香港寬頻
HONG KONG BROADBAND NETWORK

FY23 Annual Results Announcement

TRANSCENDENCE

From Telco to ICT Powerhouse

NiQ Lai
Co-Owner & Group CEO

William Yeung
Co-Owner & Executive Vice-chairman

Derek Yue
Co-Owner & CFO

2 November 2023

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Overview

NiQ Lai

Co-Owner & Group Chief Executive Officer

FY23 A Transitional Year

Revenue
$11,692m
YoY +1%

EBITDA
$2,290m
YoY -12%

AFF
$763m
YoY -33%

Full Year DPS: 40 HK Cents

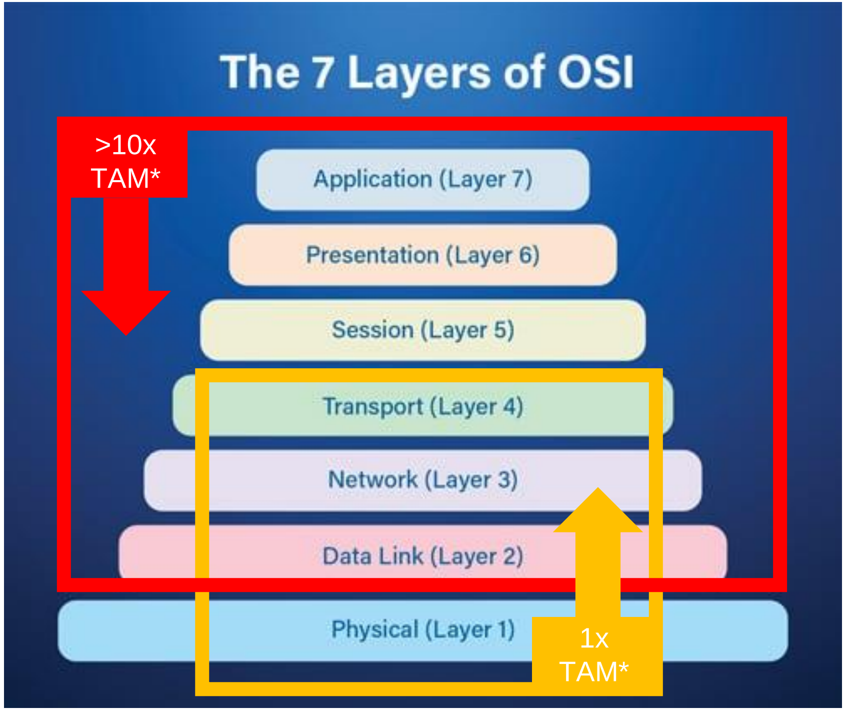
Financials in HK$mn, unless otherwise stated

Enterprise Solutions

NiQ Lai

Co-Owner & Group Chief Executive Officer

Traditional ICT Business Segmentation



* Total Addressable Market

Top Down from Layer 7-2 = System Integration, ~20-30% Gross Profit, ~95% of total ICT market, highly fragment with very low barrier of entry … >10x the revenue size the Layer 1-4

Bottom Up from Layer 1-4 = Telco, >70% Gross Profit, ~5% of total ICT market, HKBN+NWT+WTT ~HK$30 bn invested over past 30 years

FY23 Table-turning Financial and Business Performance

HONG KONG BROADBAND NETWORK

Enterprise Services Revenue

$4,825m

▲ 9%

>$4,000m **1H FY24 6-mth Pipeline**

25+ **$20M+ Projects**

ICT-native Executives Joined

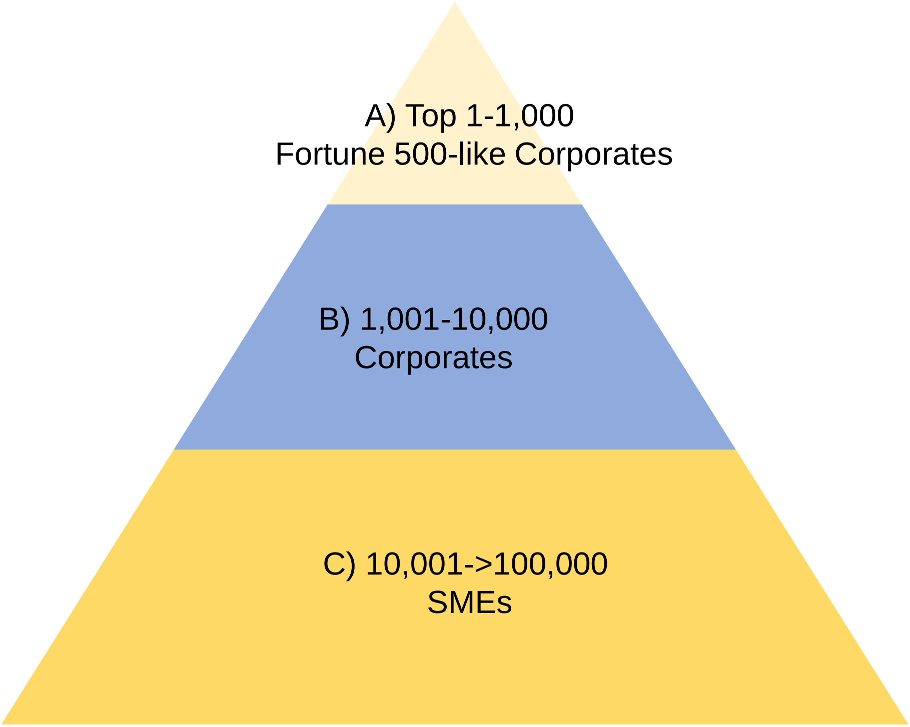
14

Mainland China Team

1,900+ Talents

10+ offices

Segmental Service Approach to ICT Service Delivery



Segment Approach
• High touch custom join SI/Telco team approach with full support from SI pre and post sales • 12-18 months sales cycle
AEGISCONNECT • Mild touch account, i.e. simple, repeatable Proof of Concept demonstrations • AegisInsight 24/7 network monitoring, email security, DNS security, DDoS protection • 1-3 months sales cycle
IT·Simplified Opening, Expanding, Relocating - IT Made Easy! • Low touch account, can be done via Guangzhou Telesales • Dim-sum menu “Mix and Match” best-fit approach package selection

A) Large Enterprise – Tailored Network Design

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Customer: One of the largest global financial institutions

Project Background: The customer, unsatisfied with the solutions from their incumbent carrier, needed fully diversified fibre paths across its multiple Hong Kong data centres. Any compromise on network quality could mean millions lost in trading profits.

Project Size: HK$5-10 million range

Solutions and Products Deployed:

- HKBN proposed a direct multi-path fibre connection leveraging its HKBN, NWT & WTT fibre paths, between multiple data centres with tailor-made fully diversified network design for Dense Wavelength Division Multiplexing (DWDM).
- This unique design is a virtually future-proof Dark Fibre solution that delivers nearly unlimited future upgradable optical bandwidth. Competitors, especially the incumbent, are highly resistant to offering dark fibre solutions as they lack the abundance of our Tri-carrier resources.

Why We Won:

- **End-to-end Network Design and System Integrations** – Our self-owned end-to-end network was a key factors that set us apart from our SI-only competitors and Telco-centric competitors.

B) Mid-Tier - AegisConnect

Fortune-500 Service for TOP 1,001-10,000 Enterprises

50-100% premium over bare broadband

AegisConnect Case Study

Customer: A retail brand with over 100 branches

Project background:
- 1 IT Manager managing 100 branches
- Past network failure required ½ day to restore; problem shoot difficult, uncertain if line problem or branch equipment issue; IT manager getting screamed at by everyone.

Solutions and Products Deployed:
- AegisConnect provides real time trouble shoot to reduce recovery time
- Upgrade from basic line to AegisConnect at HK$798, i.e. 45% increase.

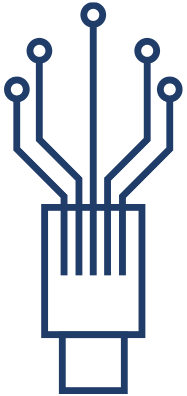
Win:Win
- Customer reduced reliance on in-house IT team

ARPU Up 45%

C) SMEs: IT·Simplified – A New Solution for SMEs

Broadband ONLY

HK$200 - 500/month



VS

Business Solutions

ARPU

Our LUCA – Unmatched Distribution and Support Vs Fragmented SI-only providers

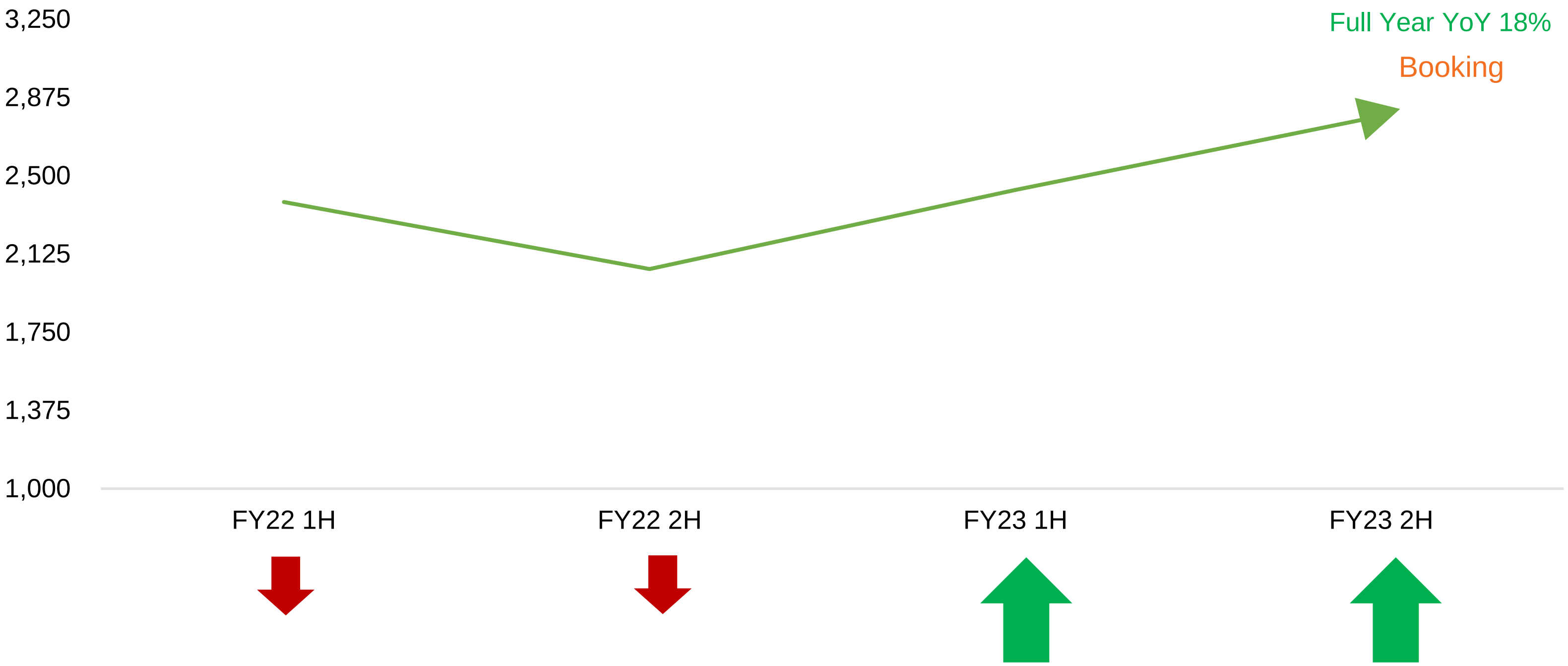
AegisConnect Service Launch
Hong Kong, Sept 2023

IT • Simplified Service Launch
Guangzhou, July 2023

ISO-27001 certified 7x24x365 Security Operations Centre (SOC) support backed by 200+ Professionals with ITIL v3/v4 certified professionals … no in-house IT-Team can match this range and depth.

From Telco to ICT Powerhouse

Growing Orders for Enterprise Business



Financials in HK$mn, unless otherwise stated

FY23 Strong Backlog Waterfall to Future Revenue

FY23 Backlog
~20%
booked as Revenue in FY23

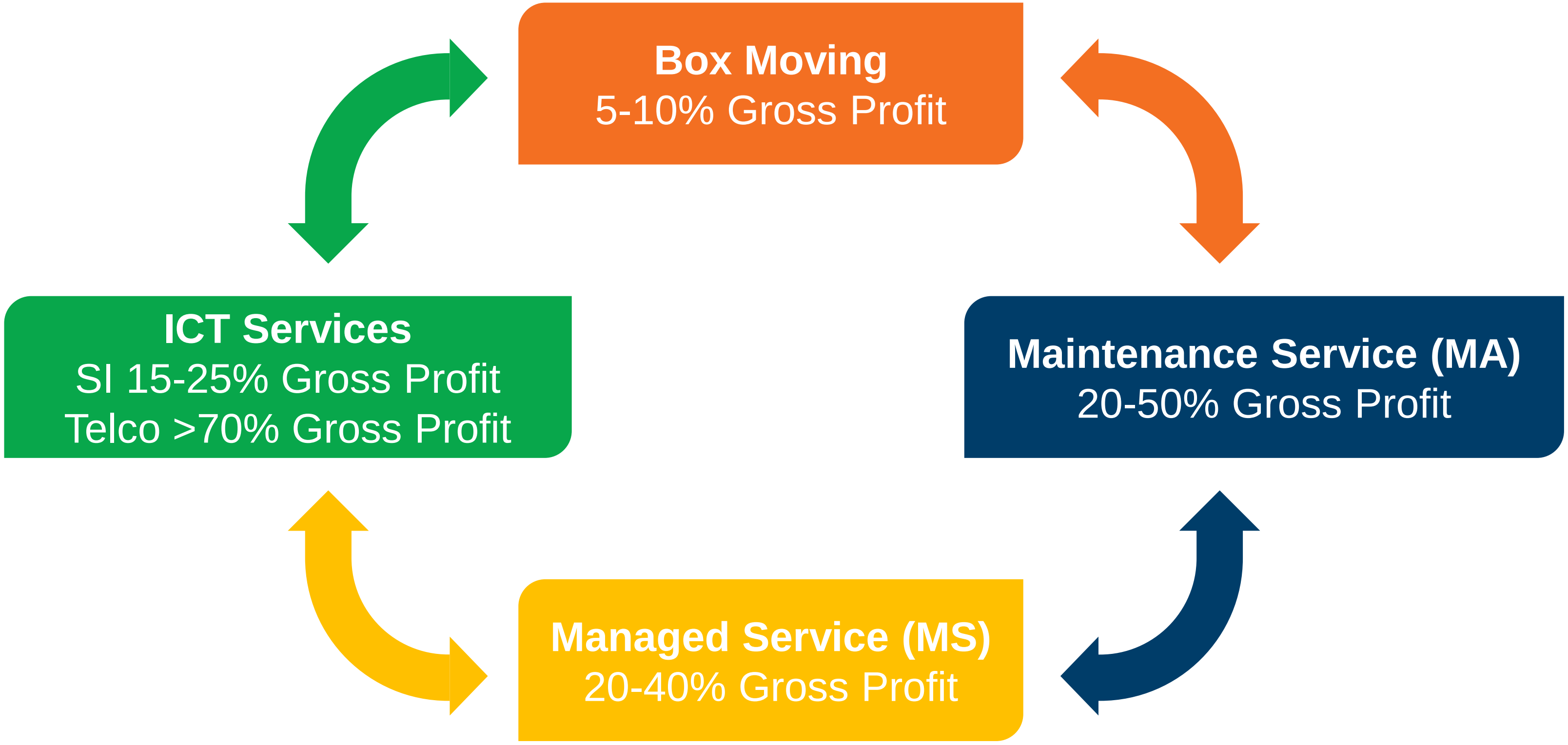
FY23 Backlog
~50%
booked as Revenue in FY24

FY23 Backlog
~30%
booked as Revenue in FY25

FY23 Strong Backlog Waterfall to Future Revenue

2023	2024	2025
FY23 Backlog **~20%** booked as Revenue	FY24 Backlog **~20%** booked as Revenue	FY25 Backlog **~20%** booked as Revenue
FY22 Backlog **~50%** booked as Revenue	FY23 Backlog **~50%** booked as Revenue	FY24 Backlog **~50%** booked as Revenue
FY21 Backlog **~30%** booked as Revenue	FY22 Backlog **~30%** booked as Revenue	FY23 Backlog **~30%** booked as Revenue

Virtuous ICT Powerhouse Flywheel



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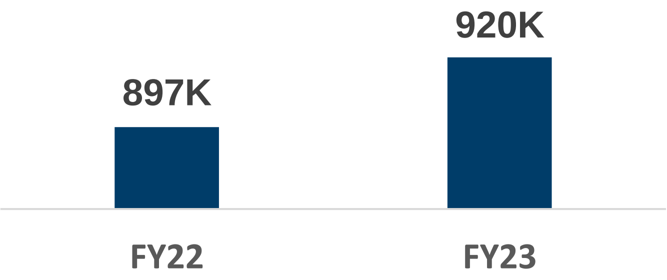
Residential Solutions

William Yeung

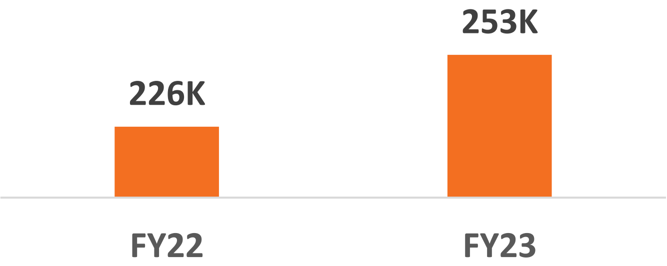
Co-Owner & Executive Vice-chairman

Residential Growth Trends

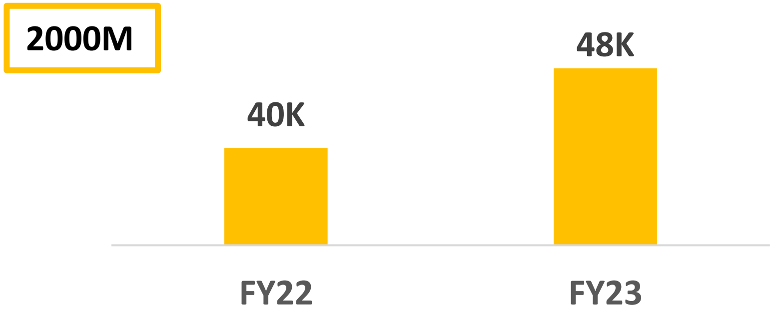
Growth in Broadband Subscriptions

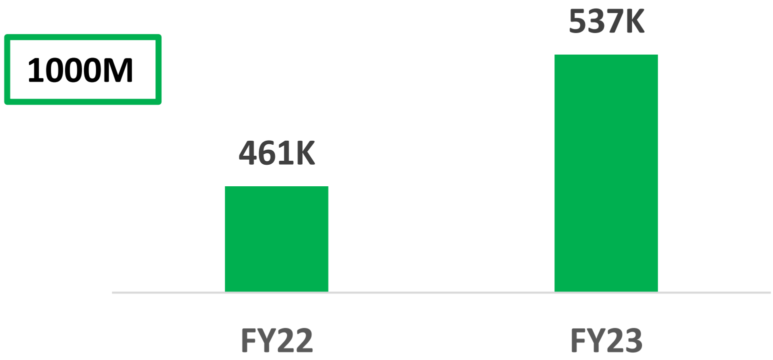


Increasing Uptake of Home Wi-Fi Solutions

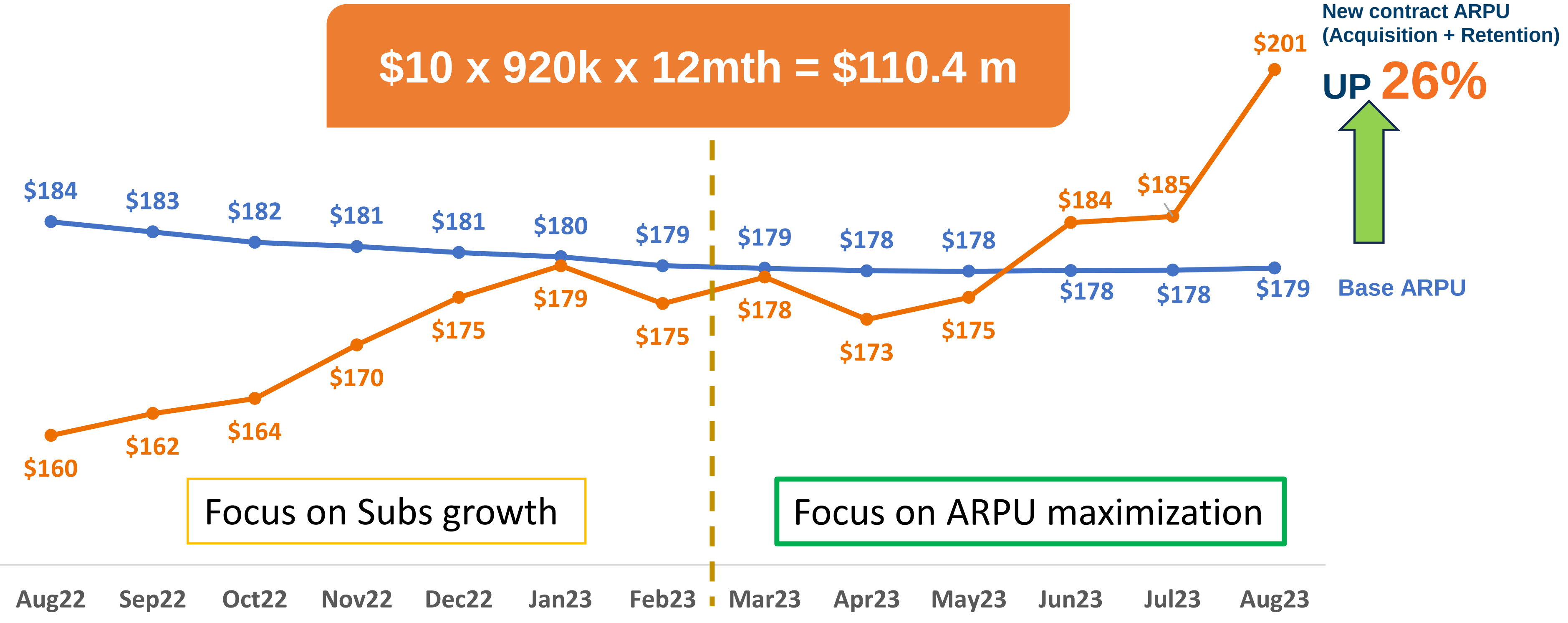


Continuous Upgrade to Higher Bandwidth





New Contract ARPU vs Base ARPU



Connectivity Beyond

Customer Need	Upsell with More Customer Value
Mobility & Travel	5G + Roaming
Worldclass Contents	OTT
Cyberthreat & Fraud Protection	Cybersecurity
Home Network Coverage	Wi-Fi 6
Demand for Bandwidth / Gamer	2000M
Reliable Connectivity	Dual Guarantee

Focus on Values & Solutions for Customers

HKBN is increasing the value we deliver to customers and pricing accordingly

Mar23

May23

Jul23

Aug23

Sep23

Real world market competition

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ESG

William Yeung

Co-Owner & Executive Vice-chairman

FY23 ESG Key Achievements

MSCI ESG RATINGS AAA ^

- **Highest** grade
- **Top 9%** among Telcos worldwide*

Hang Seng Corporate Sustainability Index Series Member 2023-2024

- **No. 1** among HK Telcos for **4 consecutive years**
- **Top 10%** of HK rated companies

*as of receiving AAA grade
^https://reg.hkbn.net/WwwCMS/upload/pdf/en/2022_disclaimer.pdf

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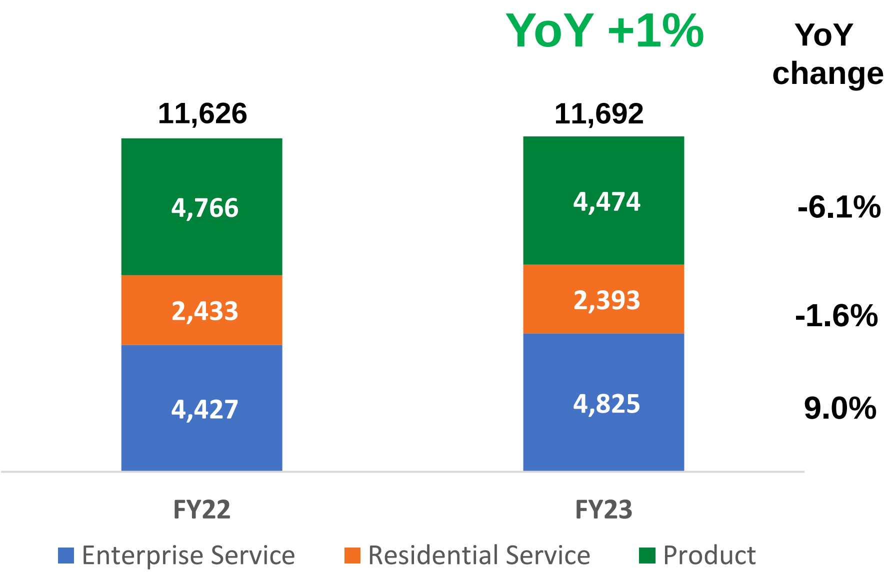
FINANCIALS

Derek Yue

Co-Owner & Chief Financial Officer

Stable Revenue Growth



Product

- Global demand falls in office computer equipment following the accelerated equipment purchases during Covid-19 period

Residential Service

- Residential service revenue slightly decreased amid intense market competition

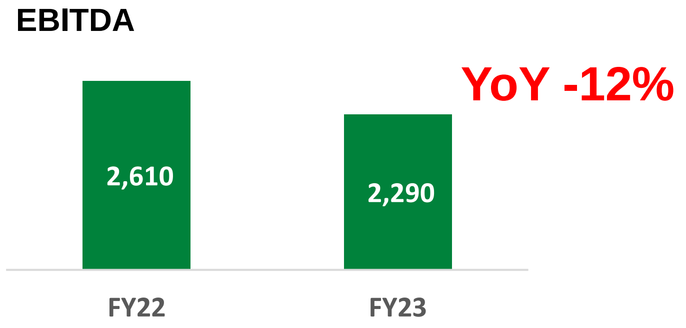
Enterprise Service

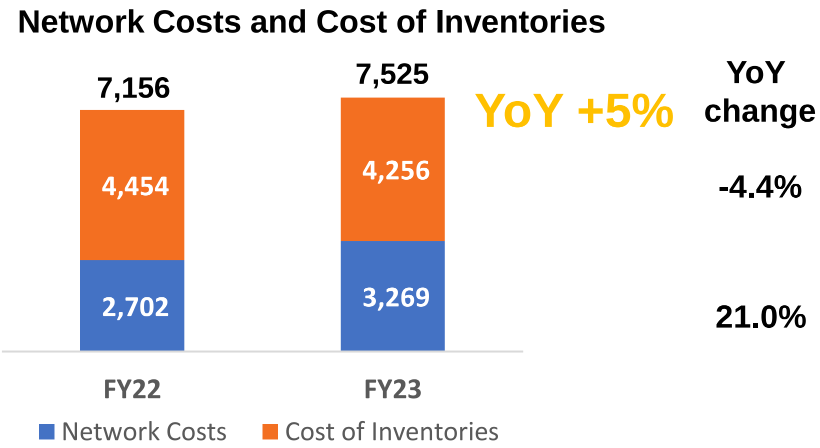
- Strong growth in ICT Services & SI services

Financials in HK$mn, unless otherwise stated

From Telco to ICT Powerhouse

Enhancing Cost Efficiency for Better EBITDA





EBITDA
- Declined YoY by $320m, mainly due to increase in network costs and cost of sales by $369m

Cost of Inventories
- Decline in line with product sales

Network Costs
- Increase was associated with bandwidth cost

Subscription Contracts
- Customers' fixed price contracts are expected to enhance the EBITDA over the lifespan of the contract

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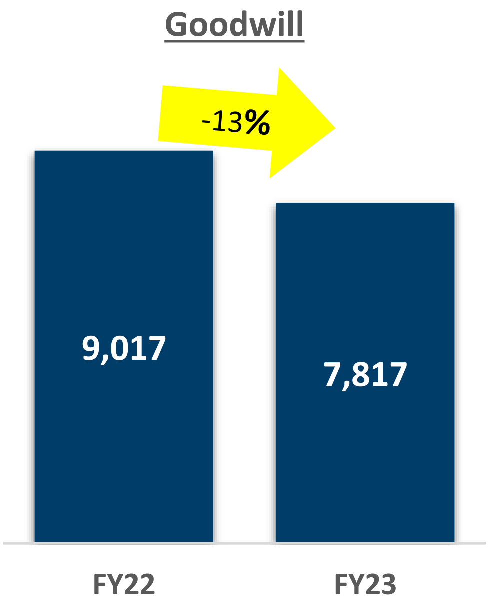
Non-Cash Accounting Goodwill Adjustment

Financials in HK$mn, unless otherwise stated



Nature:

- Non-cash, nil impact on dividend and interest payment models

Goodwill:

- Generated when a company acquires new business
- Purchase amount paid in excess of the book value of the net assets

Impairment adjustment:

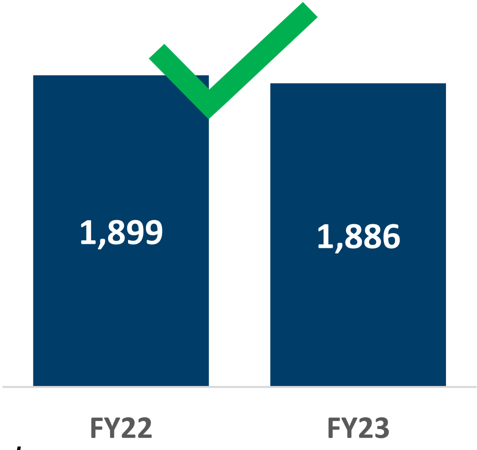
- As a result of the shortfall in the actual results again the forecast in the second half of FY23, in particular, uncertain global macro-economic condition, slower than expected cross-border business recovery and intense business recovery, and intense competition within telecom industry. Therefore, the Group's, the cash flow forecasts, growth rates and discount rate as at 31 August 2023 were critically reassessed taking into consideration higher degree of estimation uncertainties involved. The carrying amount of that cash generating unit has been written down accordingly.

Fitter, Leaner, Generating more Cash for Growth

Financials in HK$mn, unless otherwise stated

Operating Expenses*

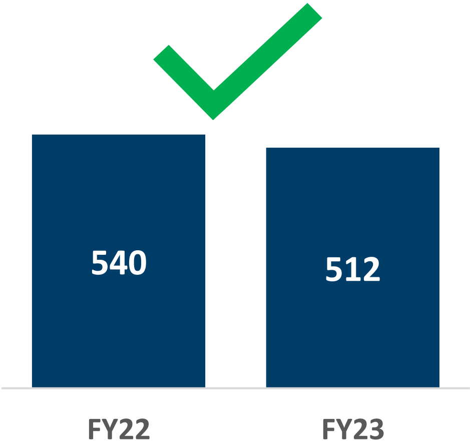
Save 1%



Opex/ Revenue: **16.3%** **16.1%**

Capital Expenditure

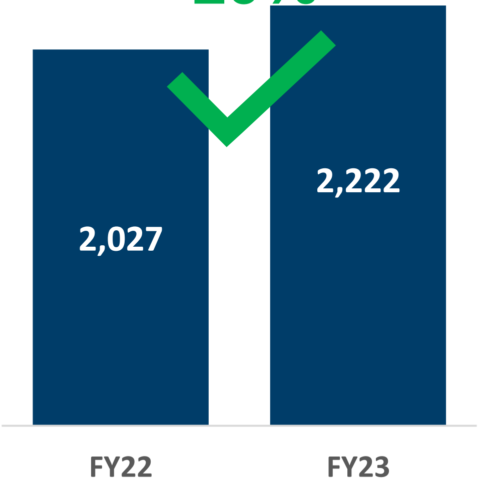
Save 5%



Capex/ Revenue: **4.6%** **4.4%**

Cash From Operation

+10%



CFO/ EBITDA: **78%** **97%**

* Operating Expenses excluded Depreciation, Amortisation of intangible assets and Amortisation of customer acquisition and retention costs

Q&A

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Appendix

Operational Highlights

Enterprise Solutions	2023	2022	Changes
Commercial building coverage	8,090	8,006	1%
Subscriptions ('000)			
- Broadband	117	119	-2%
- Voice	388	413	-6%
Enterprise customers ('000)	101	105	-4%

Residential Solutions	2023	2022	Changes
Residential homes passed ('000)	2,560	2,513	2%
Subscriptions ('000)			
- Broadband	920	897	3%
- Voice	386	432	-11%
Residential customers ('000)	972	976	0%
Residential ARPU	$179	$184	-3%
Mobile Business Subscriptions ('000)	239	241	-1%

Consolidated Income Statement

(HK$ million, unless otherwise stated)	2023	2022	Changes
Revenue	11,692	11,626	1%
Other net income	19	63	-70%
Network costs and costs of sales	(7,525)	(7,156)	5%
Other operating expenses	(3,445)	(3,533)	-2%
Impairment on goodwill	(1,200)	-	100%
Finance costs	(702)	(239)	194%
Share of losses/(profits) of associates	(1)	4	-125%
Share of losses of joint ventures	(69)	(53)	30%
(Loss)/profit before taxation	(1,231)	712	->100%
Income tax	(36)	(159)	-77%
(Loss)/profit for the year	(1,267)	553	->100%

Consolidated Balance Sheet (Summary)

(HK$ million, unless otherwise stated)	At 31 August 2023	At 31 August 2022
Non-current assets	15,315	17,384
Current assets	2,832	3,043
Current liabilities	(3,112)	(3,131)
Total assets less current liabilities	15,035	17,296
Non-current liabilities	(11,984)	(12,372)
Net assets	3,051	4,924
Capital and Reserves	3,051	4,924
Additional Information		
Goodwill and intangible assets	10,592	12,219
Property, plant and equipment	3,419	3,731
Cash and cash equivalents	1,017	1,129
Bank loans and other borrowings	10,957	11,211

Reconciliation of EBITDA and Adjusted Free Cash Flow

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(HK$ million, unless otherwise stated)	2023	2022	Changes
(Loss)/profit for the year	(1,267)	553	->100%
Amortisation of customer acquisition and retention costs	275	294	-6%
Amortisation of intangible assets (Adjusted)#	384	413	-7%
Depreciation (Adjusted)#	901	947	-5%
Finance costs	702	239	>100%
Gain on disposal of associates/subsidiaries	(6)	(53)	-89%
Impairment on goodwill	1,200	-	100%
Impairment of investment in a joint venture	-	7	-100%
Income tax expenses	36	159	-77%
Interest income	(9)	(3)	>100%
Share of loss of discontinued operation	74	54	37%
Adjusted EBITDA#	2,290	2,610	-12%
Capital expenditure	(512)	(540)	-5%
Changes in working capital	169	(15)	>100%
Customer acquisition and retention costs	(226)	(242)	-7%
Income tax paid	(239)	(165)	45%
Lease payment	(174)	(210)	-17%
Net interest paid	(545)	(298)	83%
Other non-cash items	-	(7)	-100%
Adjusted Free Cash Flow	763	1,133	-33%
Dividend *	592	887	-33%
DPS (HK cents)	40	60	-33%

- * Dividend amount included the distribution to Vendor Loan Note holders, who are entitled to the same DPS on the equivalent number of shares based on the terms of the Vendor Loan Notes.
- # 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.

Manageable Debt Profile

Net Leverage Ratio^	Avg. Finance Cost	Undrawn Revolving Facilities
5.1x	**5.3%**	**$1.8bn**
(FY22: 4.6x)	(FY22: 2.7%)	(FY22: $1.7bn)

Average weighted maturity of the Group's borrowings was **2.4 years** as of Aug 23.

^ The Group has entered into facility agreements with various international banks for a term loan of $5,500 million and $5,500 million on 13 November 2020 and 31 March 2021, respectively. $250 million has been repaid on 30 November 2022.The Group’s net debt to EBITDA ratio as computed in accordance with these facilities would be approximately 5.1x.

Maximum Net Leverage Ratio per covenant as follows: 31-Aug-2023 (5.50X), 29-Feb-2024 (5.50X), 31-Aug-2024 (5.25X), 28-Feb-2025 (5.25X), 31-Aug-2025 and each Test Date after (5.00X).