HKBN Ltd.

香港寬頻有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1310)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 AUGUST 2022

(Unless otherwise stated, all monetary figures in this announcement are in Hong Kong dollars.)

The board of directors (the "**Board**") of HKBN Ltd. (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 August 2022.

ANNOUNCEMENT HIGHLIGHTS

- Despite the challenging economic environment, our Revenue grew year-on-year at 1% to $11,626 million. When excluding the Disposal Group's* four months of impact in FY22 and full year of impact in FY21, year-on-year growth is 6%.
- EBITDA (Adjusted) increased year-on-year by 2% to $2,609 million and Adjusted Free Cash Flow ("**AFF**") remained the same as last year at $1,133 million, mainly contributed by the Group's continuous efforts to drive operational efficiencies and control in working capital management.
- The Board has recommended a final dividend payment of 20 cents per share (FY21: 37.5 cents per share), resulting in a 22% year-on-year decrease in full year payment at 60 cents per share (FY21: 76.5 cents per share).

* *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..*

SHAREHOLDER LETTER

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 for continual growth.

Sincerely yours,

William Yeung	**NiQ Lai**
Co-Owner and Executive Vice-chairman	**Co-Owner and Group CEO**

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

KEY FINANCIAL AND OPERATIONAL SUMMARY

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%
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.*

KEY FINANCIAL AND OPERATIONAL SUMMARY (CONTINUED)

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 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.

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, 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 East China region to expand our coverage to drive new growth.

– In addition to growing the mainland China market, we will unlock cross-regional opportunities in Singapore, Malaysia and Hong Kong, leveraging 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.

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 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 of Hong Kong Limited (the "**Stock Exchange**") or (ii) 10% or less of the shares in issue as at the date following the date of approval of the renewed limit (as the case may be). The Co-Ownership Plan II shall be valid and effective for the period commencing on the Listing Date and expiring on the tenth anniversary thereof or such earlier date as it is terminated in accordance with the terms of the Co-Ownership Plan II, after which period no further RSUs shall be offered or granted.

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

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

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

		Number of RSUs							
								To be vested on 30 January/26 February	
Participants	**Date of grant**	**Granted**	**As at 1 September 2021**	**Granted for the year**	**Forfeited for the year**	**Vested for the year**	**As at 31 August 2022**	**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.*

ANNUAL GENERAL MEETING

2022 annual general meeting of the Company (the "**2022 AGM**") will be held on Friday, 16 December 2022 and the notice will be published and issued to shareholders of the Company (the "**Shareholders**") in due course.

FINAL 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 Directors 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 AGM, the proposed final dividend is expected to be paid in cash on or around Friday, 6 January 2023.

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

Based on the terms and conditions of the Vendor Loan Notes, the holders of Vendor Loan Notes are entitled to receive a cash amount payable by the Company equal to $33,464,442 based on the 20 cents 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 of 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.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2022 AGM, the register of members of the Company will be closed from Tuesday, 13 December 2022 to Friday, 16 December 2022, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the 2022 AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Monday, 12 December 2022.

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, 23 December 2022 to Thursday, 29 December 2022, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 22 December 2022.

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

During the year ended 31 August 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

REVIEW OF ANNUAL RESULTS AND ANNUAL FINANCIAL STATEMENTS

The Audit Committee has reviewed with the management and the external auditor the annual results of the Group for the year ended 31 August 2022, the accounting principles and practices adopted by the Group, as well as discussion on auditing, internal control, risk management and financial reporting matters of the Group.

The annual financial statements of the Group for the year ended 31 August 2022 have been reviewed by the Audit Committee and approved by the Board of the Company.

The financial figures in respect of the Group's consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 August 2022 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the auditor.

CORPORATE GOVERNANCE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its code of conduct for dealings in securities of the Company by Directors. Having made specific enquiries with all Directors, they confirmed that they had complied with the Model Code throughout the year ended 31 August 2022.

SUBSEQUENT EVENT

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

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.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hkbnltd.net). The annual report of the Company for the year ended 31 August 2022 will be despatched to the Shareholders and made available on the same websites in due course.

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

Hong Kong, 27 October 2022

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

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

Non-executive Directors
Mr. Agus TANDIONO
Ms. Shengping YU
Mr. Zubin Jamshed IRANI

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

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

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2022

		Year ended	
		31 August	31August
		2022	2021
	Note	***$'000***	*$'000*
Revenue	*3*	**11,626,164**	11,463,745
Other net income	*4(a)*	**62,842**	23,251
Network costs and costs of sales		**(7,155,803)**	(6,950,885)
Other operating expenses	*4(b)*	**(3,532,453)**	(3,698,309)
Finance costs	*4(d)*	**(239,204)**	(481,029)
Share of profits of associates		**4,167**	–
Share of losses of joint ventures		**(53,497)**	(31,508)
Profit before taxation	*4*	**712,216**	325,265
Income tax expenses	*5*	**(158,895)**	(118,393)
Profit for the year attributable to equity shareholders of the Company		**553,321**	206,872
Earnings per share			
Basic	*6*	**42.2 cents**	15.8 cents
Diluted	*6*	**37.4 cents**	14.0 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 AUGUST 2022

	Year ended	
	31 August 2022	31 August 2021
	$'000	*$'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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2022

	Note	**At 31 August 2022** **$'000**	At 31 August 2021 $'000
Non-current assets			
Goodwill		**9,016,507**	9,016,507
Intangible assets		**3,202,607**	3,606,163
Property, plant and equipment		**3,731,436**	3,901,090
Investment properties		**–**	198,828
Right-of-use assets		**705,607**	681,349
Customer acquisition and retention costs		**513,045**	564,849
Interest in associates		**56,920**	4,816
Interest in joint ventures		**17,110**	17,879
Loan to associates		**15,359**	–
Deferred tax assets		**26,724**	68,913
Other non-current assets		**98,531**	91,958
		17,383,846	18,152,352
Current assets			
Inventories		**111,478**	110,615
Trade receivables	*8*	**967,414**	1,073,306
Other receivables, deposits and prepayments		**463,892**	353,015
Amounts due from associates		**25**	–
Contract assets		**237,189**	211,945
Amounts due from joint ventures		**57,449**	45,500
Tax recoverable		**192**	192
Cash and cash equivalents		**1,129,226**	1,421,124
Financial assets at fair value through profit or loss		**76,387**	–
Assets classified as held for sale		**–**	400,384
		3,043,252	3,616,081

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 AUGUST 2022

	Note	**At 31 August 2022 *$'000***	At 31 August 2021 *$'000*
Current liabilities			
Trade payables	*9*	**778,651**	935,864
Other payables and accrued charges – current portion		**960,778**	1,018,271
Contract liabilities – current portion		**600,097**	632,492
Deposits received		**89,144**	90,475
Obligations under granting of rights – current portion		**–**	6,771
Amounts due to associates		**4,542**	4,816
Amounts due to joint ventures		**10,000**	10,750
Bank and other borrowings		**297,703**	481,283
Lease liabilities – current portion		**136,271**	166,649
Tax payable		**240,428**	189,496
Other current liabilities		**13,214**	12,863
Liabilities classified as held for sale		**–**	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		**54,000**	30,397
Contract liabilities – long-term portion		**145,807**	194,818
Deferred tax liabilities		**800,662**	904,848
Lease liabilities – long-term portion		**381,850**	305,129
Provision for reinstatement costs		**52,492**	62,442
Bank and other borrowings		**10,913,214**	10,831,416
Other non-current liabilities		**24,162**	37,376
		12,372,187	12,366,426
NET ASSETS		**4,924,083**	5,537,763
CAPITAL AND RESERVES			
Share capital		**132**	132
Reserves		**4,923,951**	5,537,631
TOTAL EQUITY		**4,924,083**	5,537,763

NOTES:

1 BASIS OF PREPARATION

The financial information set out in this announcement does not constitute the Group's consolidated financial statements for the year ended 31 August 2022, but is derived from those financial statements.

The consolidated 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.

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 2 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.

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.

2 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*

2 CHANGE IN ACCOUNTING POLICIES (CONTINUED)

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.

3 REVENUE AND SEGMENT REPORTING

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

(a) Disaggregation of revenue

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

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Disaggregation of revenue (Continued)

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

	2022	2021
	$'000	*$'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.

(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.

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(i) Telecom and technology solutions (Hong Kong)

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

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

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

(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.

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the 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	2021	**2022**	2021	**2022**	2021
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'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 taxes charge	**141,126**	101,931	**17,769**	16,462	**158,895**	118,393

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(c) Reconciliation between segment profit derived from Group's external customers and consolidated profit before taxation

	2022	2021
	$'000	*$'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

(d) 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.

	Revenues from external customers		**Specified non-current assets**	
	2022	2021	**2022**	2021
	$'000	*$'000*	***$'000***	*$'000*
Hong Kong (place of domicile)	**10,360,218**	9,929,146	**17,288,978**	17,995,081
Mainland China	**781,784**	635,630	**67,817**	87,139
Singapore	**116,759**	332,476	**–**	–
Other territories	**367,403**	566,493	**327**	1,219
	1,265,946	1,534,599	**68,144**	88,358
	11,626,164	11,463,745	**17,357,122**	18,083,439

4 PROFIT BEFORE TAXATION

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

	Year ended	
	31 August 2022	31 August 2021
	$'000	*$'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	**(6,771)**	(9,024)
Impairment on investment in a joint venture	**6,523**	–
Fair value loss on currency forward	**–**	309
Discounts on early settlement to suppliers	**–**	(188)
Gain on disposal of subsidiaries	**(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	**61,327**	79,002
Talent costs *(note 4(c))*	**912,022**	984,184
Amortisation of intangible assets	**411,384**	456,754
Amortisation of customer acquisition and retention costs	**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

4 PROFIT BEFORE TAXATION (CONTINUED)

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

	Year ended 31 August 2022 $'000	31 August 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	**145**	293
Cash-settled share-based payment expenses	**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.

4 PROFIT BEFORE TAXATION (CONTINUED)

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

	Year ended 31 August 2022 $'000	31 August 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 swap, 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 swap	**(89,717)**	13,330
	239,204	481,029
(e) Other items		
Amortisation of intangible assets	**475,570**	556,531
Depreciation		
– Property, plant and equipment	**728,941**	752,019
– Investment properties	**7,367**	7,972
– Right-of-use assets	**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 building	**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	**4,453,689**	3,687,950
Write down of inventories	**1,581**	2,900

5 INCOME TAX EXPENSES

	Year ended	
	31 August 2022	31 August 2021
	$'000	*$'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	**(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-tired 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.

6 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $553,321,000 (2021: $206,872,000) and the weighted average number of ordinary shares in issue calculated as follows:

	Year ended	
	31 August 2022	31 August 2021
	'000	*'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

6 EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company $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:

	Year ended	
	31 August 2022	31 August 2021
	'000	*'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

7 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.

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.

8 TRADE RECEIVABLES

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

	At 31 August 2022	At 31 August 2021
	$'000	*$'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.

9 TRADE PAYABLES

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

	At 31 August 2022	At 31 August 2021
	$'000	*$'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

10 DIVIDENDS

(i) Dividend payable to equity shareholders of the Company attributable to the year

	Year ended	
	31 August	31 August
	2022	2021
	$'000	*$'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

	Year ended	
	31 August	31 August
	2022	2021
	$'000	*$'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