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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 AUGUST 2023

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

The board (the "**Board**") of directors (the "**Directors**") 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 2023.

ANNOUNCEMENT HIGHLIGHTS

- Revenue increased year-on-year by 1% to $11,692 million, mainly due to a 9% increase in Enterprise Solutions revenue to $4,825 million as the Company's ICT transformation gained momentum and higher revenue in wholesale IDD. This growth was achieved despite an 18% year-on-year decline in Enterprise Solutions related product revenue of $1,934 million, which reflects a broader downturn in demand for office computer equipment following the surge in purchases during the COVID period.
- EBITDA (Adjusted) decreased year-on-year by $320 million, or 12%, to $2,290 million, mainly due to the increase in network costs and costs of sales by $369 million, or 5%, to $7,525 million. This increase was linked with the cost of wholesale IDD and was offset by the decrease in cost of inventories. Fixed price subscription contracts are expected to enhance the EBITDA over the contract's lifespan, which are typically 24 months and longer.
- A loss of $1,267 million was reported, which includes an 194% increase in finance cost of $702 million, along with a non-cash impairment on goodwill of $1,200 million.
- The Company considers adjusted free cash flow ("**AFF**") to be a good indicator of its cash generation, which is why it bases dividend payout ratio on this metric, rather than non-cash accounting metrics. Consistent with HKBN's stated dividend policy of no less than 75% of its AFF, the Board has recommended the payment of a final dividend of 20 cents per share (FY22: 20 cents per share), resulting in a 33% year-on-year decrease in full year payment to 40 cents per share (FY22: 60 cents per share)*.

* *The share closing price of the Company as at 1 November 2023 was $2.73, which represents 15% dividend yield on our stock.*

SHAREHOLDER LETTER

Dear Fellow HKBN Shareholders,

Transcendence to ICT Powerhouse

Every industry has a natural lifecycle, and our once vibrant Telecom industry is no exception. When we first introduced broadband services in 2000, broadband penetration grew from zero to its now matured stage of essentially 100% of the addressable residential households and active companies. Today, however, as penetration has peaked, the broadband market is now, at best, only growing in line with the population. Considering the high fixed-cost nature of the industry, marginal players are likely to price at their incremental cost recovery without recovering their total fixed-cost. In short, we see Telecom entering a commoditisation phase, similar to our experience in the ex-growth stage of our International Direct Dial business from the 1990s to early 2000s.

As the Telecom industry enters the ex-growth phase, it is essential for us to pivot to an adjacent growth industry which can leverage on our tens of billions of fixed-line Telecom infrastructure investment made over the past 30 years between HKBN, New World Telecom and Wharf T&T, and do it without confining ourselves only to this infrastructure. A natural transcendence would be a move up the value vertical from Telecom to become an information and communication technology ("**ICT**") Powerhouse.

Whilst we acquired Jardine One Solution ("**JOS**") in FY20, our integration was frustrated by COVID in FY21 and FY22. In FY23, we have made significant progress in strengthening our management team, as approximately half of our Enterprise Solutions leaders are recent SI-native executives.

From Enterprise Connectivity to Helping Businesses Thrive

In our Enterprise business, we deliver high-touch tailored service that leverage our integrated SI and Telco capabilities for our top 1,000 large enterprise customers and then we productise these for our 1,001-10,000 mid-tier and 10,001-100,000 small-to-medium enterprise customers; SI-only competitors do not have the mass-market scale to match us on this. This year, we introduced AegisConnect to our mid-tier customer base, adding many more layers of value and business-critical functionality to our core Telecom connectivity. In an unprecedented way, AegisConnect allows businesses to gain full visibility into their network's health, while they enjoy AI-powered diagnosis and anti-DDoS (distributed denial-of-service) cybersecurity. For small-to-medium enterprises, we launched IT.Simplified as a cost-effective solution that reduces the dependence on hiring in-house full-time IT-Talents with comprehensive IT-as-a-Service support from our team of 600+ technical engineers. In an IT-Talent shortage environment, this is how we help customers to overcome their challenges of staffing and maintaining an in-house IT team.

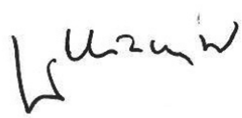
From Residential Broadband to Infinite-play

In our Residential business, we continue with our ongoing transformation from being a broadband provider to Infinite-play provider to maximise revenue per household. This year, we launched the world's first residential Dual Guarantee for fibre broadband – meaning we back both the speed and latency of our entire lineup of fibre services, from 2000M (which is also a first in Hong Kong) to 100M, with a guaranteed refund. Additionally, we proudly launched Hong Kong's first-ever post-paid Global SIM service, which brings a slew of innovative breakthroughs just in time as Hongkongers resume their passion for travelling. And finally, through our partnership with iQIYI (one of Asia's leading platforms for local and regional content), we further cemented our position as Hong Kong's leading carrier for OTT entertainment. Pairing OTT such as Netflix, Disney+, myTV SUPER and iQIYI with broadband and mobile on a single integrated bill, is a winning strategy, and one that allows us to differentiate on value rather than price.

Leading our Industry in ESG

Central to everything we do is our Core Purpose to "Make our Home a Better Place to Live". We are proud to be recognised with the highest possible AAA rating from MSCI ESG Ratings. In addition, the Hang Seng Corporate Sustainability Index recently upgraded us to an AA+ rating, making us the leader in our industry and amongst the top 10% of 500+ assessed companies in Hong Kong.

Sincerely Yours



William Yeung
Co-Owner and Executive Vice-chairman

NiQ Lai
Co-Owner and Group CEO

KEY FINANCIAL AND OPERATIONAL SUMMARY

Table 1: Financial highlights

	For the year ended **31 August 2023**	31 August 2022	**Change YoY**
Key financials ***($'000)***			
Revenue	**11,692,176**	11,626,164	+1%
– Enterprise Solutions	**4,825,008**	4,427,441	+9%
– Enterprise Solutions related product	**1,934,378**	2,351,289	-18%
– Residential Solutions	**2,392,820**	2,433,159	-2%
– Handset and other product	**2,539,970**	2,414,275	+5%
(Loss)/profit for the year	**(1,267,408)**	553,321	->100%
Adjusted Net Profit [1,2]	**194,634**	904,875	-78%
EBITDA (Adjusted)* [1,3]	**2,289,914**	2,609,750	-12%
Adjusted Free Cash Flow [1,4]	**763,249**	1,133,253	-33%
Reconciliation of Adjusted Net Profit [1,2]			
(Loss)/profit for the year	**(1,267,408)**	553,321	->100%
Amortisation of intangible assets	**384,727**	411,384	-6%
Deferred tax arising from amortisation of intangible assets	**(63,234)**	(66,353)	-5%
Deferred tax recognised on unused tax loss	**(84,921)**	–	100%
Impairment on goodwill	**1,200,000**	–	100%
Impairment on interest in a joint venture	**–**	6,523	-100%
Originating fee for banking facilities amendment	**25,470**	–	100%
Adjusted Net Profit	**194,634**	904,875	-78%
Reconciliation of EBITDA & Adjusted Free Cash Flow [1,3,4]			
(Loss)/profit for the year	**(1,267,408)**	553,321	->100%
Amortisation of customer acquisition and retention costs	**274,926**	293,854	-6%
Amortisation of intangible assets (Adjusted)*	**384,727**	413,014	-7%
Depreciation (Adjusted)*	**900,820**	947,099	-5%
Finance costs	**702,303**	239,204	>100%
Gain on disposal of associates/subsidiaries	**(6,264)**	(53,171)	-88%
Impairment on goodwill	**1,200,000**	–	100%
Impairment on interest in a joint venture	**–**	6,523	-100%
Income tax expenses	**36,077**	158,895	-77%
Interest income	**(8,853)**	(2,857)	>100%
Share of loss of discontinued operation	**73,586**	53,868	+37%
EBITDA (Adjusted)*	**2,289,914**	2,609,750	-12%
Capital expenditure	**(512,002)**	(539,507)	-5%
Changes in working capital	**169,474**	(15,522)	>100%
Customer acquisition and retention costs	**(226,414)**	(242,050)	-6%
Income tax paid	**(238,660)**	(165,101)	+45%
Lease payments in relation to right-of-use assets	**(174,076)**	(209,846)	-17%
Net interest paid	**(544,987)**	(297,912)	+83%
Other non-cash items	**–**	(6,559)	-100%
Adjusted Free Cash Flow	**763,249**	1,133,253	-33%

* *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 2023**	31 August 2022	**Change YoY**
Enterprise business			
Commercial building coverage	**8,090**	8,006	+1%
Subscriptions *('000)*			
– Broadband	**117**	119	-2%
– Voice	**388**	413	-6%
Enterprise customers [5] *('000)*	**101**	105	-4%
Residential business			
Residential homes passed *('000)*	**2,560**	2,513	+2%
Subscriptions *('000)*			
– Broadband	**920**	897	+3%
– Voice	**386**	432	-11%
Residential ARPU [6]	**$179**	$184	-3%
Mobile business			
Subscriptions *('000)*	**239**	241	-1%
Residential customers *('000)*	**972**	976	0%
Total full-time permanent Talents	**4,428**	4,864	-9%

Notes:

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

(2) Adjusted Net Profit means profit for the year plus amortisation of intangible assets (net of deferred tax credit and direct cost incurred in corresponding year). Deferred tax recognised on unused tax losses, originating fee for bank facilities amendment, impairment on goodwill and impairment on interest in a joint venture.

(3) EBITDA means profit for the year plus finance costs, income tax expense, depreciation, amortisation of intangible assets (net of direct cost incurred in corresponding period), amortisation of customer acquisition and retention costs, gain on disposal of associates/subsidiaries, sharer of loss of discontinued operation, impairment on goodwill, impairment on interest in a joint venture and less interest income.

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

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

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

BUSINESS REVIEW

FY23 was the first year where our integration of JOS and WTT, acquired in FY20, proceeded without COVID disruptions. However, the year was marked by significant challenges including high input-cost inflation, uncertain global macro-economic conditions, slower than expected cross-border business recovery, and intense competition within the telecom industry. In the face of such demanding circumstances, the Group executed well on strengthening our Talent-force and enhancing our technology capabilities so as to deepen our relationships with residential and enterprise customers.

Throughout the year, we accelerated the transformation of our enterprise business. We provided a wide range of comprehensive digital transformation solutions for various enterprises. Revenue backlog generated from new contracts signed (average contract length of 2-to-3 years) created strong momentum, effectively offsetting the revenue decline experienced due to a reducing backlog in FY21 and FY22. However, FY23 presented a timing gap as we had to absorb the rise in our "Network costs and cost services" due to the fixed nature of service revenue. Although we started increasing our Enterprise ARPU in 2H FY23, it will take 2–3 years to fully reset our entire contract base.

Amid a tough market environment, our residential business remained solid. Service revenue was stable as we continued to execute our Infinite-play strategy by expanding the range of value-added services and options to engage customers. In mid FY23, we pivoted our residential business focus from "cutting price to grow subscribers" to "raising price to maximise the product of ARPU x subscribers".

As a result, our Revenue increased year-on-year by 1% to $11,692 million. EBITDA (Adjusted) and AFF decreased year-on-year by 12% and 33% to $2,290 million and $763 million, respectively.

- Enterprise Solutions revenue increased year-on-year by 9% to $4,825 million.

- Residential Solutions revenue slightly decreased year-on-year by 2% to $2,393 million.

- Handset and other product revenue increased year-on-year by 5% to $2,540 million.

Network costs and costs of sales increased by $369 million, or 5%, to $7,525 million mainly due to the increase in the cost of wholesale IDD and offset by the decrease in cost of inventories.

Other operating expenses decreased year-on-year by $88 million, or 2%, to $3,445 million, which is mainly due to a decrease in advertising and marketing expenses of $16 million, a decrease in depreciation of $29 million, a decrease in amortisation of intangible assets and customer acquisition and retention costs of $46 million and others of $14 million but were partly offset of an increase in Talent costs of $11 million and an increase in recognition of loss allowance on trade receivables and contract assets of $6 million.

Finance cost increased year-on-year by 194% from $239 million to $702 million. This was mainly caused by an increase in interest and finance charge on bank loans of $379 million due to HIBOR increase, a decrease in fair value gain on interest-rate swap of $59 million and an increase of originating fee for bank facilities amendment of $25 million.

Income tax decreased year-on-year by 77% from $159 million to $36 million which was due to the recognition of deferred tax assets arising from unused tax losses of the Group's subsidiary.

A non-cash accounting impairment on goodwill of $1,200 million was recorded. The current high interest rate environment depressed global macro-IT spending and the original goodwill purchase premium was adjusted to reflect the higher discount and slower market growth rates.

As a result of the aforementioned factors, we moved from a profit of $553 million in FY22 to a loss of $1,267 million in FY23.

EBITDA (Adjusted) decreased year-on-year by $320 million, or 12%, to $2,290 million, mainly due to the increase in network costs and costs of sales by $369 million, or 5%, to $7,525 million. This increase was linked with the cost of wholesale IDD and was offset by the decrease in cost of inventories. Fixed price subscription contracts are expected to enhance the EBITDA over the contract's lifespan, which are typically 24 months and longer.

AFF decreased year-on-year by 33% from $1,133 million to $763 million, mainly caused by a decrease in EBITDA (Adjusted) of $320 million, an increase in net interest paid by $247 million and an increase in income tax paid of $74 million, and which were partly offset by an increase in working capital inflow of $185 million, a decrease in capital expenditure, other non-cash items, customer acquisition and retention cost and lease payment in relation to right-of-use assets of $28 million, $6 million, $16 million and $36 million, respectively.

OUTLOOK

The pandemic has significantly reshaped our daily lives and has greatly accelerated the urgency for businesses to undertake digital transformation. This shift has provided a favourable momentum in our ICT transformation. As more businesses rely on Internet and cloud-enabled systems, cybersecurity incidents have, in parallel, increased at alarming rates, posing a risk of valuable data loss or service downtime. This presents us with a great opportunity to serve the growing market demand for cybersecurity, IT, transformation and other enterprise-enhancing solutions.

In FY24, we will continue to strengthen the market competitiveness of our Residential and Enterprise ICT businesses, and focus on enhancing our capabilities as a one-stop ICT Powerhouse to capture future growth opportunities in Hong Kong and beyond in the mainland China.

In Enterprise Solutions:

- In FY23, our Enterprise Solutions related product revenue decreased 18% to $1,934 million due to the broader market's adjustment following an excess PC related purchases as companies upgraded their systems for remote working during COVID. We expect the overall PC related market to rebound in FY24, aligning with the start of the Windows 11 upgrade cycle.

- With AegisConnect, we are leveraging disruptive innovation to enhance our flagship Fixed Telecommunications Network Services ("**FTNS**") solutions. This proprietary solution empowers enterprises with full visibility monitoring of their network, and pairs that with AI-powered diagnostics and security to detect and address cyber threats or problems of traffic congestion. In an era when network outages of any kind can be extremely costly, AegisConnect will help deepen our relationship with enterprise customers.

- With IT·Simplified, we are offering on-demand IT support delivered by one of the region's largest teams of IT engineers. At a time when all companies must cope with a prolonged shortage of tech Talents, IT·Simplified will further deepen our empowerment of enterprises, enabling us to gain greater wallet share.

- These two compelling solutions, along with others, will serve to augment the value and user-benefits that we provide to customers; enabling us to further increase our enterprise ARPU on a long-term basis.

- For our SI business, we will continue to align and strengthen 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.

- We will leverage improved changes made to our sales engineering and service delivery capabilities to drive digital transformation and offer top notch solutions and post-sales services.

- To take advantage of the border's re-opening, 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 ("**GBA**") and Eastern China region to expand coverage and drive new growth.

- We have an excellent customer base for our box moving hardware and maintenance business. For the coming year, we expect the box moving business to undergo recovery on a global basis. As such, we will introduce new go-to-market models and team structures to strengthen our sales coverage.

- Riding on our strong momentum and relationships with carriers and platform service providers, we will accelerate our Internet Data Centre ("**IDC**"), OTT and Hyperscaler business.

In Residential Solutions:

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

- To deepen our engagement with more consumers, we will continue to position HKBN as the best place to enjoy world-class OTT entertainment; we are the only carrier in Hong Kong to offer customers competitive-value options to enjoy the four major platforms of Netflix, Disney+, myTV SUPER and iQIYI.

- We will continue to improve customer stickiness by expanding our residential ecosystem through a variety of compelling value-added services (e.g. Wi-Fi-6 Gateway, Wi-Fi-as-a-Service and others).

- With travel resuming back to pre-pandemic levels, our innovative Global SIM service and 5G local + GBA mobile plans will play a significant role, providing groundbreaking features and seamless ease of use, to serve the data roaming needs of consumers.

- By delivering incredible value and benefits to customers, the above Infinite-play offerings will enable us to further increase our residential ARPU; gaining greater wallet share from customers.

- As consumers continue to shift their shopping habits online, our Shoppy platform will play an even greater role in serving their needs for the latest electronics, smartphones, as well as lifestyle and wellness products.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 August 2023, the Group had total cash and cash equivalents of $1,017 million (2022: $1,129 million) and gross debt of $11,589 million (2022: $11,865 million), which led to a net debt position of $10,572 million (2022: $10,736 million). Lease liabilities of $536 million (2022: $518 million) was included as debt as at 31 August 2023 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 3.8x as at 31 August 2023 (2022: 2.4x).

The Group's net debt to EBITDA ratio as computed in accordance with the term of the Group's various loan facilities was approximately 5.1x as at 31 August 2023 (2022: 4.6x). The average finance cost calculated as the interest and coupon charges over the average borrowing balance was 5.3% (2022: 2.7%). The average weighted maturity of the Group's borrowings was 2.4 years as at 31 August 2023 (2022: 3.3 years).

Cash and cash equivalents consisted of cash at bank and in hand. There was no pledged bank deposit as at 31 August 2023 and 31 August 2022. As at 31 August 2023, the Group had an undrawn revolving credit facility of $1,763 million (2022: $1,713 million).

Under the liquidity and capital resources condition as at 31 August 2023, the Group can fund its capital expenditures and working capital requirements for the year with internal resources and the available banking facilities.

HEDGING

The Group's policy is to partially hedge the interest rate risk arising from the variable interest rates of the debt instruments and facilities by entering into interest-rate swaps. The Group Chief Executive Officer and Chief Financial 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 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.

During FY23, the Group also entered into an interest-rate swap arrangement in the principal amount of $5,250 million with an international financial institution for a term of 2.5 years from 1 June 2023 to 24 November 2025. Benefiting from the hedging arrangement, the Group fixed the HIBOR interest rate exposure at 3.95% per annum.

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 2023, the Group pledged assets to secure the other borrowings of $49 million (2022: $88 million).

CONTINGENT LIABILITIES

As at 31 August 2023, the Group had total contingent liabilities of $267 million (2022: $227 million) in respect of bank guarantees provided to suppliers and customers and utility vendors in lieu of payment of utility deposits. The increase of $40 million was mainly due to an increase in performance guarantee issued to the Group's suppliers and customers.

A subsidiary of the Group received a claim from a supplier regarding the early termination charge under several agreements. The Group considers the claim is not valid, and therefore, continues to deny the above liability. Based on the legal advice received, management believes that the probability of a successful claim is low. The potential exposure of the Group amounted to approximately $24 million. No provision has been made in respect of this claim.

EXCHANGE RATES

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

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

The Group did not make any significant investments, acquisitions or disposals in relation to its subsidiaries and associated companies during the year ended 31 August 2023.

TALENT REMUNERATION

As at 31 August 2023, the Group had 4,428 permanent full-time Talents down by 9% compared to 4,864 Talents as at 31 August 2022. 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 since its listing, namely Co-Ownership Plan II, Co-Ownership Plan III (was terminated and replaced by Co-Ownership Plan III Plus), Co-Ownership Plan III Plus (naturally expired in October 2023) and Co-Ownership Plan IV (was amended and replaced by the amended and restated Co-Ownership Plan IV (the "**Amended and Restated Co-Ownership Plan IV**") on 11 May 2023).

During the year ended 31 August 2023, Co-Ownership Plan II, Co-Ownership Plan III Plus and the Amended and Restated Co-Ownership Plan IV were the restricted share unit schemes held by the Company (the "**Existing RSU Schemes**"). Details of the Existing RSU Schemes will be disclosed in the annual report of the Company for the year ended 31 August 2023.

ANNUAL GENERAL MEETING

2023 annual general meeting of the Company (the "**2023 AGM**") will be held on Friday, 15 December 2023 and the notice will be published and issued to shareholders of the Company (the "**Shareholders**") in due course.

FINAL DIVIDEND

The Company seeks to provide stable and sustainable returns to the Shareholders. 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 Board 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.

Consistent with the Company's dividend policy stated above, the Directors recommended the payment of a final dividend of 20 cents per share for the year ended 31 August 2023 (2022: 20 cents per share) to the Shareholders whose names appear on the register of members of the Company on Thursday, 28 December 2023. Subject to the approval by the Shareholders at the 2023 AGM, the proposed final dividend is expected to be paid in cash on or around Monday, 8 January 2024.

Based on the terms and conditions of the vendor loan notes issued by the Company to TPG Wireman, L.P. and Twin Holding Ltd 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 2023, as if the holders of the Vendor Loan Notes are holders of 167,322,212 ordinary shares in the Company as of the record date for such final dividend. Such cash amount will be paid by the Company to the holders of Vendor Loan Notes on or around Monday, 8 January 2024, being the date on which the final dividend for the year ended 31 August 2023 will be paid by the Company.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Tuesday, 12 December 2023 to Friday, 15 December 2023, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the 2023 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, 11 December 2023.

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, 22 December 2023 to Thursday, 28 December 2023, 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, 21 December 2023.

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

During the year ended 31 August 2023, 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 of the Company has reviewed with the management and the external auditor the annual results of the Group for the year ended 31 August 2023, 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 2023 have been reviewed by the Audit Committee of the Company and approved by the Board.

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 2023 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 Hong Kong Institute of Certified Public Accountants 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" contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") during the year ended 31 August 2023.

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 the Directors. Having made specific enquiries with the Directors, they confirmed that they had complied with the Model Code during the year ended 31 August 2023.

SUBSEQUENT EVENT

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 2023 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, 2 November 2023

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

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

Non-executive Directors
Mr. Liyang ZHANG
Ms. Shengping YU

Independent Non-executive Directors
Mr. Bradley Jay HORWITZ *(Chairman)*
Ms. Kit Yi Kitty CHUNG
Ms. Ming Ming Anna CHEUNG
Mr. Stanley CHOW
Mr. Yee Kwan Quinn LAW, SBS, JP

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

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2023

	Note	2023 $'000	2022 $'000
Revenue	*3*	**11,692,176**	11,626,164
Other net income	*4(a)*	**18,708**	62,842
Network costs and costs of sales		**(7,525,019)**	(7,155,803)
Other operating expenses	*4(b)*	**(3,444,559)**	(3,532,453)
Impairment on goodwill	*4(e)*	**(1,200,000)**	–
Finance costs	*4(d)*	**(702,303)**	(239,204)
Share of (losses)/profits of associates		**(742)**	4,167
Share of losses of joint ventures		**(69,592)**	(53,497)
(Loss)/profit before taxation	*4*	**(1,231,331)**	712,216
Income tax expenses	*5*	**(36,077)**	(158,895)
(Loss)/profit for the year attribute to equity shareholders of the Company		**(1,267,408)**	553,321
(Loss)/earnings per share			
Basic	*6*	**(96.7) cents**	42.2 cents
Diluted	*6*	**(96.7) cents**	37.4 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 AUGUST 2023

	2023	2022
	$'000	*$'000*
(Loss)/profit for the year	**(1,267,408)**	553,321
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	**(14,750)**	(18,129)
Share of other comprehensive income of associates	**(326)**	(935)
Exchange differences on translating foreign operations transferred to consolidated income statement upon disposal	**1,051**	(1,917)
Other comprehensive income for the year	**(14,025)**	(20,981)
Total comprehensive income for the year attribute to equity shareholders of the Company	**(1,281,433)**	532,340

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2023

	Note	**2023** **$'000**	2022 $'000
Non-current assets			
Goodwill		**7,816,507**	9,016,507
Intangible assets		**2,775,801**	3,202,607
Property, plant and equipment		**3,418,992**	3,731,436
Right-of-use assets		**689,568**	705,607
Customer acquisition and retention costs		**464,533**	513,045
Interest in associates		**4,332**	56,920
Interest in joint ventures		**6,284**	17,110
Loan to associates		**–**	15,359
Deferred tax assets		**66,674**	26,724
Other non-current assets		**72,289**	98,531
		15,314,980	17,383,846
Current assets			
Inventories		**105,681**	111,478
Trade receivables	*7*	**909,394**	967,414
Other receivables, deposits and prepayments		**465,921**	463,892
Amounts due from associates		**–**	25
Contract assets		**315,420**	237,189
Amounts due from joint ventures		**5,663**	57,449
Tax recoverable		**–**	192
Cash and cash equivalents		**1,016,769**	1,129,226
Financial assets at fair value through profit or loss		**13,777**	76,387
		2,832,625	3,043,252

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 AUGUST 2023

	Note	2023 $'000	2022 $'000
Current liabilities			
Trade payables	8	**927,666**	778,651
Other payables and accrued charges – current portion		**869,699**	960,778
Contract liabilities – current portion		**573,977**	600,097
Deposits received		**83,277**	89,144
Amounts due to associates		**4,332**	4,542
Amounts due to joint ventures		**10,000**	10,000
Bank and other borrowings		**284,861**	297,703
Lease liabilities – current portion		**150,910**	136,271
Tax payable		**193,843**	240,428
Other current liabilities		**13,575**	13,214
		3,112,140	3,130,828
Net current liabilities		**(279,515)**	(87,576)
Total assets less current liabilities		**15,035,465**	17,296,270
Non-current liabilities			
Other payables and accrued charges – long-term portion		**18,000**	54,000
Contract liabilities – long-term portion		**160,162**	145,807
Deferred tax liabilities		**684,672**	800,662
Lease liabilities – long-term portion		**385,105**	381,850
Provision for reinstatement costs		**54,003**	52,492
Bank and other borrowings		**10,671,853**	10,913,214
Other non-current liabilities		**10,588**	24,162
		11,984,383	12,372,187
NET ASSETS		**3,051,082**	4,924,083
CAPITAL AND RESERVES			
Share capital		**132**	132
Reserves		**3,050,950**	4,923,951
TOTAL EQUITY		**3,051,082**	4,924,083

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 2023, but is derived from those financial statements.

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 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 2023, the current liabilities of the Group exceeded their current assets by approximately $280 million. Included in the current liabilities were (i) current portion of contract liabilities of $574 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 $151 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 CHANGES IN ACCOUNTING POLICIES

(a) Amended HKFRSs

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 HKAS 16, Property, plant and equipment: Proceeds before intended use

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss. The amendments do not have a material impact on these financial statements as the Group does not sell items produced before an item of property, plant and equipment is available for use.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Amended HKFRSs (Continued)

Amendments to HKAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Previously, the Group included only incremental costs when determining whether a contract was onerous. In accordance with the transitional provisions, the Group has applied the new accounting policy to contracts for which it has not yet fulfilled all its obligations at 1 September 2022, and has concluded that none of them is onerous.

(b) New HKICPA guidance in the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022 the Hong Kong SAR Government gazette the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**"), which will come into effect from 1 May 2025 (the "**Transition Date**"). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund ("**MPF**") scheme to reduce the long service payment ("**LSP**") in respect of an employee's service from the Transition Date (the abolition of the "**offsetting mechanism**"). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP.

However, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19 that previously allowed such deemed contributions to be recognised as reduction of service cost (negative service cost) in the period the contributions were made; instead these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit.

To better reflect the substance of the abolition of the offsetting mechanism, the Group has changed its accounting policy in connection with its LSP liability and has applied the above HKICPA guidance. The cessation of the applying the practical expedient in paragraph 93(b) of HKAS 19 in conjunction with the enablement of the Amendment Ordinance is expected to result in a catch-up profit or loss adjustment in June 2022 for the service cost up to date and the consequential impact on current service costs, interest expense and remeasurement effects from changes in actuarial assumptions for the year ended 31 August 2022, with the corresponding adjustment to comparative carrying amount of the LSP liability. However, since the amount of the catch-up profit or loss adjustment was immaterial with reference to the assessment by external specialists engaged by the Group, the Group did not restate the comparative figures for consolidated financial statements.

3 REVENUE AND SEGMENT REPORTING

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

(a) Disaggregation of revenue

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

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

	2023	2022
	$'000	*$'000*
Disaggregated by major products or service lines:		
Fixed telecommunications network services	**4,670,790**	4,697,959
International telecommunications services	**1,117,214**	750,192
Other services	**368,288**	364,789
Fees from provision of telecommunications services	**6,156,292**	5,812,940
Product revenue	**4,474,348**	4,765,564
Technology solution and consultancy services	**1,061,536**	1,037,159
Revenue from contracts with customers within the scope of HKFRS 15	**11,692,176**	11,615,663
Rental income from leasing business	**–**	10,501
	11,692,176	11,626,164
Disaggregated by major categories:		
Residential Solutions revenue	**2,392,820**	2,433,159
Enterprise Solutions revenue	**4,825,008**	4,427,441
Enterprise Solutions related product revenue	**1,934,378**	2,351,289
Handset and other product revenue	**2,539,970**	2,414,275
	11,692,176	11,626,164

During the years ended 31 August 2023 and 2022, product revenue is recognised at a point-in-time and revenue from the provision of telecommunications services is substantially recognised over time.

One customer of the Group contributed 20.9% of the Group's total revenue for the year ended 31 August 2023 (2022: 19.4%).

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(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, the Group has presented the following two reportable segments following the acquisition of Jardine OneSolution Holdings (C.I.) Limited, Adura Hong Kong Limited and ADURA CYBER SECURITY SERVICES PTE. LTD. on 13 December 2019. 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 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 reportable segment profit is earnings before finance costs, interest income, income tax, depreciation, amortisation of intangibles assets (net of direct cost incurred), impairment on goodwill, amortisation of customer acquisition and retention costs and impairment on interest in a joint venture.

In addition to receiving segment information concerning the reportable segment profit, 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)

(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 2023 and 2022 is set out below.

	Telecom and technology solutions (Hong Kong)		Telecom and technology solutions (non-Hong Kong)		Total	
	2023	2022	**2023**	2022	**2023**	2022
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Disaggregated by timing of revenue recognition						
Point in time	**3,604,800**	3,773,979	**869,548**	991,585	**4,474,348**	4,765,564
Over time	**7,055,052**	6,586,239	**162,776**	274,361	**7,217,828**	6,860,600
Revenue from external customers	**10,659,852**	10,360,218	**1,032,324**	1,265,946	**11,692,176**	11,626,164
Inter-segment revenue	**39,007**	45,521	**296,542**	317,178	**335,549**	362,699
Reportable segment revenue	**10,698,859**	10,405,739	**1,328,866**	1,583,124	**12,027,725**	11,988,863
Reportable segment profit	**2,146,875**	2,466,755	**75,717**	127,397	**2,222,592**	2,594,152
Interest income	**7,560**	575	**1,293**	2,282	**8,853**	2,857
Finance costs	**700,309**	235,829	**1,994**	3,375	**702,303**	239,204
Impairment on goodwill	**1,200,000**	–	**–**	–	**1,200,000**	–
Depreciation and amortisation during the year	**1,571,345**	1,666,884	**31,209**	36,368	**1,602,554**	1,703,252
Capital expenditure incurred during the year	**400,218**	556,683	**3,146**	7,251	**403,364**	563,934
Income tax charge	**24,586**	141,126	**11,491**	17,769	**36,077**	158,895

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

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

	2023	2022
	$'000	*$'000*
Reportable segment profit derived from Group's external customers	**2,222,592**	2,594,152
Finance costs	**(702,303)**	(239,204)
Interest income	**8,853**	2,857
Depreciation	**(900,820)**	(933,828)
Amortisation of intangible assets	**(384,727)**	(411,384)
Amortisation of customer acquisition and retention costs	**(274,926)**	(293,854)
Impairment loss on a joint venture	**–**	(6,523)
Impairment on goodwill	**(1,200,000)**	–
Consolidated (loss)/profit before taxation	**(1,231,331)**	712,216

(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 plant and equipment, right-of-use assets, intangible assets, goodwill, customer acquisition and retention costs, contract assets, interests in joint ventures and 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, contract assets 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**	
	2023	2022	**2023**	2022
	$'000	*$'000*	***$'000***	*$'000*
Hong Kong (place of domicile)	**10,659,852**	10,360,218	**15,191,136**	17,288,978
Mainland China	**656,716**	781,784	**56,292**	67,817
Singapore	**–**	116,759	**–**	–
Other territories	**375,608**	367,403	**878**	327
	1,032,324	1,265,946	**57,170**	68,144
	11,692,176	11,626,164	**15,248,306**	17,357,122

4 (LOSS)/PROFIT BEFORE TAXATION

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

	Year ended 31 August 2023 $'000	31 August 2022 $'000
(a) Other net income		
Interest income	**(8,853)**	(2,857)
Net foreign exchange loss	**2,460**	2,313
Amortisation of obligations under granting of rights	**–**	(6,771)
Impairment on investment in a joint venture	**–**	6,523
Gain on disposal of subsidiaries	**–**	(40,033)
Gain on disposal of associates	**(6,264)**	–
Other income	**(6,051)**	(22,017)
	(18,708)	(62,842)
(b) Other operating expenses		
Advertising and marketing expenses	**356,622**	372,138
Depreciation		
– Property, plant and equipment	**714,198**	728,941
– Investment properties	**–**	7,367
– Right-of-use assets	**184,714**	191,852
Gain on disposal of property, plant and equipment, net	**(584)**	(1,459)
Gain on disposal of right-of-use assets, net	**(888)**	–
Recognition of loss allowance on trade receivables and contract assets	**66,786**	61,327
Talents costs *(note 4(c))*	**922,698**	912,022
Amortisation of intangible assets	**384,727**	411,384
Amortisation of customer acquisition and retention costs	**274,926**	293,854
Others	**541,360**	555,027
– Office rental and utilities	**55,587**	85,727
– Site expenses	**86,946**	93,550
– Bank handling charges	**37,174**	40,184
– Maintenance	**120,467**	121,163
– Subscription and license fees	**109,064**	97,462
– Legal and professional fees	**33,173**	31,501
– Printing, telecommunication and logistics expenses	**44,400**	42,929
– Others	**54,549**	42,511
	3,444,559	3,532,453

4 (LOSS)/PROFIT BEFORE TAXATION (CONTINUED)

(c) Talent costs

	Year ended	
	31 August 2023	31 August 2022
	$'000	*$'000*
Salaries, wages and other benefits	**1,540,648**	1,580,628
Contributions to defined contribution retirement plan	**113,716**	126,251
Equity-settled share-based payment expenses	**–**	145
Cash-settled share-based payment expenses	**–**	67
	1,654,364	1,707,091
Less: Talent costs capitalised as property, plant and equipment	**(51,149)**	(49,119)
Talent costs included in advertising and marketing expenses and amortisation of customer acquisition and retention costs	**(420,531)**	(397,169)
	1,182,684	1,260,803
Talent costs included in other operating expenses	**922,698**	912,022
Talent costs included in network costs and costs of sales	**259,986**	348,781
	1,182,684	1,260,803

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

(d) Finance costs

	Year ended	
	31 August 2023	31 August 2022
	$'000	*$'000*
Interest and finance charges on bank loans	**681,096**	302,161
Interest on other borrowings	**4,283**	3,834
Interest on interest-rate swap, net	**–**	3,125
Interest on lease liabilities	**20,853**	18,621
Interest on other liabilities	**829**	1,180
Originating fee for banking facilities amendment	**25,470**	–
Fair value gain on interest-rate swap	**(30,228)**	(89,717)
	702,303	239,204

4 (LOSS)/PROFIT BEFORE TAXATION (CONTINUED)

(e) Other items

	Year ended	
	31 August 2023	31 August 2022
	$'000	*$'000*
Amortisation of intangible assets	**426,808**	475,570
Depreciation		
– Property, plant and equipment	**714,198**	728,941
– Investment properties	**–**	7,367
– Right-of-use assets	**186,622**	197,520
Rental charges		
– telecommunications facilities and computer equipment	**514,060**	514,254
Lease expenses relating to short-term leases, in respect of:		
– Land and building	**11,848**	13,028
Auditor's remuneration		
– Audit services	**6,959**	7,464
– Review service	**785**	785
– Tax service	**719**	759
– Other services	**1,508**	1,721
Recognition of loss allowance on trade receivables and contract assets	**66,786**	61,327
Impairment on goodwill*	**1,200,000**	–
Research and development costs	**32,201**	32,118
Rental receivable from investment properties less direct outgoings $Nil (2022: $775,000)	**–**	(5,360)
Cost of inventories	**4,255,791**	4,453,689
Written down of inventories	**1,068**	1,581

* Management of the Group performed an annual impairment assessment of goodwill at 31 August 2023 and determined to recognise an impairment loss of approximately $1,200,000,000 (2022: $Nil) in relation to goodwill allocated to one of the CGUs under telecommunication business with the assistance of the professional valuer with relevant expertise. There were no material changes in the methodology and sources of market data applied in the valuation between 2023 and 2022. As a result of the shortfall in the actual results against the forecast in the second half of 2023, 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.

5 INCOME TAX EXPENSES

	Year ended 31 August 2023 $'000	31 August 2022 $'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**181,497**	202,234
Over-provision in respect of prior years	**(907)**	(151)
Current tax – Outside Hong Kong		
Provision for the year	**8,366**	15,896
Under-provision in respect of prior years	**3,133**	2,424
Deferred tax		
Origination and reversal of temporary differences	**(156,012)**	(61,508)
Tax expense	**36,077**	158,895

The provision for Hong Kong Profits Tax for 2023 is calculated at 16.5% (2022: 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 2022.

Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant countries.

6 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity share-holders of the Company of $1,267,408,000 (2022: Profit of $553,321,000) and the weighted average number of ordinary shares in issue calculated as follows:

	Year ended 31 August 2023 '000	31 August 2022 '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	**4,906**	4,860
Weighted average number of ordinary shares in issue during the year	**1,310,839**	1,310,793

6 (LOSS)/EARNINGS PER SHARE (CONTINUED)

(b) Diluted (loss)/earnings per share

During the year ended 31 August 2023, the diluted loss per share is same as the basic loss per share since the Vendor Loan Notes as at 31 August 2023 have an anti-dilutive effort to the loss per ordinary share and there are no other potential dilutive ordinary shares in existence.

During the year ended 31 August 2022, the calculation of diluted earnings per share is based on the profit attributable to ordinary equity share-holders of the Company $553,321,000 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 *'000*
Weighted average number of ordinary shares less shares held for the Co-Ownership Plan II	1,310,793
Add: effect of the Vendor Loan Notes	167,322
Weighted average number of ordinary shares (diluted)	1,478,115

7 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:

	31 August 2023 ***$'000***	31 August 2022 *$'000*
Within 30 days	**408,287**	418,724
31 to 60 days	**175,967**	177,519
61 to 90 days	**96,351**	104,103
Over 90 days	**228,789**	267,068
	909,394	967,414

The majority of the Group's trade receivables is due within 30–90 days from the date of billing.

8 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 2023 *$'000*	At 31 August 2022 *$'000*
Within 30 days	**305,627**	262,486
31 to 60 days	**217,892**	146,918
61 to 90 days	**111,128**	134,080
Over 90 days	**293,019**	235,167
	927,666	778,651

9 DIVIDENDS

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

	Year ended	
	31 August 2023 *$'000*	31 August 2022 *$'000*
Interim dividend declared and paid of 20 cents per ordinary share (2022: 40 cents per ordinary share)	**262,320**	524,640
Final dividend proposed after the end of the reporting period of 20 cents per ordinary share (2022: 20 cents per ordinary share)	**262,320**	262,320
	524,640	786,960

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 2023 *$'000*	31 August 2022 *$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of 20 cents per ordinary share (2022: 37.5 cents per ordinary share)	**262,320**	491,850