
Trade receivables		113,103
Other receivables, deposits and prepayments		24,167
Cash and cash equivalents	18	105,537
Assets classified as held for sale		400,384

	Note	2021 $'000
Trade payables		99,631
Other payables and accrued charges		17,754
Contract liabilities	16(b)	25,048
Bank and other borrowings		127,910
Deferred tax liabilities	26	6,034
Lease liabilities		36,693
Tax payable		102
Provision for reinstatement costs		1,342
Liabilities classified as held for sale		314,514

Management considered that the Disposal Group does not represent a separate major line of business or geographical area of the Group under the prevailing accounting standards. Accordingly, the Disposal Group is not presented as a discontinued operation.

30 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Note	Share capital $'000	Share premium $'000	Vendor Loan Notes $'000	Capital reserve $'000	Retained profits $'000	Total $'000
Balance at 1 September 2020		132	2,712,817	2,349,204	40,365	2,492,955	7,595,473
Changes in equity for the year ended 31 August 2021:							
Profit and total comprehensive income for the year		–	–	–	–	1,007,854	1,007,854
Dividend approved to equity shareholders of the Company in respect of the previous year	30(b)(ii)	–	(498,408)	–	–	–	(498,408)
Dividend declared to equity shareholders of the Company in respect of the current year	30(b)(i)	–	(511,524)	–	–	–	(511,524)
Distribution to holders of Vendor Loan Notes		–	(128,838)	–	–	–	(128,838)
Equity-settled share-based transactions	24(a)	–	–	–	293	–	293
Balance at 31 August 2021 and 1 September 2021		132	1,574,047	2,349,204	40,658	3,500,809	7,464,850
Changes in equity for the year ended 31 August 2022:							
Profit and total comprehensive income for the year		–	–	–	–	1,013,369	1,013,369
Dividend approved to equity shareholders of the Company in respect of the previous year	30(b)(ii)	–	(491,850)	–	–	–	(491,850)
Dividend declared to equity shareholders of the Company in respect of the current year	30(b)(i)	–	(524,640)	–	–	–	(524,640)
Distribution to holders of Vendor Loan Notes		–	(129,675)	–	–	–	(129,675)
Equity-settled share-based transactions	24(a)	–	–	–	145	–	145
Balance at 31 August 2022		132	427,882	2,349,204	40,803	4,514,178	7,332,199

30 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Dividends

(i) Dividend payable to equity shareholders of the Company attributable to the year

	2022 $'000	2021 $'000
Interim dividend declared and paid of 40 cents per ordinary share (2021: 39 cents per ordinary share)	**524,640**	511,524
Final dividend proposed after the end of the reporting period of 20 cents per ordinary share (2021: 37.5 cents per ordinary share)	**262,320**	491,850
	786,960	1,003,374

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

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

	2022 $'000	2021 $'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 37.5 cents per ordinary share (2021: 38 cents per ordinary share)	**491,850**	498,408

(c) Share capital

	No. of shares	$'000
Authorised:		
At 1 September 2020, 31 August 2021, 1 September 2021 and 31 August 2022	3,800,000,000	380
Ordinary shares, issued and fully paid:		
At 31 August 2021 and 1 September 2021	1,311,599,000	132
At 31 August 2022	1,311,599,000	132

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

30 CAPITAL, RESERVES AND DIVIDENDS (continued)

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by Section 34(2) of the Companies Law (2013 Revision) of the Cayman Islands. Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of the business.

(ii) Capital reserve

The capital reserve represents the portion of the grant date fair value of RSUs granted to the directors and Talents of the Group in Hong Kong that has been recognised in accordance with the accounting policy adopted for share-based payments in note 1(s)(iv)(a).

(iii) 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.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong.

30 CAPITAL, RESERVES AND DIVIDENDS (continued)

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a gearing ratio. For this purpose, gearing ratio is calculated as gross debt divided by total equity.

The gearing ratio at 31 August 2022 and 2021 was as follows:

	Note	2022 $'000	2021 $'000
Bank borrowings (principal amount)	20	11,258,388	11,473,817
Other borrowings	20	88,260	14,360
Lease liabilities	21	518,121	471,778
Gross debt		11,864,769	11,959,955
Total equity		4,924,083	5,537,763
Gearing ratio		241%	216%

Neither the Company nor any of its subsidiaries were subject to externally imposed capital requirements during the years presented.

31 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 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 has 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.

32 DISPOSAL OF SUBSIDIARIES

Disposal of subsidiaries during the year ended 31 August 2022

On 10 November 2021, an indirect wholly-owned subsidiary of the Company entered into the Share Purchase Agreement with a third party to sell the 60% equity interest of two subsidiaries in Singapore and Malaysia at a total consideration, net of post-closing adjustment in accordance with the Share Purchase Agreement of $73,719,000. Upon the completion in January 2022, these two subsidiaries ceased to be subsidiaries of the Company and became 40%-owned associates of the Company.

Assets and liabilities associated with these subsidiaries were classified as held for sale as 31 August 2021. These assets and liabilities on the date of disposal and the reconciliation to gain on disposal are as follows:

	$'000
Intangible assets, property, plant and equipment and right-of-use assets	95,089
Deferred tax assets	1,245
Inventories	62,488
Trade and other receivables and contract assets	130,325
Trade and other payables and contract liabilities	(134,182)
Bank loans	(7,406)
Tax payables	(1,104)
Deferred tax liabilities	(6,034)
Lease liabilities	(42,498)
Net assets disposed of	97,923
Net assets disposed of	(97,923)
Consideration received	73,719
Exchange gain on translating foreign operations transferred income statement upon disposal	1,917
Fair value of the retained equity interest	49,146
Gain on disposal of subsidiaries	26,859

On 6 July 2022, an indirect wholly-owned subsidiary of the Company entered into the Share Purchase Agreement with a third party to sell the entire interest of a subsidiary in Hong Kong at a total consideration of $204,344,000. Consideration of $203,981,000 was settled as at 31 August 2022. The remaining consideration of $363,000 was settled subsequently in September 2022.

These assets and liabilities on the date of disposal and the reconciliation to gain on disposal are as follows:

	$'000
Investment properties	191,461
Property, plant and equipment	1,819
Other receivables, deposits and prepayments	340
Cash and cash equivalents	792
Other payables and accrued charges	(1,037)
Tax payables	(1,577)
Deferred tax liabilities	(628)
Net assets disposed of	191,170
Net assets disposed of	(191,170)
Cash consideration received	203,981
Cash consideration to be received	363
Gain on disposal of subsidiaries	13,174

32 DISPOSAL OF SUBSIDIARIES (continued)

Disposal of subsidiaries during the year ended 31 August 2022 (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	$'000
Cash consideration received	277,700
Cash and cash equivalents disposed of	(792)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	276,908

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and contract assets. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with sound credit rating, for which the Group considers to have low credit risk.

Except for the financial guarantees given by the Group as set out in note 35, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 35.

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Concentrations of credit risk with trade receivables and contract assets are limited due to Group's customer being large and unrelated.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

Trade receivables and contract assets (continued)

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30–90 days from the date of billing. Subscribers with receivables that are more than 3 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets as at 31 August 2022:

	2022		
	Expected loss rate %	**Gross carrying amount $'000**	**Loss allowance $'000**
Current (not past due)	**2.1%**	**682,937**	**14,525**
Less than 30 days past due	**3.7%**	**190,407**	**7,037**
31 to 60 days past due	**6.6%**	**110,130**	**7,314**
Over 60 days past due	**33.3%**	**374,920**	**124,915**
		1,358,394	**153,791**

	2021		
	Expected loss rate %	Gross carrying amount $'000	Loss allowance $'000
Current (not past due)	1.8%	677,562	11,871
Less than 30 days past due	4.2%	203,873	8,454
31 to 60 days past due	7.2%	141,107	10,094
Over 60 days past due	28.2%	408,469	115,341
		1,431,011	145,760

Expected loss rates are based on actual loss experience over the past year. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

Trade receivables and contract assets (continued)

Movement in the loss allowance account in respect of trade receivables and contract assets during the year is as follows:

	2022 $'000	2021 $'000
Balance at the beginning of the year	**145,760**	132,038
Amounts written off during the year	**(53,296)**	(60,796)
Impairment losses recognised during the year (note 3(b))	**61,327**	79,002
Transferred to disposal group classified as held for sale	**–**	(4,484)
Balance at the end of the year	**153,791**	145,760

(b) Liquidity risk

The Group has a cash management policy, which includes the short term investment of cash surpluses and the raising of loans and other borrowings to cover expected cash demands. The Group's policy is to regularly monitor its current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table shows the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group is required to pay.

	2022					
		Contractual undiscounted cash outflow				
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 year but less than 5 years $'000	More than 5 year $'000	Total $'000	Carrying amount at 31 August $'000
Trade payables	778,651	–	–	–	778,651	778,651
Other payables and accrued charges	960,778	36,000	18,000	–	1,014,778	1,014,778
Deposits received	89,144	–	–	–	89,144	89,144
Amount due to associates	4,542	–	–	–	4,542	4,542
Amounts due to joint ventures	10,000	–	–	–	10,000	10,000
Bank and other borrowings	552,338	420,496	11,939,849	–	12,912,683	11,210,917
Lease liabilities	152,421	123,883	212,563	76,966	565,833	518,121
Other liabilities	14,042	24,650	–	–	38,692	37,376
	2,561,916	605,029	12,170,412	76,966	15,414,323	13,663,529

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk (continued)

	2021					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 year but less than 5 years $'000	More than 5 year $'000	Total $'000	Carrying amount at 31 August $'000
Trade payables	935,864	–	–	–	935,864	935,864
Other payables and accrued charges	1,018,271	30,397	–	–	1,048,668	1,048,668
Deposits received	90,475	–	–	–	90,475	90,475
Amount due to an associate	4,816	–	–	–	4,816	4,816
Amounts due to joint ventures	10,750	–	–	–	10,750	10,750
Bank and other borrowings	665,068	190,680	11,436,796	–	12,292,544	11,312,699
Lease liabilities	184,163	110,545	152,386	74,662	521,756	471,778
Other liabilities	14,042	14,042	24,650	–	52,734	50,239
	2,923,449	345,664	11,613,832	74,662	14,957,607	13,925,289

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank borrowings and interest-rate swap. Financial instruments with variable interest rates expose the Group to cash flow interest rate risk. The Group's interest-bearing financial instruments are set out in (ii) below. The interest rates and terms of repayment of interest-bearing borrowings of the Group are disclosed in note 20 to the financial statements.

(i) Hedging

An interest-rate swap, denominated in Hong Kong dollars ("HKD"), has been entered into achieve an appropriate mix of fixed and floating rate exposure consistent with the Group's policy. At 31 August 2022, the Group had interest-rate swaps with a notional contract amount of $3,900,000,000 (2021: $3,900,000,000) which were not designated as cash flow hedging instrument. The net fair value of swaps entered into by the Group at 31 August 2022 was assets of $76,387,000 (2021: liabilities of $13,330,000).

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk (continued)

(ii) Interest-bearing financial instruments

The following table details the interest-bearing financial instruments of the Group at the end of the reporting period.

	2022 **$'000**	2021 $'000
Fixed rate instruments		
Lease liabilities	**518,121**	471,778
Other borrowings	**88,260**	14,359
Other financial liabilities	**37,376**	50,239
	643,757	536,376
Variable rate instruments		
Bank borrowings	**11,122,657**	11,298,340
Derivative financial instrument – interest-rate swap	**(76,387)**	13,330
	11,046,270	11,311,670
Total borrowings	**11,690,027**	11,848,046
Fixed rate borrowings as a percentage of total borrowings	**6%**	5%

(iii) Sensitivity analysis

At 31 August 2022, it is estimated that a general increase/decrease of 50 basis points (2021: 50 basis points) in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately $36,113,000 (2021: $36,992,000). Other components of consolidated equity would not be affected by the changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax and retained profits is estimated as an annualised impact on interest expenses of such a change in interest rate.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(d) Currency risk

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

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

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in HKD, translated using the spot rate at the year end date.

	2022		2021	
	USD $'000	**RMB $'000**	USD $'000	RMB $'000
Cash and cash equivalents	**268,777**	**2,228**	353,622	579
Trade receivables	**628,362**	**478**	151,691	193
Other receivables, deposit and prepayment	**–**	**–**	–	3,624
Trade payables	**(824,640)**	**(1,139)**	(147,863)	(371)
Other payables and accrued charges	**(34,844)**	**(74)**	(49,311)	(7,297)
Net exposure arising from recognised assets and liabilities	**37,655**	**1,493**	308,139	(3,272)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(d) Currency risk (continued)

(ii) Sensitivity analysis

The Group's foreign currency risk is mainly concentrated on the fluctuation of the RMB against the HKD. It is assumed that the pegged rate between the HKD and the USD would be materially unaffected by any changes in movement in value of the USD against other currencies. The following table details the Group's sensitivity to a 10% increase or decrease in the HKD against other currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower, and adjusts their translation at the year end for a 10% change in foreign currency rates. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency.

	2022			2021		
	Increase/ (decrease) in foreign exchange rates	**Impact on profit after tax $'000**	**Impact on retained profits $'000**	Increase/ (decrease) in foreign exchange rates	Impact on profit after tax $'000	Impact on retained profits $'000
RMB	**10%**	**161**	**161**	10%	(264)	(264)
	(10)%	**(161)**	**(161)**	(10)%	264	264

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into HKD at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency. The analysis is performed on the same basis for 2020.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(e) Fair value measurement

(i) *Financial assets and liabilities measured at fair value*

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, *Fair value measurement*. 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 values 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 values 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 values measured using significant unobservable inputs

	Fair value at 31 August 2022 $'000	**Fair value measurements 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**	**–**

	Fair value at 31 August 2021 $'000	Fair value measurements as at 31 August 2021 categorised into		
		Level 1 $'000	Level 2 $'000	Level 3 $'000
Recurring fair value measurement				
Financial liabilities:				
Derivative financial instrument:				
Interest-rate swap	13,330	–	13,330	–

During the year ended 31 August 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (year ended 31 August 2021: $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.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(e) Fair value measurement (continued)

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

Valuation techniques and inputs used in Level 2 fair value measurement

The fair value of interest-rate swap is the estimated amount that the Group would receive or pay to terminate the swap at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the swap counterparty.

Information about Level 3 fair value measurement

The fair value of the financial assets at fair value through profit or loss is determined using discounted cash flow analysis based on the return rates of the wealth management products developed by the issuing banks.

The movement during the year in the balance of Level 3 fair value measurement is as follows:

	2022 $'000	2021 $'000
Financial assets at fair value through profit or loss		
At the beginning of the year	**–**	40,517
Disposals	**–**	(40,517)
At the end of the year	**–**	–

(ii) 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 31 August 2022 and 2021.

(f) Offsetting financial assets and financial liabilities

The Group enters into netting arrangements with its carriers. The outstanding transactions with these counterparties are settled on a net basis and result in offsetting the assets and liabilities in the statement of financial position.

	2022		
	Gross amounts of recognised financial assets/ (liabilities) $'000	**Gross amounts of recognised financial assets/ (liabilities) offset in the consolidated statement of financial position $'000**	**Net amounts of financial assets/ (liabilities) presented in the consolidated statement of financial position $'000**
Trade receivables	**1,246,673**	**(279,259)**	**967,414**
Trade payables	**(1,057,910)**	**279,259**	**(778,651)**

	2021		
	Gross amounts of recognised financial assets/ (liabilities) $'000	Gross amounts of recognised financial assets/ (liabilities) offset in the consolidated statement of financial position $'000	Net amounts of financial assets/ (liabilities) presented in the consolidated statement of financial position $'000
Trade receivables	1,650,100	(576,794)	1,073,306
Trade payables	(1,512,658)	576,794	(935,864)

34 COMMITMENTS

(a) Capital commitments

At 31 August 2022, the Group had the following capital commitments:

	2022 $'000	2021 $'000
Contracted but not provided for		
– Purchase of property, plant and equipment	**209,327**	165,086

In addition, the Group was committed at 31 August 2021 to enter into a lease of 5 years that is not yet commenced, the lease payments under which amounted to $440,000 per annum. At 31 August 2022, no such commitments were entered into.

(b) Commitment under operating leases

At 31 August 2022, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2022 $'000	2021 $'000
Leases in respect of telecommunications facilities which are receivable:		
Within 1 year	**160,298**	109,290
After 1 year but within 5 years	**186,024**	180,165
After 5 years	**63,071**	53,712
	409,393	343,167

	2022 $'000	2021 $'000
Leases in respect of equipment:		
Within 1 year	**5,319**	14,253
After 1 year but within 5 years	**8,109**	7,534
	13,428	21,787

35 CONTINGENT LIABILITIES

	2022 $'000	2021 $'000
Bank guarantee in lieu of payment of utility deposits	**3,622**	3,622
Bank guarantee in lieu of performance guarantees	**223,732**	187,543
	227,354	191,165

The Group is subject to certain corporate guarantee obligations to guarantee the performance of its subsidiaries in the normal course of their businesses. The amount of liabilities arising from such obligations, if any, cannot be ascertained but the directors are of the opinion that any resulting liability will not materially affect the financial position of the Group.

At 31 August 2022, the directors did not consider it is probable that a claim will be made against the Group under any guarantees. The Group has not recognised any deferred income in respect of the guarantees issued as their fair value cannot be reliably measured and their transaction price was $Nil during the year (2021: $Nil).

36 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions:

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors of the Company as disclosed in note 5 and certain of the highest paid employees as disclosed in note 6, as follows:

	2022 $'000	2021 $'000
Short-term employee benefits	**40,285**	46,558
Post-employment benefits	**3,387**	3,835
	43,672	50,393

Total remuneration is included in "Talent costs" (see note 3(c)).

(b) In connection with the acquisition of the telecommunication business by MLCL from HKTV, completed on 30 May 2012, the Group granted indefeasible rights of use in favour of HKTV allowing it to use certain capacity of the Group's network for a term of 20 years from 30 May 2012, on a free of charge basis. In addition, the Group agreed to provide certain telecommunication services to HKTV, at no additional cost, for a period of 10 years from 30 May 2012. The incremental costs associated with fulfilling the obligations under the granting of indefeasible rights of use to HKTV are expected to be insignificant to the Group. Accordingly, no provision was made by the Group in this connection.

37 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2022 $'000	2021 $'000
Non-current assets			
Investments in subsidiaries		**1,165,125**	1,165,058
		1,165,125	1,165,058
Current assets			
Other receivables, deposits and prepayments		**323**	586
Amounts due from subsidiaries		**6,665,140**	6,664,995
Cash and cash equivalents		**27**	3,791
		6,665,490	6,669,372
Current liabilities			
Other payables and accrued charges		**5,472**	5,104
Amounts due to subsidiaries		**492,944**	364,476
		498,416	369,580
Net current assets		**6,167,074**	6,299,792
NET ASSETS		**7,332,199**	7,464,850
CAPITAL AND RESERVES	30(a)		
Share capital		**132**	132
Reserves		**7,332,067**	7,464,718
TOTAL EQUITY		**7,332,199**	7,464,850

Approved and authorised for issue by the board of directors on 27 October 2022.

Chu Kwong YEUNG	)	
	)	Directors
Yee Kwan Quinn LAW	)	

38 ACCOUNTING JUDGEMENT AND ESTIMATES

Sources of estimation uncertainty

Note 33 contains information about the assumptions and their risk factors relating to financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Loss allowance for credit losses

The Group maintains impairment loss for doubtful debts based upon evaluation of the recoverability of the trade and other receivables which takes into account the historical write-off experience and recovery rates. If the financial condition of the customers were to deteriorate, additional impairment may be required.

(b) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy set out in note 1(k)(iii).

The recoverable amount of an asset or a cash-generating unit has been determined based on its value-in-use. These calculations require the use of estimates. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the expected operating margin, growth rates and selection of discount rates, to reflect the risks-involved and the earnings multiple that can be realised for the estimated terminal value.

Management prepared the financial budgets reflecting actual performance and market development expectations. Judgement is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the result of the impairment reviews.

(Expressed in Hong Kong dollars unless otherwise indicated)

39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 AUGUST 2022

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 August 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to HKAS 16, *Property, Plant and Equipment: Proceeds before Infected Use*	1 January 2022
Amendments to HKAS 37, *Onerous Contracts – Cost of fulfilling a contract*	1 January 2022
Annual improvements to HKFRSs, 2018–2020 Cycle	1 January 2022
Annual Improvements to HKFRSs 2018–2020	1 January 2022
Amendments to HKAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2023
HKFRS 17, *Insurance contracts*	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, *Disclosure of Accounting Policies*	1 January 2023
Amendments to HKAS 8, *Definition of Accounting Estimates*	1 January 2023
Amendments to HKAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Five year summary

(Expressed in Hong Kong dollars)

The following table summaries the consolidated results, assets and liabilities of the Group for the five years ended 31 August 2022.

	Years ended 31 August				
	2022	2021	2020	2019	2018
	$'000	$'000	$'000	$'000	$'000
Results					
Revenue	**11,626,164**	11,463,745	9,452,957	5,107,637	3,948,952
Profit from operations	**1,000,750**	837,802	619,305	568,909	607,249
Finance costs	**(239,204)**	(481,029)	(526,961)	(259,271)	(117,288)
Share of profits of associates	**4,167**	–	–	–	–
Share of losses of joint ventures	**(53,497)**	(31,508)	(242)	(276)	(693)
Profit before taxation	**712,216**	325,265	92,102	309,362	489,268
Income tax (expense)/credit	**(158,895)**	(118,393)	4,509	(94,835)	(92,371)
Profit for the year	**553,321**	206,872	96,611	214,527	396,897

	As at 31 August				
	2022	2021	2020	2019	2018
	$'000	$'000	$'000	$'000	$'000
Assets and liabilities					
Goodwill	**9,016,507**	9,016,507	9,016,507	8,788,319	1,801,393
Intangible assets	**3,202,607**	3,606,163	4,200,644	4,638,643	1,453,588
Property, plant and equipment	**3,731,436**	3,901,090	4,112,260	4,341,590	2,293,950
Investment properties	**–**	198,828	206,800	222,041	–
Right-of-use assets	**705,607**	681,349	886,709	–	–
Customer acquisition and retention costs	**513,045**	564,849	595,149	598,030	–
Contract assets	**–**	–	–	4,740	–
Interest in an associate	**56,920**	4,816	4,438	–	–
Interest in joint ventures	**17,110**	17,879	9,387	9,429	8,095
Loan to associates	**15,359**	–	–	–	–
Deferred tax assets	**26,724**	68,913	91,258	–	–
Finance lease liabilities	**–**	–	6,534	–	–
Other non-current assets	**98,531**	91,958	81,012	32,105	64,950
Net current (liabilities)/assets	**(87,576)**	(248,163)	(1,718,533)	2,003	46,205
Total assets less current liabilities	**17,296,270**	17,904,189	17,492,165	18,636,900	5,668,181
Other payables and accrued charges					
– long-term portion	**(54,000)**	(30,397)	(87,677)	(143,600)	(201,266)
Contract liability – long-term portion	**(145,807)**	(194,818)	(219,939)	(187,690)	–
Deferred services revenue					
– long-term portion	**–**	–	–	–	(79,371)
Obligations under granting of rights					
– long-term portion	**–**	–	(6,771)	(15,795)	(24,819)
Deferred tax liabilities	**(800,662)**	(904,848)	(1,033,447)	(1,131,440)	(408,218)
Contingent consideration					
– long-term portion	**–**	–	–	(28,278)	(28,236)
Lease liabilities	**(381,850)**	(305,129)	(445,804)	–	–
Provision for reinstatement costs	**(52,492)**	(62,442)	(67,320)	(50,146)	(15,643)
Bank and other borrowings	**(10,913,214)**	(10,831,416)	(5,018,368)	(4,454,253)	(3,873,716)
Senior notes	**–**	–	(4,101,847)	(5,169,137)	–
Other non-current liabilities	**(24,162)**	(37,376)	(50,493)	–	–
NET ASSETS	**4,924,083**	5,537,763	6,460,499	7,456,561	1,036,912
Capital and reserves					
Share capital	**132**	132	132	132	101
Reserves	**4,923,951**	5,537,631	6,460,367	7,456,429	1,036,811
TOTAL EQUITY	**4,924,083**	5,537,763	6,460,499	7,456,561	1,036,912

Notes to the five year summary:

1 As a result of the adoption of HKFRS 16, *Leases*, with effect from 1 September 2019, the Group has changed its accounting policies in respect of the lessee accounting model. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted by way of opening balance adjustments to recognise right-of-use assets and lease liabilities as at 1 September 2019. After initial recognition of these assets and liabilities, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Figures in years earlier than 2019 are stated in accordance with the policies applicable in those years.

2 As a result of the adoption of HKFRS 15, *Revenue from contracts with customers*, with effect from 1 September 2018, the Group changed its accounting policies in respect of revenue recognition. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted by way of opening balance adjustments to equity as at 1 September 2018. Figures in years earlier than 2018 are stated in accordance with the policies applicable in those years.

3 The Group adopted HKFRS 9, *Financial instruments*, including the amendments to HKFRS 9, Prepayment features with negative compensation, from 1 September 2018. As a result, the group changed its accounting policies in relation to financial instruments. As allowed by HKFRS 9, the Group did not restate information relating to prior years. Differences in the carrying amounts of the financial assets resulting from the adoption of HKFRS 9 were recognised in retained earnings and reserves at 1 September 2018. There was no difference in the carrying amounts of the financial liabilities. Figures in years earlier than 2018 are stated in accordance with the policies applicable in those years.

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INDEPENDENT PRACTITIONER'S LIMITED ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF HKBN LTD.

We have undertaken a limited assurance engagement in respect of the selected sustainability information of HKBN Ltd. (the "Company") listed below under the "Identified Sustainability Information" section and identified with a ☑ in the Company's Annual Report for the year ended 31 August 2022 ("2022 Annual Report") (the "Identified Sustainability Information").

Identified Sustainability Information

The Identified Sustainability Information for the twelve-month period from 1 September 2021 to 31 August 2022 is summarised below:

Environmental

- Sulphur oxides (SOx) (kg)
- Nitrogen oxides (NOx) (kg)
- Particulate matter (PM) (kg)
- Scope 1 Greenhouse Gases (GHG) emissions (Tonne CO_2e)
- Scope 2 Greenhouse Gases (GHG) emissions (Tonne CO_2e)
- Carbon emission from business air travel (Tonne CO_2e)
- Carbon emission generated from consumption of recycling office paper (Tonne CO_2e)
- Carbon emission generated from government departments for processing fresh water and sewage (Tonne CO_2e)
- Total Greenhouse gas emissions (Tonne CO_2e)
- Greenhouse gas emissions intensity (Tonne CO_2e/Revenue ($ million))
- Direct energy consumption (kWh)
- Direct energy intensity (kWh/Revenue ($ million))
- Indirect energy consumption (kWh)
- Indirect energy intensity (kWh/Revenue ($ million))
- Water consumption M^3
- Water intensity (M^3/Revenue ($ million))
- Hazardous waste generated (Tonnes)
- Hazardous waste intensity (Tonnes/Revenue ($ million))
- Non-hazardous waste generated (Tonnes)
- Non-hazardous waste intensity (Tonnes/Revenue ($ million))
- (1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable (kWh, %)

Employment

- Total workforce by gender (Number)
- Total workforce by employment type (full-and part-time staff) (Number)
- Total workforce by age-group (Number)
- Total workforce by geographical region (Number)
- Employee turnover rate by gender (%)
- Employee turnover rate by age group (%)
- Employee turnover rate by geographical region (%)

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Health and Safety
- Fatalities – full-time employees only (Number)
- Fatalities rate – full-time employees only (Number per 200,000 manhour)
- Lost days due to work-related injury – full-time employees only (Number per 200,000 manhour)

Development and Training
- The percentage of employees trained by gender (%)
- The percentage of employees trained by employee category (e.g. senior management, middle management) (%)
- The average training hours completed per employee by gender (Number)
- The average training hours completed per employee by category (Number)

Supply Chain Management
- Number of suppliers by geographical region (Number)

Product Responsibility
- Number of products and service-related complaints received (Number)

Anti-corruption
- Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases (Number)

Volunteering
- Total volunteering hours contributed by the Company (Number)

Data Privacy
- Total amount of monetary losses as a result of legal proceedings associated with customer privacy (Reporting Currency)

Data Security
- (1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of customers affected

Product End-of life Management
- (1) Materials recovered through take back programs, percentage of recovered materials that were (2) reused, (3) recycled, and (4) landfilled (Tonnes, %)

Competitive Behavior & Open Internet
- Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behaviour regulations (Reporting Currency)

Activity Metrics
- Number of wireless subscribers (Number)
- Number of wireline subscribers (Number)
- Number of broadband subscribers (Number)
- Network traffic (Petabytes)

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Our assurance was with respect to the twelve-month period from 1 September 2021 to 31 August 2022 information only and we have not performed any procedures with respect to earlier periods or any other elements included in the 2022 Annual Report and, therefore, do not express any conclusion thereon.

Criteria

The criteria used by the Company to prepare the Identified Sustainability Information is set out in the 2022 Annual Report under the section titled "About this Report".

The Company's Responsibility for the Identified Sustainability Information

The Company is responsible for the preparation of the Identified Sustainability Information in accordance with the Criteria. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of Identified Sustainability Information that is free from material misstatement, whether due to fraud or error.

Inherent limitations

The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measures and measurement techniques and can affect comparability between entities. In addition, GHG quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emission factors and the values needed to combine emissions of different gases.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Identified Sustainability Information based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, and, in respect of greenhouse gas emissions, International Standard on Assurance Engagements 3410, *Assurance Engagements on Greenhouse Gas Statements*, issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain limited assurance about whether the Identified Sustainability Information is free from material misstatement.

A limited assurance engagement involves assessing the suitability in the circumstances of the Company's use of the Criteria as the basis for the preparation of the Identified Sustainability Information, assessing the risks of material misstatement of the Identified Sustainability Information whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the Identified Sustainability Information. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

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The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- made inquiries of the persons responsible for the Identified Sustainability Information;
- understood the process for collecting and reporting the Identified Sustainability Information;
- performed limited substantive testing on a selective basis of the Identified Sustainability Information at corporate head office to check that data had been appropriately measured, recorded, collated and reported; and
- considered the disclosure and presentation of the Identified Sustainability Information.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the Company's Identified Sustainability Information has been prepared, in all material respects, in accordance with the Criteria.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Company's Identified Sustainability Information for the twelve-month period from 1 September 2021 to 31 August 2022 is not prepared, in all material respects, in accordance with the Criteria.

Our report has been prepared for and only for the board of directors of the Company and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 2 November 2022

The Report is in compliance with the mandatory disclosure requirements and "comply or explain" provisions of the HKEX ESG Guide.

Mandatory Disclosure Requirements		Reporting Location	Reference and Remarks	Assured by independent practitioner
Governance Structure	A statement from the Board containing the following elements: (i) a disclosure of the board's oversight of ESG issues; (ii) the Board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the Board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	Our Approach to ESG Governance & Management	Corporate Governance https://www.hkbn.net/new/en/about-us--our-company--corporate-governance.shtml	
Reporting Principles	A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report: Materiality: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement. Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed. Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.	About This Report – Applying the reporting principles Communication and Engagement with Stakeholders Materiality Assessment		
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	About This Report – Reporting boundaries		

Subject Areas, Aspects, General Disclosures and KPIs		Reporting Location	Reference and Remarks	Assured by independent practitioner
A. Environment				
Aspect A1: Emissions				
General Disclosure	Information on: a. the policies; and b. compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Climate Action	Environmental Policy https://www.hkbn.net/tnc/HKBN_Environmental_Policy_EN.pdf	
KPI A1.1	The types of emissions and respective emissions data.	Climate Action		✓
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity.	Climate Action		✓
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	Climate Action		✓
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	Climate Action		✓
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Climate Action		
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Climate Action		
Aspect A2: Use of Resources				
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Climate Action	Environmental Policy https://www.hkbn.net/tnc/HKBN_Environmental_Policy_EN.pdf	
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Climate Action		✓
KPI A2.2	Water consumption in total and intensity.	Climate Action		✓
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Climate Action		

Subject Areas, Aspects, General Disclosures and KPIs		Reporting Location	Reference and Remarks	Assured by independent practitioner
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Climate Action	There were no issues related to sourcing water that was fit for purpose. Water consumption is not a significant source of carbon emissions for HKBN, and as such is not considered material to our Group's ESG priorities. Despite this, we still strive to improve water consumption efficiency in our offices via various water saving initiatives.	
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.		Packaging material is not applicable to the nature of our operations and business.	
Aspect A3: The Environment and Natural Resources				
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Climate Action	Environmental Policy https://www.hkbn.net/tnc/HKBN_Environmental_Policy_EN.pdf	
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the action taken to manage them.	Climate Action		
Aspect A4: Climate Change				
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Action	Environmental Policy https://www.hkbn.net/tnc/HKBN_Environmental_Policy_EN.pdf	
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Action		

Subject Areas, Aspects, General Disclosures and KPIs		Reporting Location	Reference and Remarks	Assured by independent practitioner
B. Social				
Aspect B1: Employment				
General Disclosure	Information on: a. the policies; and b. compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Talent Interest Alignment, Talent-Obsessed Engagement & Development, Diversity & Inclusion		
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Diversity & Inclusion		✓
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Diversity & Inclusion		✓
Aspect B2: Health and Safety				
General Disclosure	Information on: a. the policies; and b. compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Talent-Obsessed Engagement & Development		
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Talent-Obsessed Engagement & Development		✓
KPI B2.2	Lost days due to work injury.	Talent-Obsessed Engagement & Development		✓
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Talent-Obsessed Engagement & Development		

Subject Areas, Aspects, General Disclosures and KPIs		Reporting Location	Reference and Remarks	Assured by independent practitioner
Aspect B3: Development and Training				
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Talent-Obsessed Engagement & Development		
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Talent-Obsessed Engagement & Development		✓
KPI B3.2	The average training hours completed per employee by gender and employee category.	Talent-Obsessed Engagement & Development		✓
Aspect B4: Labour Standards				
General Disclosure	Information on: a. the policies; and b. compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Diversity & Inclusion		
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Diversity & Inclusion		
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Diversity & Inclusion		
Aspect B5: Supply Chain Management				
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Win-win Partnership & Value Chain	Supplier Code of Conduct https://www.hkbn.net/new/uploads/page/about-us/2016/corporate-governance/HKBN_Group_Supplier_Code_of_Conduct_en.pdf	

Subject Areas, Aspects, General Disclosures and KPIs		Reporting Location	Reference and Remarks	Assured by independent practitioner
KPI B5.1	Number of suppliers by geographical region.	Win-win Partnership & Value Chain	Number of suppliers by geographical region: Hong Kong 1,642 Mainland China 542 Malaysia 149 Singapore 146 Macau 50 Others 148	✓
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Win-win Partnership & Value Chain		
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Win-win Partnership & Value Chain		
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Win-win Partnership & Value Chain		
Aspect B6: Product Responsibility				
General Disclosure	Information on: a. the policies; and b. compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Impactful Customer Experience, Reliable & Responsible Service, Data Privacy & Security, Corporate Governance Report	Code of Practices on Marketing calls https://www.hkbn.net/personal/support/en/code-of-practices-on-marketing-calls	
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Reliable & Responsible Service		
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Impactful Customer Experience		✓
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Corporate Governance Report		
KPI B6.4	Description of quality assurance process and recall procedures.	Reliable & Responsible Service		

Subject Areas, Aspects, General Disclosures and KPIs		Reporting Location	Reference and Remarks	Assured by independent practitioner
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Data Privacy & Security	Personal Data & Privacy Statement https://www.hkbn.net/personal/dist/img/src/pdf/HKBN_PPS_ENG.pdf Personal Information Collection Statement http://www.hkbn.net/pics/en	
Aspect B7: Anti-corruption				
General Disclosure	Information on: a. the policies; and b. compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Corporate Governance Report	Whistleblowing Policy https://www.hkbn.net/new/uploads/page/about-us/2016/corporate-governance/e-Whistleblowing-Policy.pdf Anti-Bribery, Anti-Corruption, Anti-Fraud and Conflict of Interest Policy https://www.hkbn.net/new/uploads/page/about-us/2016/corporate-governance/Anti-corruption_Policy.pdf	
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Corporate Governance Report		✓
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Corporate Governance Report		
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Corporate Governance Report		
Aspect B8: Community Investment				
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Digital Inclusion for our Communities	Corporate Social Investment Policy https://www.hkbn.net/tnc/HKBN_Corporate_Social_Investment_Policy_CSI_EN.pdf	
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Digital Inclusion for our Communities		
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Digital Inclusion for our Communities		✓

SASB Content Index

Telecommunication Services

SASB Activity Metrics

SASB Code	Activity Metric	Unit of Measure	Reference and Remarks	Assured by independent practitioner
TC-TL-000.A	Number of wireless subscribers *(Wireless subscribers are defined as those customers that contract with the entity for mobile services, which include cellular phone service and/or wireless data service.)*	Number (thousands)	Residential business: 241 Enterprise business: 32	✓
TC-TL-000.B	Number of wireline subscribers *(Wireline subscribers are defined as those customers that contract with the entity for fixed line phone services.)*	Number (thousands)	Residential business: 432 Enterprise business: 454	✓
TC-TL-000.C	Number of broadband subscribers *(Broadband subscribers are defined as those customers that contract with the entity for fixed line cable and internet services, which include WiFi connections.)*	Number (thousands)	Residential business: 897 Enterprise business: 115	✓
TC-TL-000.D	Network traffic *(The system of rules applied in recording and reporting network traffic statistics complies with Office of the Communications Authority.)*	Pb	5,156	✓

SASB Accounting Metrics

SASB Code	Accounting Metric	Unit of Measure	Reference and Remarks	Assured by independent practitioner
Environmental Footprint of Operations				
TC-TL-130a.1	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	• GJ • %	Total energy consumed: 386,062.90 GJ 99.29% of our energy consumed was supplied from grid electricity. We currently do not use renewables. Refer to Climate Action.	✓

SASB Code	Accounting Metric	Unit of Measure	Reference and Remarks	Assured by independent practitioner
Data Privacy				
TC-TL-220a.1	Description of policies and practices relating to behavioural advertising and customer privacy	N/A	Data Privacy & Security Please also refer to our Personal Data & Privacy Statement and Personal Information Collection Statement.	
TC-TL-220a.2	Number of customers whose information is used for secondary purposes	Number	Personal information of our customers are used for purposes stated in our privacy policies only.	
TC-TL-220a.3	Total amount of monetary losses as a result of legal proceedings associated with customer privacy	Reporting currency	Nil in FY22	✓
TC-TL-220a.4	(1) Number of law enforcement requests for customer information, (2) number of customers whose information was requested, (3) percentage resulting in disclosure	• Number • %	Currently we do not disclose these metrics. In handling such requests, we follow relevant laws and regulations of the jurisdictions we operate in.	
Data Security				
TC-TL-230a.1	(1) Number of data breaches*, (2) percentage involving personally identifiable information (PII), (3) number of customers affected	• Number • %	Nil in FY22	✓
TC-TL-230a.2	Description of approach to identifying and addressing data security risks, including use of third-party cybersecurity standards	N/A	Data Privacy & Security	

*Data breach, personally identifiable information and customer affected are limited to concluded cases with legal claims and penalties brought against the Group and its subsidiaries during the reporting period.

SASB Code	Accounting Metric	Unit of Measure	Reference and Remarks	Assured by independent practitioner
Product End-of-life Management				
TC-TL-440a.1	(1) Materials recovered through take back programs, percentage of recovered materials that were (2) reused, (3) recycled, and (4) landfilled	• Tonnes • %	Weight of materials recycled: 0.21 tonnes Percentage of recovered materials that were recycled: 100 Refer to Climate Action.	✓
Competitive Behaviour & Open Internet				
TC-TL-520a.1	Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behaviour regulations	Reporting currency	Nil in 2022	✓
TC-TL-520a.2	Average actual sustained download speed of (1) owned and commercially-associated content and (2) non-associated content	Mbps	We currently do not report on these metrics.	
TC-TL-520a.3	Description of risks and opportunities associated with net neutrality, paid peering, zero rating, and related practices	N/A	Regulations on net neutrality, paid peering, zero rating and related practices vary across different jurisdictions, and we comply with any applicable regulations in the jurisdictions we operate in.	
Managing Systemic Risks from Technology Disruptions				
TC-TL-550a.1	(1) System average interruption frequency and (2) customer average interruption duration	• Disruptions per customer • Hours per customer	We currently do not report on these metrics.	
TC-TL-550a.2	Discussion of systems to provide unimpeded service during service interruptions	N/A	Reliable and responsible Service	

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 (appointed on 14 December 2021)
Ms. Shengping YU (appointed on 14 December 2021)
Mr. Zubin Jamshed IRANI
Ms. Suyi KIM (resigned on 14 December 2021)
Mr. Teck Chien KONG (resigned on 13 December 2021)

Independent Non-executive Directors

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

Audit Committee

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

Nomination Committee

Mr. Bradley Jay HORWITZ *(Chairman)*
(appointed on 28 October 2021)
Mr. Agus TANDIONO (appointed on 14 December 2021)
Ms. Shengping YU (appointed on 14 December 2021)
Ms. Edith Manling NGAN (appointed on 1 September 2022)
Mr. Stanley CHOW
Mr. Yee Kwan Quinn LAW, SBS, JP
Ms. Suyi KIM (resigned on 14 December 2021)
Mr. Teck Chien KONG (resigned on 13 December 2021)
Mr. Chu Kwong YEUNG (resigned on 28 October 2021)

Remuneration Committee

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

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

Ms. Edith Manling NGAN *(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

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

HKBN Ltd.
香港寬頻有限公司

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

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