Innovating for Customers

As the world progresses, innovation and disruption will be more crucial than ever. At HKBN, we are committed to investing significant resources to provide our customers with the latest innovative technologies, products, services, experiences, and value.

Here are some examples of how we added more innovation to our offerings in FY23:

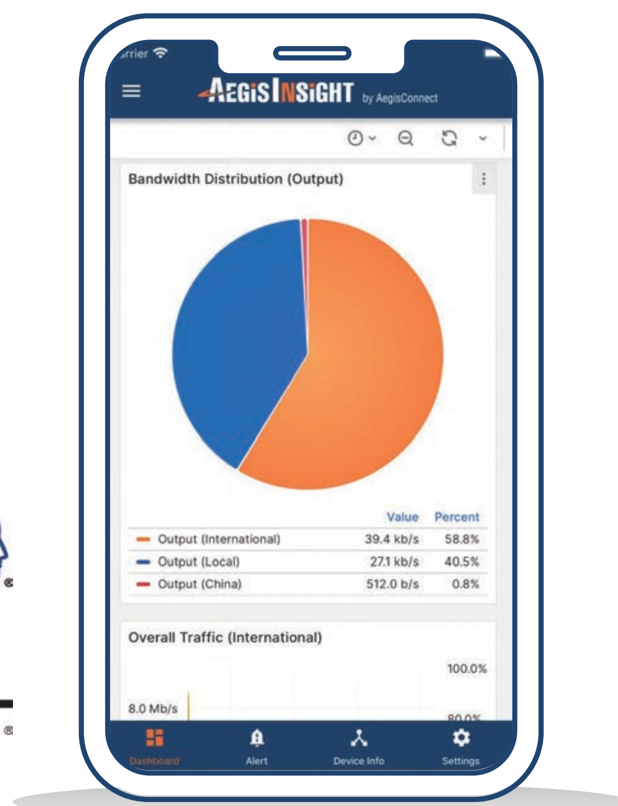
Smart Connect: Energy Monitoring

Smart Connect: Energy Monitoring is our subscription-based ESG solution that helps businesses track their energy usage in real-time. By monitoring activity in a premise's electrical wires, customers can now gain access to their energy data (updated every 10 seconds) and use it for intelligent analysis based on hourly, daily, weekly, and monthly metrics. This allows businesses to make informed decisions about things like long-term energy management strategies, deployment of IoT controllers and sensors, and future equipment purchases — empowering them to create a more cost-efficient and sustainable operation.

Helping CIOs Sleep Better with AegisConnect

As a company driving innovation, this year we launched AegisConnect to add more layers of business-critical functionality to our popular FTNS ("Fixed Telecommunications Network Services"). Beyond the essentials of speed, bandwidth and reliability, AegisConnect goes the extra mile to deliver real-time visibility into each enterprise customer's network health, while pairing that with Fortune 500-level tech (from Cisco, Fortinet, NetBrain and others) such as AI-powered network diagnosis and always-on security against DDoS attacks.

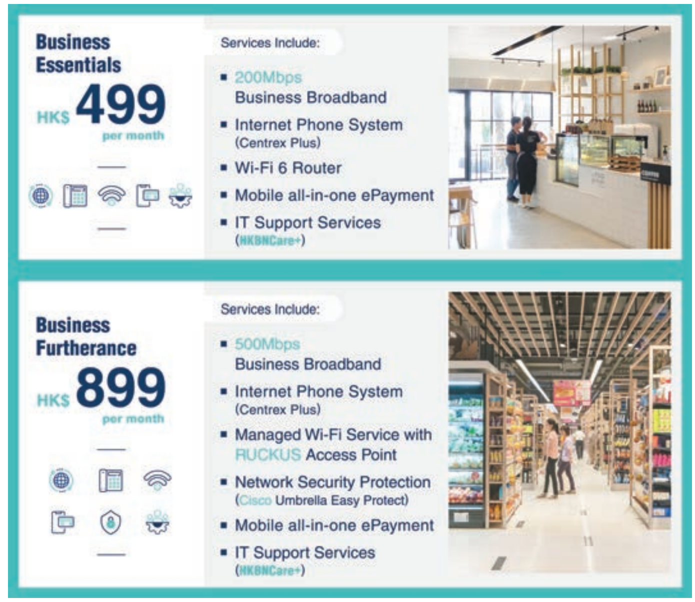
Instead of keeping users in the dark, AegisConnect enables companies to instantly see and manage everything — like identify the source of network outages, detect cyber threats, or address network fatigue. AegisConnect also includes 24/7 remote and on-site support from our expert technical team. To learn more about this game-changing solution, please go to page 64 of this Report.



With AegisConnect's mobile pane, CIOs can now check their network's status before going to bed.

IT · Simplified

At a time when tech talent shortages are impacting all industries — and raising the costs of hiring in-house — we launched IT · Simplified, a compelling subscription-based solution to help enterprise customers on everything from software & hardware support and firewall setup to endpoint security, network support and maintenance. With IT · Simplified, customers can avoid upfront investment costs and benefit from the support and expertise of our 600+ team of engineers via three affordable tiers — Business Essentials, Business Furtherance and Business Overture — to meet the specific needs of each business. For more details about IT · Simplified, please go to page 65 of this Report.



With all the essentials to be up and running in no time, including e-Payment systems, IT · Simplified's packages are perfect for retail and F&B businesses.

Whether you're a startup or a larger company with more than 20 employees, IT · Simplified is conveniently tailored to meet your everyday tech needs.

Scan QR code for a brief video about IT · Simplified

Innovating for Customers

Recent big wins from our Enterprise Solutions business are a clear indication of our position as a one-stop ICT Powerhouse. These wins serve as testaments to our ability to provide customised solutions — backed by exceptionally attentive service and support — which address the unique challenges and needs of each client.

The client: An international garment brand with 3,000 retail stores in over 100 countries

The challenge: Faced with a daunting challenge of changing laws and regulations, our client sought a network solution that would be agile, reliable and ultra-fast. And they needed a network that could deliver on-demand bandwidth connecting various geographical locations, even during peak times.

Our solution: Our expert team stepped in and proposed a burstable MPLS ("Multi-Protocol Label Switching") network solution after deep discussions with the client. With over 30 years of experience operating in mainland China, our domain expertise was a key factor in understanding the client's complex set of requirements. Our solution was a game-changer for the client, as it provides a reliable and high-speed MPLS network that allows the client to easily adjust bandwidth and connect its various business locations with optimised performance — providing dynamic flexibility to navigate the ever-changing regulatory landscape while maintaining a global presence.

The client: One of the largest institutions in Hong Kong

The challenge: The client is one of the largest institutions in Hong Kong with diversified interests covering Hong Kong and global markets. They required a private, reliable, and secure network connection between their data centres and major cloud service providers with live switchover across different carrier fibre rings. Despite having an existing provider, they chose HKBNES to deliver to the massive scale and capacity that was needed.

Our solution: After conducting technical discussions with the client's core team, we gained a thorough understanding of their current challenges and future expectations. Our team of experts proposed a 10G multi-cloud solution which would connect the client's data centres in two locations to the virtual cloud exchange platforms of Equinix and Megaport. Our comprehensive SI solution included the provision of WAN links with live switchover between data centres and cloud exchange platforms, provision of public cloud exchange service, project management and professional services, SLA-based managed services and more.

The client: A science & technology hub centre in Hong Kong

The challenge: To empower the day-to-day activities of its numerous tech and innovation start-ups and business tenants, the client sought to upgrade its extensive facilities with cutting-edge ICT and digital capabilities. Put simply, the client required a capable digital transformation partner to smoothly manage its daily IT operations with consistent delivery and technical support.

Our solution: After analysing the requirements, our team reviewed and optimised the client's end-to-end delivery and support processes. For cost efficiency, we proposed a solution that reconfigures the client's existing technology tools to enhance their functionality and performance. Additionally, we assembled an elite team of highly skilled IT Talents who will strategically manage and oversee the entire operation.

The client: One of the world's biggest social media companies, headquartered in mainland China

The challenge: The client, a social media giant known as the world's leading destination for short-form videos, sought to transform its workplace audio-video conferencing capabilities. The objective was to enhance communications and visibility of its workplace environments throughout mainland China.

Our solution: Via a deep technical relationship that HKBN JOS has maintained with the client since 2019, our team understood well what was needed. We proposed a solution that utilised advanced integrated audio-visual conferencing systems, while prioritising efficiency and ease of use. The result now enables seamless live broadcasts of workplace activities, deployed in a customised solution that has significantly reduced the cost of entry, and the costs of ongoing operation and maintenance.

The client: A global investment bank with over US$25 billion annual revenue across 35 countries

The challenge: Dissatisfied by the network coverage and speed offered by its two existing service providers, the client sought full diversity of its fibre path across multiple data centres in Hong Kong. To achieve this, they required: a redesigned fibre path to achieve full diversity with real-time failover, an ultra-low latency solution to ensure efficient and effective data processing, and a strategic connectivity partner capable of adapting to long-term future growth.

Our solution: After numerous rounds of discussions with the client (to fully understand their range of needs), we partnered with a technical consultant and meticulously planned a fully future-proofed architecture design. Our proposed solution includes direct fibre connections to the client's multiple data centres, utilising a customised full diversity design for Dense Wavelength Division Multiplexing ("DWDM"). We also included symmetrical bandwidth Dedicated Internet Access ("DIA") for superior two-way performance to the client's premises. On top of that, dark fibre was offered to deliver near-limitless future optical bandwidth. Additionally, our comprehensive solution includes Access and Mobility Management Function ("AMF"), a key component for interfacing with 5G and cellular networks. With this forward-thinking approach, our solution will provide the client with the reliability and future-proofing to execute its mission-critical financial transactions.

Innovating for Customers

Shoppy Online Platform

With online shopping a near ubiquitous part of consumer behaviour, the launch of e-commerce platform Shoppy adds instant mass-appeal to our Infinite-play engagement strategy. Obsessively focussed on value, user lifestyle needs and the power of choice, our Shoppy platform expands the My HKBN ecosystem with a gateway for consumers to buy gadgets, shop or pre-order the latest Apple (including the highly popular iPhone 15 lineup) or Samsung products, kit out their homes with smart living appliances and devices, and enjoy user-exclusive deals, fast home delivery and more.

World's First[1] Money-Back Dual Guarantee

When it comes to ISPs standing behind their service, few are willing to back it up — especially if it involves some kind of guaranteed refund. At HKBN, we're so confident in our residential fibre network infrastructure that we introduced the World's First Money-back Dual Guarantee. This first-of-its-kind speed and latency guarantee is our pledge to customers that our fibre service — from 2000M all the way to our entry-level 100M broadband — will always be lightning fast and uninterrupted, or we'll give a refund for the days affected!

2000M Home Fibre Broadband

Coinciding with the Dual Guarantee, we launched our pinnacle 2000M fibre broadband to meet surging consumer demand for ultra-fast service at home. Our upgraded 2000M fibre broadband ensures that entire households have ample bandwidth to do more of everything — from shopping, banking and working to gaming, streaming and learning — and enjoy unimpeded connectivity performance on the latest smartphones, tablets and computers.

More OTT, More Entertainment with iQIYI

Fans, enthusiasts and die-hard lovers of Asian entertainment rejoiced as we teamed up with iQIYI, Asia's leading video streaming platform, to offer Infinite-Play bundles featuring our ultra-fast broadband with amazing OTT content. By bringing customers priority access to hit Chinese, Thai and Korean films and dramas, as well as popular variety shows and anime, our offering bolsters HKBN further as Hong Kong's leading carrier for world-class OTT entertainment — we're Hong Kong's only telco to offer all four major OTT platforms: Netflix, Disney+, myTV SUPER and iQIYI.

With iQIYI now available to customers, our broadband/mobile Infinite-play bundles deliver unbeatable value, performance and entertainment. (From left) Elinor Shiu, our Co-Owner & CEO — Residential Solutions and Kelvin Yau, Head of Asia Pacific at iQIYI.

1 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 at the time of publishing this Report).

With the recovery of the economy and market underway, leisure and business travel, within the Greater Bay Area and around the world, is surging back to pre-pandemic levels. The best way HKBN can pounce on this opportunity is to transcend our competitors and deliver breakthrough disruption that enriches the value and service experience for travellers.

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

5G Local + GBA Mobile Plans

As business + leisure travel between Hong Kong and mainland China resumed, we launched a range of 5G Local + Bay Area Data plans. These hyper convenient two-in-one plans allow enterprise and residential customers to enjoy 5G local data + mainland China and Macau roaming data for as low as $103/month — making cross-border travel seamless and affordable on one SIM!

HKBN Global SIM

Hongkongers are known for their voracious love of travel. So as COVID-travel restrictions began to lift, we launched our game-changing Global SIM service. With coverage to over 85 countries and regions worldwide, Global SIM breaks ground as Hong Kong's first-ever postpaid travel SIM. Other noteworthy breakthroughs include 1GB/day at full speed with unlimited thereafter data (versus the 500MB/day standard), fair usage counted on a 24-hour basis (instead of the "end at midnight rule"), a use first, pay later model, and more.

HKBN x TP-Link Wi-Fi 6 Router Upgrade & Recycle

This year, we teamed up with our partner TP-Link, a global leader in network equipment, and launched a Wi-Fi 6 Router Upgrade & Recycle programme. Available citywide for everyone in Hong Kong, our programme exemplifies how two companies can join forces to do business and do good at the same time — our collaboration brings the benefits of Wi-Fi 6 and 6E technology (with enhanced security and better connectivity) to the mass market, whilst incentivising customers for being environmentally responsible.

Rex Hui (left), our Co-Owner and Head of Product Development & Management, Residential Solutions and Howard Lai (right), TP-Link's Senior Marketing Manager, celebrate our collaboration of aligning Purpose with business.

ENTERPRISE CUSTOMER-CENTRICITY AT SCALE

Throughout the pandemic, HKBN Enterprise Solutions (HKBNES) proved our value as we helped countless organisations navigate the shifting challenges. Since then — not willing to rest on our laurels — we have taken significant steps to enhance our solutions: by matching a customer-centric approach with our scale as an **ICT Powerhouse** to address both the needs and pain-points of our enterprise customers.

While our flagship Fixed Telecommunications Network Services (FTNS) remains essential, we're also embracing change in a way that innovates amid new market realities.

ADDRESSING PAIN POINTS

In today's landscape, companies are more dependent than ever on digital systems to operate. With employees relying on Internet-ready applications to work and collaborate, and consumers increasingly preferring to shop and do business online, any kind of network outage or downtime can be hugely expensive and damaging to a business's bottom line.

So, where are the changes taking place and how are they being implemented?

To start, it's important to pinpoint the main challenges that businesses face. CIOs highlight four key problem areas. First, they have limited visibility into network performance, meaning they often rely on user complaints to detect issues. It is worth noting that nine out of ten CIOs experience network downtime at least once a quarter. Secondly, CIOs lack monitoring insights to properly troubleshoot issues, making it much more difficult and time-consuming to tackle problems. The third area is a logistical issue — as there is no easy way to get 24/7 monitoring support — dealing with outages and other issues that occur outside of business hours is enormously challenging. Finally, network disruptions can be caused by other factors, such as distributed denial-of-service (DDoS) attacks and other malicious activities, which, with their numbers consistently rising, are becoming more sophisticated and expensive to address.

William Ho, Co-Owner and CEO – Enterprise Solutions

AegisConnect: a gaming-changer for CIOs

Nowadays, a reliable high-speed Internet connection is expected by all customers — like it's a given. But to support businesses in dealing with their pain points, this year we launched AegisConnect to provide far greater value and competitive edge to our popular FTNS services.

Instead of a "big fat dumb pipe" for Internet, AegisConnect gives enterprises exactly what they need. Firstly, it empowers them with real-time visibility and monitoring of their network's health. Secondly, it provides industry-leading technology that detects threats and problems, and pairs that with 24/7 support from our expert technical team.

Thumbs up for AegisConnect from our Enterprise Solutions leaders, William (centre); Martin Ip (left), our Director — Service Engineering; and Samuel Hui (right), our Chief Strategy Officer.

From connectivity status to network bandwidth to router response times, AegisConnect's performance dashboard provides visibility and insights (with built-in AI-powered diagnosis) on network performance, data traffic flows, pressure points and more. For added efficacy, it also includes customised monitoring, network status notifications, and highly useful historical data.

In the critical area of security, AegisConnect brings superior network security against DDoS attacks through DDoS Protect, a network "bouncer" with a 360° cyber defence system offering next-gen firewalls, DNS protection and email security. DDoS Protect's core features are an always-on cloud DDoS scrubbing service, backed by a vast global DDoS mitigation capacity.

But that's not all — AegisConnect also includes NetBrain's state-of-the-art intelligent diagnostics tool, which provides instant diagnostics that identifies and learns from abnormal traffic patterns, significantly cutting the time spent on troubleshooting.

It's worth noting the AegisConnect solution is highly valuable in that it provides enterprise customers with powerful technologies (cybersecurity, multi-cloud application protection, firewalls, intrusion detection and more) from global leaders like Cisco, CheckPoint Software Technologies, F5, and Fortinet. This means that these technologies, which are typically only available to Fortune-500 level companies, can now be accessed by SME customers.

"For those who require the absolute pinnacle in security and detection, our high-end AegisConnect AI solution leverages Palo Alto's AI-powered Cortex XDR. Combining cutting-edge machine learning with Palo Alto's industry-leading threat intelligence from over 10 years of malware analysis, AegisConnect AI delivers maximum precision and efficiency as it systematically pinpoints and responds to anomalous activities — perfect for our customers in the banking or Fintech sectors."

William Ho, Co-Owner and CEO – Enterprise Solutions

IT · Simplified to the rescue

Rapid digitalisation in recent years has transformed the way businesses work, but it also created enormous demand — and a bona fide shortage — for tech expertise.

This talent shortage remains a pain point that has affected all fields, from banking and airlines to manufacturing and technology, as every single industry competes for the same pool of IT expertise to drive their digital transformation forward.

To address this talent squeeze among enterprise customers, we launched IT · Simplified to provide IT-as-a-Service — in Business Essentials, Business Furtherance and Business Overture tiers — with a complete range of on-demand support backed by one of the region's largest and best trained teams of IT experts.

We do this with the backing of leading local and global technology brands, which include Cisco, Ruckus, Lenovo, Microsoft, Jabra, HP, Octopus, 3HK and more.

Taking the hassle and costly expenses out of searching for the right solutions or hiring in-house, IT · Simplified delivers IT expertise with zero upfront investment. From setting up networks, firewalls and end-point security to diagnosing hardware and/or software issues, work-from-home support and general maintenance, our service puts up-to-date tech knowledge and expertise at the disposal of each customer. With IT · Simplified handling the responsibility of IT support, companies and their employees can dedicate more time and resources on what matters most — growing the business.

From F&B to retail to just about any SME business, IT · Simplified puts world-class knowledge & expertise in the hands of customers.

"Thanks to IT · Simplified, our enterprise customers can now enjoy support from a team of 600+ certified engineers and 50+ CCIE (Cisco Certified Internetwork Expert) accredited experts. So, whether it's a convoluted technical challenge or a routine setup, our team is on hand 24/7 to take care of things," says William Ho.

THE BEST PLACE FOR INFINITE-PLAY

Infinite-play all the way for Elinor (centre) and our Residential Solutions leaders (from left to right), Yoyo Ng, our Director – Marketing; Rex Hui, our Head of Product Development & Management; Annie Chan, our Head of Customer Engagement; and Ryan Li, our Director – Marketing.

Our Residential Solutions Infinite-play strategy is all about meeting the everyday needs of consumers. From online shopping to OTT entertainment to personal cybersecurity, we know that ultra-fast connectivity (fibre broadband and mobile service) is indispensable, and that's why our array of Infinite-play options is focused on bringing everything together for the benefit of residential customers. A world-class ICT Powerhouse should be more than just an Internet service provider, and instead deliver an entire eco-system of possibilities.

The popularity of our Infinite-play approach is evident in the take-up. We now have about one million recurring residential customers in Hong Kong — equal to one-in-every-three households. Our Infinite-play strategy delivers value to customers, partners and shareholders, with plenty of room to leverage audience engagement for growth. It's worth noting that in Hong Kong, the average household comprises 2.7 people[1], indicating that our engagement reach is far greater than purely the customer named on the billing account.

"Whilst we have about 1 million customer accounts, the number of HKBN users is actually a much greater number. This presents an opportunity to drive revenue growth, as we add and create more value-added services that engage and attract even more users."

Elinor Shiu, Co-Owner and CEO – Residential Solutions

The world's best OTT services

We were already Hong Kong's leading carrier for OTT entertainment, but this year our offerings got even better. In August, HKBN significantly enhanced our OTT entertainment portfolio by partnering with iQIYI, Asia's leading video streaming platform. The partnership brings together ultra-fast broadband with amazing OTT content with a strong Asian flavour.

Besides a huge library of Hollywood movies, hit dramas, children's shows and more, with iQIYI customers benefit from getting priority access to full series episodes of hit Chinese, Thai and Korean films and dramas, as well as popular variety shows and anime.

The addition of iQIYI further consolidates our position as the number one go-to carrier in Hong Kong for world-class home entertainment. Besides offering iQIYI's 500-plus new titles and more than 7,000 hours of premium Asian content, HKBN is Hong Kong's only carrier that offers customers the option to choose from Netflix, Disney+ and myTV SUPER.

[1] https://www.censtatd.gov.hk/en/web_table.html?id=5

World's first[2] Dual Guarantee

With HKBN, we offer customers more than just exceptional content. For a truly immersive, best-in-class experience, customers can enjoy their favorite OTT platforms with our up to 2000M fibre broadband.

"Even the best OTT platforms are naught without a great connectivity experience, especially at home. Great content needs a great delivery platform. This year we introduced the world's first money-back Dual Guarantee for our fibre-optic broadband services from 100M to 2000M, whereby we back both the speed and latency of our connectivity experience with money. We want customers to know that with HKBN they'll get the best fibre service possible, and we're willing to put our money where our mouth is!"

Elinor Shiu, Co-Owner and CEO – Residential Solutions

The Dual Guarantee reflects HKBN's commitment to continuously augment our fibre network with the latest technologies to maintain faster data transmissions and improved reliability. It means that our customers can enjoy new TV series and blockbuster movies, or try out the latest online games with ultra-low latency broadband service.

Roaming back with Global SIM

For a city that loves to travel, the lifting of COVID-related travel restrictions in late December 2022 was a long-awaited relief. According to a recent survey, over 90% of Hongkongers intend to travel overseas within the next 12 months[3].

Timing is everything and — with the lifting of restrictions — we launched HKBN Global SIM, a new roaming service which offers 1-SIM data access to over 85 countries and regions worldwide. Built for the needs of Hong Kong's avid travelers, our groundbreaking Global SIM includes full-speed 1GB per day (with unlimited thereafter data), instead of the 500MB per day standard.

What's more, with Global SIM, each day pass runs for a full 24 hours rather than the more typical "reset at midnight" rule. Global SIM also operates as Hong Kong's first post-paid travel data SIM, meaning customers can enjoy the freedom and flexibility of a "use first, pay later" model, billed at the end of each month of usage. Costing as little as $15 per day, Global SIM is the perfect solution for anyone with wanderlust.

Online shopping added to the mix

While expanding our OTT content mix, this year also saw the launch of Shoppy, our e-shopping platform. Shoppy — a fusion of "shop" and "happy" — leverages our strong partnership network to engage customers with the latest must-have electronic products, from smartphones to smart living, and gaming, audio-visual entertainment to home appliances, as well as food, wellness and lifestyle products. Our extensive range includes the latest from leading brands such as Apple, Samsung and Dyson.

Shoppy aligns perfectly with our Infinite-Play strategy, as it enables us to cater to all of our customers' home entertainment and lifestyle needs. They can now shop online anytime, anywhere, and have purchases seamlessly delivered to their home.

Convenience, user experience and sheer ease of use are what we are about. And with Shoppy, that's what customers get.

[2] 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 at the time of publishing this Report).

[3] https://www.scmp.com/news/hong-kong/hong-kong-economy/article/3227209/hong-kong-travellers-takesskies-again-more-and-longer-trips-and-higher-spending-survey-finds

TALENT
CO-OWNERSHIP

At HKBN, our Talents are not just employees but fundamental partners in our success. In a world full of change, each Talent brings a unique mix of perspectives, skills, experiences and passions to deliver the best for our customers. We empower our Talent-force with the knowledge, resources and opportunities to grow HKBN's business and lead the industry in creating a better future.

Talent Interest Alignment

When it comes to the age-old problem of interest alignment, we believe there's no better motivator than skin-in-the-game. For this reason, we enthusiastically offer our Talents the chance to participate in our Co-Ownership scheme, pain/GAIN schemes and ESG-related special incentive programmes, all of which enable our Talents to work and contribute towards our success while committing a personal monetary stake in HKBN.

FY25 Goal

Achieve an

88%

cumulative success rate in ESG-related special incentive programmes

FY23 Progress

5 senior executives

have linked their salaries with a target to reduce our FY24 electricity usage by 14% (relative to FY22)

Skin-in-the-game of ESG

In a groundbreaking push to reduce HKBN's energy footprint, a group of our senior executives (including our Group's Executive Vice-chairman and Group Chief Executive Officer) are putting one month of their salary on the line. Exemplifying real skin-in-the-game, each participating executive has committed to reduce our electricity consumption in FY24 by 14% (relative to a FY22 baseline). Succeed and each participant will receive a nice financial bonus – whilst saving HKBN millions in energy expenditures! Fall short and the one-month salary amount will be forfeited.

ESG | Talent Co-Ownership

Driving Continual Success through Amended Co-Ownership Plan IV

Eligible Talents can participate in Amended Co-Ownership Plan IV ("Amended CO4") by choosing to invest between 2 and 24 months of their salary in HKBN shares at market price, or by rolling over their existing CO4 shares to the Amended CO4 scheme. Those who purchase or rollover shares will be matched with free shares at a maximum 1:1 ratio after the Company meets our yearly targets in FY23 - FY25.

Enrolment for the Amended CO4 scheme began in June 2023 and has garnered 406 Talents who have chosen to invest their personal savings as Co-Owners of HKBN. Collectively, we now have hundreds of Co-Owners in every facet of our operations who will help oversee and lead our long-term success.

Although our current HKBN share price is below the IPO entry price, the true test of value creation will come after the first phase of our FY23–25 ICT Transcendence.

Fair Remuneration to Recognise Excellence

At HKBN, we offer competitive and fair compensation packages that align with local market standards. Our Total Rewards approach includes both monetary and non-monetary benefits, as well as a broad range of non-statutory benefits, which serve to attract, engage and retain the best Talents. We also offer discretionary performance bonuses to all our full-time Talents. In addition to salary and bonus, all full-time Talents are entitled to the mandatory provident fund (retirement plan or equivalent) scheme , along with a variety of leave and insurance benefits.

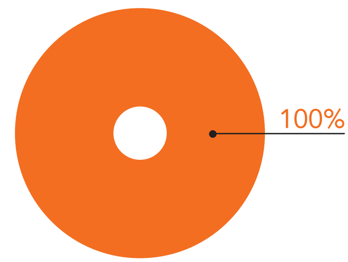
Talent performance is appraised through a multilayered process that includes self-assessments, supervisory evaluations, review meetings, and company-wide performance calibrations. These assessments serve as a criterion from which salary reviews, bonus allocations, and promotion nominations are based upon. Compensation packages are reviewed annually to ensure alignment with performance, contributions, and market trends.

> Co-Ownership is terrific in aligning goals and igniting passions to innovate and deliver the best results as one formidable team. Actions speak louder than words. My family fully supports me in investing a 7-digit figure of hard-earned savings into, and to grow with, HKBN.

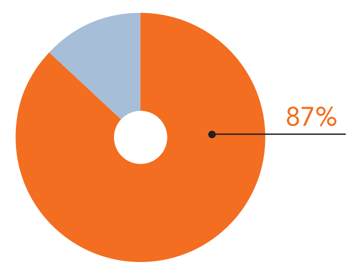
Sophia Yap
Co-Owner and Chief Legal Officer

Co-Ownership Participation Rate[1 2]

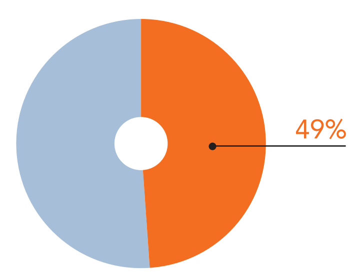
Management Committee Executives



Senior Executives



Managers



1 As at the end of FY23
2 Based on the number of Talents who are eligible for the scheme

Talent-Obsessed Engagement & Development

A happy and fulfilled Talent-force is not only the key to enhanced productivity and loyalty, but a major stimulus in our business's success. As we navigate an ever-changing landscape of challenges, our Talent Relations team is prioritising the physical and mental wellness of our Talents, as well as building a workplace environment that promotes happiness and respect via the following:

- Creating a FUN culture for the benefit of our Talents
- Providing comprehensive support for the mental well-being of our Talents
- Showing appreciation to Talents for their individual commitments and contributions

FY25 Goal	FY23 Progress
Reach an overall engagement score of **70%** favourability in our Talent Engagement Survey	Achieved an overall engagement score of **69%** "favourable" in our Talent Engagement Survey, **4%** increase from the previous year

LIFE-work Priority

While most companies are still grappling with work-life balance, we uphold LIFE-work priority. At HKBN, we value our Talents' well-being and personal lives, and we believe in creating a supportive workplace where our Talents feel appreciated. The following are some of the initiatives we organised in FY23:

Chief Happiness Officer ("CHO") programme

To supercharge the happiness factor inside HKBN, we chose a number of Talents and trained them into CHO ambassadors dedicated to promoting a happy work culture

Break Learn, Big Learn

Engaging educational initiatives combining fun games with knowledge about wine and finance

VOOL Club

Our VOOL Club offers fitness activities and festival-related workshops to foster camaraderie and well-being among our Talents

Year-round craft workshops on DIY gifts and ideas for celebrating special occasions

Break Fun Bazaars

A break from the pressures, these open-market style bazaars provide our Talents with a chance to unwind over food, drink and activities

Kids the Day

For this special event, we invited the kids of 60 HKBNers for a day jam-packed with fun activities

Smart Working Parents Club

As HKBN grows, many of our younger Talents are experiencing parenthood for the first time — and our Smart Working Parents Club and HKBN Women's Network serves as a resource group for them to socialise, share experiences and exchange advice

Appreciation Day

A special day to acknowledge Talents' hard work and dedication, with messages of appreciation from our senior management team. A platform was also created to encourage Talents to appreciate each other

Thanksgiving Day

A special day we created to express gratitude to our Talents for their contributions

All-You-Can-Get in 30 Seconds

As a playful show of appreciation, Talents were challenged to grab as many reward items (supermarket spree style) they could in 30 seconds flat

Talent Wellness

Throughout the year, we are continually working to create a workplace where Talents are healthy and fulfilled both physically and mentally. To enhance our Talents' well-being, we initiated the following in FY23:

Supporting Mental Well-being and Health Awareness

This year, we introduced a stress level wellness test that allows HKBNers to evaluate and manage their own stress levels. In addition, we partnered with Bowtie, Hong Kong's leading online insurance company, to organise talks on health topics. Furthermore, in partnership with Hong Kong's largest beauty & health retailer, Mannings, we implemented an AI-powered health screening service to provide free health screenings with instant health reports for our Talents.

HKBN x Mannings Free Pharmacist Consultations

In May 2023, we teamed up again with Mannings and launched the HKBN x Mannings PharmaCare pilot programme. This pioneering programme allows HKBN Talents, our family members and even domestic helpers to enjoy free pharmacist consultation services and medication at over 50 Mannings Pharmacy stores with registered pharmacists in Hong Kong.

As part of this programme's groundbreaking flexibility, HKBNers can now use Mannings' officially issued Pharmacist's Notes whenever they apply for 2 days of sick leave — giving our Talents the option to skip the long waiting times typically associated with clinics.

Our company's success hinges on the health of our Talents. The new PharmaCare programme demonstrates the unparalleled flexibility we offer to our Talents, and we hope this pilot will inspire more companies to put greater emphasis on protecting the physical and mental health of their employees and families.

Adele Chu

Co-Owner and Director – Talent Engagement

Promoting Healthier Lifestyles

In FY23, we continued undertaking a variety of initiatives to promote healthy and low-carbon lifestyles. During the year, we launched our "Healthy Step by Step!" exercise campaign and saw over 200 Talents take part. We also organised an online workshop, "Talk about Health with a Doctor", where a medical doctor was on hand to provide 150 Talents with useful health tips and insights. Plus, from emotional management workshops and monthly mental assessments to advice from sleep coaches, we're doing our best to help our Talents maintain excellent mental health.

Talent Health and Safety

Putting Talents first means we're committed to the health and safety of all HKBNers. On a regular basis, we organise a range of safety training activities for our Talents and sub-contractors. These training programmes cover everything from occupational health and safety management to basic safety training, manual lifting and handling, and working at height. For added flexibility, this year we implemented e-learning platforms for Talents to login and attend these training sessions virtually. In addition, we also shared health and safety know-how, such as tips to avoid heatstroke, display screen equipment ("DSE") guidance and fire safety. Automated external defibrillators ("AEDs") are also installed at our Hong Kong and Guangzhou offices, with practical training on AED usage, cardiopulmonary resuscitation ("CPR") and first aid provided to our Talents annually.

Our occupational health and safety system is

ISO 45001

certified, which covers the entire Group

From fire drills to mastering first-aid, best practice training is essential for keeping our Talents safe.

Number of fatalities:

FY23 1[1]

FY22 0

Work-related injury rate[2]:

FY23 0.38

FY22 0.37[3]

Lost days[4] due to work-related injury:

FY23 922[5]

FY22 2,692[3]

1 An employee experienced a fatal incident while riding an electric bicycle after work on 27 November 2020. The employee unfortunately passed away on 16 October 2022. It was considered as a fatal work incident according to the Regulation on Work-Related Injury Insurance of the Mainland China.

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

3 There was one work-related injury reported in FY22, but the injured employee had withdrawn the claim in FY23. As a result, the "Work-related injury rate" and the "Lost days due to work-related injury" in FY22 are revised.

4 "Lost days" is the sum total of calendar days (consecutive or otherwise) for the days on which the work-related injuries and work-related ill health occurred. For Hong Kong, A "Lost Day" occurs when, in the opinion of a physician, an employee cannot work. "Lost day" is calculated based on the total of calendar days (consecutive or otherwise) starting from the lost day occurs. While for Mainland, it is calculated based on the total of calendar days (consecutive or otherwise) for the days on which the work-related injuries and work-related ill health occurred.

5 Total lost days in FY23 was lower as most cases were minor injuries with short recovery periods.

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

William Ho

To: **All HKBN Talents**

Email subject: **Launching industry-first ITaaS solution ! — IT · Simplified**

Dear Team,

I am absolutely thrilled to announce the launch of our revolutionary ITaaS solution — IT · Simplified! This is a major milestone in our journey towards transforming our organisation from being product-focused to customer and solution focused. I couldn't be prouder of our team and their incredible effort in the past 6 months to make this happen that normally takes 2 years. We accomplished an industry norm task in record time!

IT · Simplified offers SME customers a comprehensive package of services, from connectivity to Wi-Fi, security, IP voice, and support services, all in one place. Our team has worked tirelessly for the last six months to ensure that we can offer our customers the best possible solution, making this achievement in record time.

I want to express my deep gratitude to the teams who have worked incredibly hard over the past six months to make this launch a possibility. Your outstanding achievement has surpassed even my most optimistic expectations.

This remarkable accomplishment is an outstanding demonstration of our team's exceptional collaboration and spirit. Now, it's time for the sales team to take charge and bring money home. We're confident that IT · Simplified will be a game-changer in the market, and our customers will appreciate the value proposition.

Once again, congratulations on this remarkable accomplishment, and I cannot wait to continue innovating and offering our customers the best solutions possible.

Best regards,

William Ho
Co-Owner and Chief Executive Officer — Enterprise Solutions

REPLY

NiQ Lai

To: **All HKBN Talents**

Email subject:
We rather be Lafite than Grape Juice

Dear all Talents,

I have heard comments that NiQ has fallen in love with SI and out of love with Telco … nothing can be further from the truth! I am paranoid about Telco-only and SI-only industries becoming sunset commodities but believe that by transforming into an integrated Telco+SI = ICT Powerhouse, this offers us a very bright path out.

For me, when our Telco-only business sunsets, I cannot merely change jobs, as ~80% of my family net worth is tied up in HKBN stock, i.e. if HKBN sunsets, my family sunsets! My drive to change is driven by my fear of my shrinking Telco-only comfort zone. Likewise, I see SI-only as a overly fragmented industry that is very difficult to scale as it requires too much customisation. As such, I would not have been interested in buying JOS as a standalone entity.

NiQ Lai
Co-Owner and Group CEO

REPLY

William Yeung

To: **All HKBN Talents**

Email subject:
Seriously on ESG

Dear All,

Pls be very serious on ESG, making sure that we avoid wastage by using less.

For example, I still receive hard copies of annual report from some big corporations. For us, pls make sure we only print the minimum number of hard copies as required by the regulator.

For our products, avoid printing hard copies of brochure or leaflets to customers, always use electronic ways.

For meetings, avoid hard copies.

You know more than me. Let's act together.

Our ESG team will propose pain/GAIN for me and NiQ and others to join hitting certain ESG KPI. We will announce to the public in interim results announcement. We are very serious with skin in the game!

Cheers

William Yeung
Co-Owner & Executive Vice-chairman

REPLY

Open Communication with Talents

Open and transparent communication with Talents goes a long way in ensuring that our Talents feel valued and heard.

The feedback from our Talent Engagement Survey highlights areas we should improve — and we've followed up by making a number of changes, like enhancing the customer billing experience for both our Residential and Enterprise customers, and offering more Talent learning programmes in our 1-HKBN Academy platform, specifically to cover topics such as ESG, Enterprise Solutions and administration, customer service and sales.

Recognising the importance of direct communication, this year we conducted our annual survey on a named basis to assess our Talent engagement efforts. In August 2023, around 82% of our Talents completed the survey, resulting in an overall favourability rating of 69%, a 4% improvement compared to last year's Talent Engagement Survey[1].

At a management offsite held in September 2023, our leaders united on our strategy for success in FY24 and beyond.

Life-long Talent Development

In a competitive digital landscape where innovation is key, we're proud proponents of change. To stay ahead, we embrace lifelong learning and development to ensure that our Talents can stay updated with the latest trends and innovations — to adapt and thrive. In FY23, we continued to provide our Talent-force with a comprehensive range of training and development programmes, some of which are highlighted as follows:

Type of Training/ Initiatives	Training Programmes/ Initiatives	Objective
Leadership development for management-to-be	Be a Pioneer	Empower selected Talents with the skills and mindset needed to step into managerial positions
	Be a People's Leader	Equip our supervisory-level Talents with effective leadership skills to guide and lead teams
	Management Trainee Programme (mainland China)	Develop promising Talents into all-round leaders with a strong emphasis on innovation and transformation; serves as part of our succession planning
IT/engineer development	Future Shining Engineers Programme	Designed for Field Service Engineers to enhance their soft skills and technical expertise
Sales skills development	Strategic Sales Training Programme	Use theoretical analysis and one-on-one practice with real cases to help our sales Talents master dealmaking and become more effective in their roles
ESG-related	ESG 101	Provide Talents across all regions with introductory knowledge about ESG concepts (including topics about environmental protection and diversity), our strategy, and the values creation to HKBN and our stakeholders
	ESG Comics Series	Promote awareness and understanding of ESG concepts among our Talents in mainland China

[1] This year, we took a different approach by conducting an internal Pulse Survey instead of an anonymous Talent Engagement Survey through a third-party. For this Pulse Survey, we aimed to focus specifically on assessing our organisation's engagement level, with the questions being identical to those used in the Talent Engagement Survey.

Type of Training/ Initiatives	Training Programmes/ Initiatives	Objective
Professional development	Friday Workshops	Covers various topics such as advanced Excel, advanced PowerPoint, and English-language business reporting, with the aim of enhancing overall productivity and equipping our Talents with essential skills
	Wine Tasting Workshop	Teach our Talents how to properly taste and evaluate wine, as well as understand the appropriate etiquette. The goal is to enhance our Talents' professionalism and enhance their ability to cultivate strong relationships with valued clients
Ethics and compliance	Annual refresher training	Refresh and enhance our Talents' knowledge on job-specific protocols for customer service, as well as for ethics covering areas like anti-bribery, anti-corruption and whistleblowing
Continuous learning sponsorship	Talent Development Sponsorship Scheme	Fully support all Talents in their learning journeys, including to pursue professional courses or certifications, or to expedite Talent development, fulfil job-specific requirements and enhance work quality

All new joiners are required to complete training programmes to understand our company culture and policies, and gain the necessary skills for day-to-day duties. These types of trainings have covered topics like HKBN's unique culture and policies, IT basics, information security and our ESG priorities.

In FY23, approximately 76,298 hours of training were organised, with each Talent receiving an average of 17 hours of training.

Breakdown of FY23 training provided based on:

Gender

Male

98%

16.31 hours per Talent

Female

98%

18.06 hours per Talent

Employee grading

Managerial-or-above Talents

98%

9.05 hours per Talent

Supervisory Talents

99%

12.86 hours per Talent

All other Talents

98%

18.28 hours per Talent

Enterprise Solutions Graduate Trainees Programme

Our Graduate Trainees Programme is an 18-month structured development programme designed to cultivate and accelerate the development of promising tech-savvy young Talents into information technology leaders.

This year, four Enterprise Solutions Graduate Trainees joined our Elite Sports Team and are currently undergoing a comprehensive development journey that includes mentorship from senior management, various skills and leadership development programmes, process improvement projects, job rotations, etc. that will equip our trainees with a holistic understanding of HKBN's structure, broaden their skillsets and transform their potential.

Summer Innovator Programme 2023

Every year, our Summer Innovator ("SI") Programme goes beyond the traditional internship, offering an invaluable 8-week journey filled with career + life lessons that most aspiring young Talents would absolutely jump at.

This summer, five Summer Innovators stood out from among a pool of over 400 applicants, and were selected to join our Elite Sports Team. Our vintage 2023 Summer Innovators not only got access to an amazing lineup of leaders and even C-level mentors, but they also zipped through countless "wow" exposures. From witnessing AI technologies in action to behind-the-scenes visits at companies like Microsoft, our SI journey provided more than just a resume boost. It expanded the horizons of these aspiring Talents and equipped them with the skills to navigate and reshape their future careers.

Please scan the code to watch a brief video of our 2023 Programme:

Diversity & Inclusion

At HKBN, our culture is firmly grounded in respect and inclusivity, where every Talent is celebrated for their unique strengths and contributions. Our commitment to diversity and inclusivity allows us to tap into a wider pool of Talents to build strong, cohesive teams that deliver impactful results.

FY25 Goal

Enhance female representation in **technical** roles to

27% or above[1]

FY23 Progress

24.7%

of female representation in **technical** roles

Building a Diverse Workforce

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

Our MC and senior executive teams are tasked with overseeing overall workforce diversity initiatives, which are managed day-to-day by our Talent Engagement team. We go beyond what is normally expected by implementing initiatives that promote gender diversity and help us build a more resilient and diverse Talent pool. As part of our diversity and inclusion strategy, we are committed to building stronger female representation across our technical roles. In FY23, 24.7% of our technical Talents were female.

To attract Talents from more diverse backgrounds, we continually undertake efforts like taking part in recruitment days or collaborating with universities, secondary schools, and NGOs.

In December 2022, we established the HKBN Women's Network to support and empower our female Talents. This network provides a platform for them to share their experiences, socialise and voice their opinions.

In mainland China, we introduced the Children's Learning Ability Training Programme to help our Talents develop the parenting skills they need to raise well-rounded children.

1 This target was revised from 18% to 27% due to a refinement of the definition of technical roles.

Total workforce by gender:

Male	Female
64%	36%
2,849	1,579

Total workforce by employment type:

Full Time	Part Time	Contract
97%	1%	2%
4,428	51	79

Total workforce by age group*:

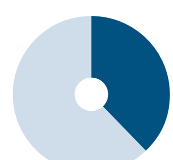
≤30	31-50	≥50
18%	69%	13%
820	3,047	561

Total workforce by geographical location*:

Hong Kong	Macau	Mainland China
56%	1%	43%
2,489	36	1,903

Employee turnover rate by gender*

Male



38%

Female

31%

Employee turnover rate by age group*

≤30	30-50	≥50
64%	31%	20%

Employee turnover rate by geographical location*:

Hong Kong	Macau	Mainland China
36%	14%	35%

* Calculation based solely on full-time Talents

Respect for Human Rights and Labour Practices

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

Workplace Diversity and Prevention of Harassment and Discrimination

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

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

Prevention of Forced Labour and Protection of Children

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

Freedom of Association and Collective Bargaining

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

Talent Transition and Retirement Planning

We understand the importance of social responsibility during an organisational restructuring. For Talents approaching retirement age, we encourage open discussions with the department head and our Talent Management team to explore options and plans for retirement. When necessary, we also offer post-retirement arrangements, such helping our Talents transition from full-time to contract or part-time employment. In the case of major team restructurings or merger activities, our Talent Engagement team provides departing Talents with additional support, including outplacement and career transition services, employee assistance programmes, resume workshops, and assistance with medical insurance conversion, and more.

TECHNOLOGY
FOR GOOD

At HKBN, we hold a deep love for technology and its transformative potential. From using it to enhance communications, learning, and business processes, to how we improve our environmental footprint, or uplift disadvantaged communities, HKBN is committed to using technology as a force for good and making a meaningful impact on the world around us.

ESG Enabler

Understanding that one company alone can only achieve so much, we fully embrace our role as an ESG enabler — a strategy focussed on empowering the ESG of our enterprise and residential customers, as well as social profit organisations, and our suppliers & value chain partners. We do this by leveraging our ICT expertise and scale to offer them ESG-related solutions and ideas.

Market-ready ESG Solutions

This year, a viability analysis was conducted on ESG-themed solutions, with a specific focus on addressing our customers' sustainability goals related to environmental protection, cybersecurity and digital transformation.

FY25 Goal	FY23 Progress
Launch new ESG-themed solutions every year	Launched our first ESG-related solution for enterprise customers

The following are key examples of the ESG-related solutions we introduced in FY23:

Smart Connect: Managed IoT — Energy Monitoring

As businesses feel the sting of sky-rocketing energy costs, Smart Connect: Managed IoT — Energy Monitoring is an innovative subscription-based solution which directly tracks activity in a premise's electrical wires. Our managed solution enables customers to see the big picture via an easy-to-understand real-time data (updated every 10 seconds) dashboard that allows businesses to analyse and compare energy usage based on hourly, daily, weekly and monthly metrics — and use the data to strategise and plan for the future.

In the context of creating a more resilient and sustainable business, the collected data will help customers make informed decisions in areas like future equipment purchases, deployment of IoT controllers and sensors, as well as develop the right long-term energy management strategy for improved environmental impact and better overall business performance.

Enhancing Businesses with AegisConnect

With business's increasing reliance on interconnected systems, the risks of cyber-attacks or network outages due to traffic congestion have become a growing priority for many companies. To address these concerns, we introduced AegisConnect, a solution that empowers enterprises with real-time visibility of their network health via detailed logs and 24/7 support from our expert technical team.

AegisConnect helps companies identify the source of a network outage through intelligent usage trend analysis, allowing them to solve network fatigue before it leads to an outage. Our solution is particularly valuable in an era where downtime is detrimental to a company's operations and its ability to serve customer. For more details about AegisConnect, please refer to page 64 of this report.

Empowering Digital Transformation for Clients

This year, we launched IT · Simplified to help enterprises of all sizes, especially SMBs, overcome the many IT challenges they face on a day-to-day basis. Our solution is a collaboration with leading local and global technology brands and offers tailored one-stop IT support services to help customers bypass the complexities of finding the right technology providers.

IT · Simplified provides a range of solutions to meet the unique needs of different enterprises at various stages of their growth journey. Our solution includes commercial broadband, managed Wi-Fi service, enterprise-level network security, voice connectivity, and more. Additionally, customers can opt for value-added services like electronic payment systems, energy monitoring systems, and hardware equipment as they see fit. We also offer dedicated technology support exclusively for IT · Simplified subscriptions, with a team of expert engineers available round-the-clock to assist on planning, deployment, and management of IT infrastructure.

Digital Inclusion for our Communities

The ongoing digital transformation of society is creating a gap between those who have the skills and access to technology, and those who do not. As an ICT leader, we are committed to using our competitive advantage to narrow the digital divide for our communities. Our approach involves promoting awareness and providing education on digital literacy and cyber wellness, as well as removing barriers to digital access. To ensure that our Corporate Social Investment (CSI) initiatives can make the highest possible impact, we are exploring new metrics that will more accurately measure the effectiveness of our digital inclusion efforts.

Fostering Sustainable and Inclusive Development

As a Purpose-driven company, we strive to provide accessible and reliable services while actively promoting digital inclusion for all, especially for groups like the elderly, youths, people with disabilities, and low-income households. Our commitment to this mission is materially demonstrated through the utilisation of our corporate resources and the expertise of our diverse Talent-force.

To further enhance these efforts, we engaged an external consultant in FY23 to conduct a comprehensive review of our CSI work. This review aimed to enhance stakeholder engagement and systematically measure the impact of our CSI. Through focus groups, workshops and interviews with 16 Social Profit Organisations ("SPOs") and their beneficiaries, we gained deeper insights into their needs and concerns. This allowed us to identify key areas for improvement and better serve our communities.

FY25 Goal	FY23 Progress
Conduct social impact assessments for all digital inclusion community initiatives	Introduced HKBN's digital inclusion social impact assessment tool Completed stakeholder research on our digital inclusion social impact assessment, and defined the indicators for measuring our impacts

After engaging with external and internal stakeholders and conducting desktop research, we established a 'Theory of Change' to outline our CSI goals, targeted impacts, and intended outcomes:

HKBN CSI THEORY OF CHANGE

Core Purpose

Make our Home a Better Place to Live

Goal

Improve digital inclusion for our communities

Impact

Access	Skills		Use
Reduce the obstacles that prevent marginalised groups and SPOs from accessing technology	Improve marginalised groups' quality of life and capability by helping them apply ICT skills	Improve SPOs' efficiency and work quality by helping them apply ICT skills	Help marginalised groups and SPOs use technology in safer and healthier ways

Outcomes

Access	Skills		Use
Marginalised groups gain improved access to the Internet and ICT devices SPOs enhance their access to the Internet, and address the shortage of IT expertise	Marginalised groups see improvements in social connectivity, leading to greater economic and education possibilities	SPOs improve their IT project management skills, leading to more efficient service delivery	Marginalised groups develop a better understanding of how to use technology with cyber wellness and safety in mind SPOs improve their cybersecurity governance, best practices and knowledge

Tracking the Impact of our CSI Digital Inclusion Initiatives

Based on this "Theory of Change", we have developed a digital inclusion social impact assessment tool to evaluate the effectiveness of our upcoming CSI initiatives and identify areas for improvement. The tool comprises various indicators that assess different dimensions of social impact, all of which are aligned with a broader objective of improving digital inclusion within our communities. By using this tool, we'll be able to quantitatively measure the results of our programmes, providing insights for decision-making and planning in the future.

Empowering SPOs

This year, we proudly launched HKBN SPO IT Club, a new initiative that aims to make technology and expert knowledge more accessible to SPOs. This club is free-of-charge and open to all SPOs in Hong Kong, and underscores our commitment to bridging the digital divide. Through the SPO IT Club, we offer a range of pro-bono workshops that cover areas such as cybersecurity, personalised IT training, and workflow digitalisation. Additionally, we also provide free IT consultations and exclusive discounts on HKBN's ICT solutions to further support SPOs and their needs.

80

SPOs benefited from our initiatives in FY23

It's all about impact: ours is helping SPOs be better at serving their communities.

In FY23, 29 SPOs joined our HKBN SPO IT Club and benefitted greatly from our ICT knowledge-sharing initiatives. A total of 40 SPO staff members participated in workshops such as **Cybersecurity 101**, **SPO IT Club Inspiration Workshop** and **IT Pain Points Cracking Class**. These workshops were useful in enhancing each SPOs' understanding of cybersecurity and improving their efficiency as an organisation.

> It was a great opportunity for me to share the IT challenges faced by the social sectors, and importantly get insights into potential solutions. We thank HKBN for facilitating this workshop to promote ideas exchange and mutual understanding.

Ivy Yau
Deputy Executive Director (Social Work Division) of the Hong Kong Playground Association

Partnering with HKBN Talent CSI Fund on Building Human Capital

In FY23, HKBN continued to partner with our independently operated HKBN Talent CSI Fund ("Fund") on its various social investment projects. To learn more about these youth-oriented empowerment projects, please visit www.csifund.org.

This year, we also participated as an Incubation Partner of the experiential career development initiative: Time Traveller 2030. The programme aims to equip future talents majoring in ICT and business with the necessary hard and soft skills to face future challenges and understand how ICT can enable different industries in the future. Our Talents shared their first-hand experience and the challenges they face as ICT professionals, and provided commentary on industry trends.

Say hello: meet the next generation of leaders in the ICT industry.

During the HKBN Job Shadowing, we learnt about the practical side of its operations and the expertise involved in its different ICT departments. This experience is helping me plan my future career.

Lynn Li
Time Traveller 2030 participant

Mobilising our Talents for Social Good

Taking our responsibilities seriously, we strive to provide accessible and reliable services while promoting digital inclusion. To this end, we are utilising our resources and expertise to assist marginalised groups such as the elderly, youths, people with disabilities, and low-income households. Here are some key highlights of our digital inclusion initiatives in FY23:

In FY23,

125

Talents volunteered for a total of

1,377.5

hours

Overcoming the Hurdles to Technology Access

We partnered with three SPOs to offer up to 500 broadband Internet lines for 24 months to marginalised groups, with a focus on benefitting low-income households in Hong Kong. A total of 150 digital devices were also donated to underprivileged groups.

We expanded technology access in remote areas of Guangdong, China, and donated 224 used computer equipment for refurbishment to support primary and secondary school students and their access to communications.

At HKBN, we love breaking down barriers and empowering society's most disadvantaged.

Improving Quality of Life through ICT Skills Transfer

We partnered with Women in Work to organise the 3-month "Digital SHEROes" programme, which matched female volunteers from HKBN with 15 budding female technology entrepreneurs to provide guidance on how to digitalise their brands and business, as well as practical tips on digital marketing.

We taught photography and editing skills to 14 elderly individuals in Peng Chau, enabling them to lead their guided tours in Peng Chau in a more digitally engaging way.

We continued to empower underprivileged youths with IT through our TEENgineer (Teenager + Engineer) Programme in Guangzhou, which has equipped over 100 children with essential IT skills since FY20.

Promoting Safe and Healthy Use of Technology

We partnered with Dialogue In the Dark (HK) Foundation to create the "Cyber Wellness in the Dark" tour experience aimed at improving the cyber skills of primary school students. Via this experience in pitch black darkness, we shared lessons and tips on password security, personal information protection and cyber empathy. We developed an interactive cyber wellness learning experience featuring short talks and quizzes.

As at the end of FY23, over 500 students, teachers and parents had benefited from the programme while a number of employment opportunities were created for people of differences.

In partnership with Jiale Social Work Service Center in Zhuhai's Jinwan District, we provided 100 seniors with cyber wellness knowledge on how they can protect their personal information while using the latest smartphones.

Besides our efforts to promote digital inclusion, this year we also focused on promoting disability inclusion. Through partnering with the Guangzhou Tree of Life Disabilities Innovation Center, we provided telephone customer service training to 12 people with disabilities. This training involved site visits, mock interviews, and on-site telephone inquiry roleplays, with the aim of equipping them with the skills needed for employment.

In Guangzhou, our team shared their knowledge to uplift individuals with disabilities.

TRANSFORMING BUSINESS

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

Climate Action

Climate action is not just a moral obligation, but also a crucial aspect of our operations. As such, we are fully committed towards building a greener, low-carbon future together with our Talents, customers, business partners, and the wider communities.

FY25 Goal	FY23 Progress
Set science-based emissions reduction targets	Established a greenhouse gas ("GHG") emission baseline inventory for setting science-based reduction targets

Our Approach to Environmental Management

At HKBN, we're focussed on reducing our impact on the environment				
Guidance	Global Standards SBTi, TCFD, ISO 14001		HKBN Policy & Management System	
Focus Area	Climate Action	Energy Management	Resources Management	
Approach	Governance	Operational Excellence	Partnership	Awareness Building

As a Group, we take our environmental impact seriously and have implemented an Environmental Management System ("EMS") that meets the ISO14001 standard. Guidelines (in our Talent handbook) and procedures are in place under the EMS to communicate internal environmental management issues. To enhance effectiveness, as well as pinpoint areas for improvement, we carry out both internal and external audits annually. And as our business continues to grow and expand, we understand the importance of expanding our environmental efforts. For this reason, we have extended the scope of our EMS beyond our existing focus on data centre operations, to include providing customers with comprehensive solutions for their communication and network systems.

While we are still in the progress of developing our science-based targets, we have devised a two-year energy-saving plan with a highly aggressive target to reduce electricity consumption by 14% in FY24, when compared to FY22. Along with the 14% reduction target, we are still committed to our waste reduction target of 55% waste diversion by FY25. Regular monthly reports will be provided to our senior management to track this progress.

During the reporting period, there was no substantiated case of non-compliance against environmental laws and regulations.

Our Environmental Targets

↓14%
electricity consumption by FY24 (vs FY22[1])

55%
waste diversion rate by FY25 (vs FY20)

Preparing for a Climate-resilient Future

To increase transparency regarding our efforts to address climate change, we have actively implemented the recommendations made by the Task Force on Climate-related Financial Disclosures ("TCFD"). This year, we have taken a significant step by identifying climate-related risks and opportunities across short, medium and long-term time horizons. This will enable us to proactively assess the potential significance of these risks and opportunities, allowing us to maximise positive impacts while minimising any negative impacts on our business.

Our climate-related disclosures can be found in the following sections: Climate Governance, Strategy, Climate Risk Management, and Metrics and Targets. Through these disclosures, we aim to provide stakeholders with a comprehensive understanding of our commitment to climate action and our dedication to responsible and sustainable practices.

Moving forward, we intend to conduct a climate scenario analysis and, based on its outcome, refine our metrics and targets. This ongoing evaluation of our strategy will enable us to identify new opportunities and responsively strengthen our approach to climate-related initiatives.

[1] Equivalent to a 13.9% reduction in Scope 2 emission, assuming the same emission factors over the target period.

Climate Governance

Our commitment to addressing ESG priorities and challenges, including climate change, is reflected in our three-tier ESG governance structure. The following chart provides an overview of how our ESG governance structure addresses climate-related risks and opportunities:

The Board

- Oversee the Company's climate-related strategy and goals
- Has ultimate responsibility for overseeing climate-related risks and opportunities impacting the Group

ESG Committee

- Comprised of three independent non-executive directors and one executive director
- Review and monitor the Group's ESG strategies and performance, including the progress made against climate-related goals

ESG Task Force

- Comprised of representatives from functional departments that have responsibilities for discrete businesses, operations, and corporate functions
- Assess and manage climate-related risks and opportunities within their purview

For more information about our ESG governance, please refer to the section headed "Our Approach to ESG Governance & Management".

Strategy

At HKBN, we are actively embracing new goals and commitments as a response to our desire to contribute further towards a better and more sustainable future. As part of this ongoing effort, we have undertaken a comprehensive process to identify and prioritise climate-related risks and opportunities, in line with the TCFD recommendations. Through forward-looking analysis, we have methodically assessed the potential impacts and the likelihood of occurrence across our many business units, enabling us to develop proactive plans for climate change mitigation and adaptation.

To effectively identify climate-related risks and opportunities that are pertinent to our operations and value chain, we have engaged our internal stakeholders through a combination of workshops and surveys. This approach allows us to gain a comprehensive understanding of potential risks and opportunities, and prioritise them based on stakeholder feedback while taking into consideration factors such as the potential intensity of impact and likelihood of occurrence.

List of Climate-related Risks and Opportunities Considered

(Prioritised risks and opportunities are bolded below)

Physical	Transition
Acute • **Flooding/water damage** • **Typhoon/extreme wind** • **Heatwave/extreme heat** • Landslide Chronic • **Rising mean temperatures** • Rising sea levels	Policy & Legal • **Changing climate regulations and policies** Technology • **Transition to lower emissions technology** Market • **Changing customer behaviour** • Access to new markets Reputation • Increased stakeholder concerns or negative stakeholder feedback Opportunity • **Move to more efficient buildings** • **Use of new technologies/lower-emission sources of energy** • Development of new products and services

By undertaking this assessment and involving key stakeholders, we have taken significant steps towards addressing climate-related challenges and incorporating them into our business strategies. Our aim is to ensure long-term sustainability so that our business can continue to serve our customers and communities. In considering the climate-related risks and opportunities, we have adopted the following definitions of time horizons.

Time Horizons	Definition
Short-term	Within 3 years
Medium-term	3-5 years
Long-term	Beyond 5 years

Our short-term horizon is aligned to our risk management framework, which considers the likelihood of events creating risk exposure over the next three years. Our medium-term horizon is aligned with our financial stability objectives, utilising a five-year outlook. Our long-term horizon aligns with the investment timeframes for strategic assets, such as our networks, where capital expenditure is assessed over the lifespan of the assets, typically ranging from 5 to 25 years.

The following table outlines a summary of the prioritised climate-related risks and opportunities we face over short, medium and long-term time horizons, as well as our strategies to manage and mitigate them.

Prioritised Climate-related Risks and Opportunities

Category	Time Horizon	Implication to HKBN	Our Mitigation Strategy
Physical Risks			
Typhoon/extreme wind	Short-term	More frequent and intense typhoons accompanied by strong winds, heavy rainfall, and storm surges can cause extensive damage to infrastructure and buildings. This will lead to increased insurance costs and disrupt operations and supply chain.	• Disaster Recovery Plan is in place, including a split office arrangement for core function teams, enabling Talents to work from alternative locations. Cross-border teams are also arranged to provide mutual support if needed. • Measures are being undertaken to enhance continuity of our Network Operations Centre by automating operations, reducing the need for on-site Talents during adverse weather conditions. • We are exploring the need to conduct risk assessments to identify suppliers in flood-prone areas, enabling the implementation of proactive measures. Furthermore, the development of contingency planning, which includes effective communication platforms and alternative supplier options, is being considered to mitigate potential adverse weather challenges.
Flooding/water damage	Short-term	Heavy precipitation poses the risk of flooding and water damage, which has the potential to damage low-lying buildings and infrastructure, leading to significant disruptions in network continuity, office, retail, and warehouse operations.	• Routine preventive maintenance is conducted on our drainage systems within office premises and data centres, ensuring they are functioning properly to minimise potential issues. • Various measures are in place for efficient fault reporting and emergency response. • We are exploring the need for network deployments/ developments that adopt routes with lower vulnerability to flooding, including seeking waterproof manholes and conducting a review of all hubs and Telecommunications and Broadcasting Equipment ("TBE") rooms to identify potential flooding risks for possible relocation. • Dual sourcing is implemented in procurement to reduce reliance on a single supplier in flood-prone areas, ensuring continuity of supply.

Category	Time Horizon	Implication to HKBN	Our Mitigation Strategy
Heatwave/extreme heat	Short-term	Heatwaves drive up the demand for cooling and air conditioning, resulting in a substantial rise in energy consumption and costs. Higher temperatures can also negatively affect the performance of assets, potentially causing power outages and equipment malfunction. Prolonged exposure to extreme heat poses health and safety risks, leading to heat-related stress among Talents, increased absenteeism, and reduced productivity.	• Upgrades have been made to the chiller and air conditioning systems at our data centres using IoT API for better real-time control of zone temperatures. • Promote sustainability and employee well-being through e-learning and implementing flexible work arrangements during extreme heat waves, such as work-from-home options and flexible hours. • A comprehensive heat stress management plan is being developed which includes implementing work/rest schedules and providing personal protective equipment designed to minimise heat stress.
Rising mean temperature	Long-term	Higher ambient temperatures will result in increased demand for air conditioning and cooling systems raising energy costs.	• Equipment with higher temperature tolerance and ambient heat cooling technology is being introduced to enhance heat management. • Focus on energy efficiency by exploring energy-efficient cooling systems and implementing smart monitors to control cooling demand, reducing energy costs. • User racks have been consolidated at our data centres with improved efficiency; our equipment migration from Metro Ethernet (ME) to Gigabit Passive Optical Network (GPON) reduces heat dissipation in hub and switching rooms. • An assessment of office design is being conducted to explore implementation of measures such as the use of shading devices, improved insulation and ventilation, high-reflectivity roofing materials. Our goal is to gradually phase out less efficient equipment and materials.
Transition Risks			
Changing climate regulations and policies	Medium-term	Governments are introducing different policies and regulations to drive the transition to a low carbon economy, which may lead to extra compliance costs for companies.	• We are committed to reducing our energy consumption by an astonishing 14% from FY22 levels by FY24, which will significantly reduce our GHG emissions, as electricity is a major source of HKBN's emissions. • We are also looking into developing science-based targets to further mitigate our GHG emissions in the long-term.

Category	Time Horizon	Implication to HKBN	Our Mitigation Strategy
Transition to lower emissions technology	Medium-term	Transitioning to lower emissions technology can require significant investment in research and development, which may not pay off in the short term.	• The implementation of Energy Performance Contracting in Hong Kong enables the adoption of energy efficiency initiatives, reducing carbon emissions without upfront costs. • Sustainability is a big part of the consideration when assessing product specifications, ensuring environmentally friendly choices. • Regular reviews of idle equipment and capacity optimisation are in place, while legacy equipment in our networks are being phased out and replaced with more efficient alternatives.
Changing customer behaviour	Long-term	Changing customer behaviour can lead to reduced demand for the company's products or services, particularly if customers switch to competitors (e.g., offering low-carbon products and services that meet the changing preferences of customers) or reduce their purchases due to changing preference.	• Develop and source a wide range of low-carbon solutions to meet the increasing demand for carbon reduction from both enterprise and residential customers. These solutions include low-carbon hardware equipment, Software-as-a-Service, cloud-based and managed IoT solutions for enterprises, as well as all-in-one hardware equipment, a cloud-based platform for remote service support, IoT gadgets to optimise household energy consumption, and device take-back programmes for residential customers. • Product, Marketing, and Sales teams collaborate to understand customer requirements, while considering customer segmentation based on ESG-sensitive user groups as a strategy for deploying solutions to the market.
Opportunities			
Move to more efficient buildings	Medium-term	Moving to more efficient buildings can lead to cost savings, as the company reduces energy consumption.	• Consideration of various initiatives, including the possibility of relocating to energy-smart buildings that optimise energy use, maximise natural daylight, and provide EV-ready parking spaces for reduced emissions.
Use of new technologies/ lower-emission sources of energy	Medium-term	In addition to cost savings, the use of new technologies/ lower-emission sources of energy can enhance sustainability performance as it demonstrates a commitment to reducing GHG emissions and mitigating climate change.	• Identify energy consumption hotspots and collaborate with vendors to explore the implementation of new technologies and lower-emission energy sources, while relevant business units actively engage their industry networks to explore energy-efficient initiatives.

We understand that it is important to proactively identify and address climate-related risks, while also recognising the potential financial impacts associated with these risks. These impacts may include asset damage, business interruption, increased operating, capital and compliance costs, as well as diminished demand for our products and services, reduced access to capital, and lower revenues or cash flows. In light of the increasing impacts of climate change, it is crucial that we maintain a robust approach to risk management which acknowledges the complex and evolving nature of climate-related risks and opportunities. To gain a deeper understanding of the potential financial impacts associated with these material risks and opportunities, we are planning to conduct scenario analysis in the upcoming year. This analysis will provide a detailed assessment of various climate-related outcomes and serve as a framework to formulate proactive and resilient strategies for risk mitigation and to maximise opportunities.

Climate Risk Management

HKBN's operation has an impact on the environment. And like any company, our business can also be susceptible to the effects of climate change. Our risk management framework allows us to assess, manage, monitor and respond to risks, including those related to climate change. By using internal controls that comprehensively address risk management, we will be able to integrate climate risk management at all levels of our organisation.

During the principal risk assessment process, the implications of climate change are thoroughly discussed and evaluated. With climate change posing a potential risk to all businesses, including ours, we have identified climate-related risks as one of the top principal risks of the Group. For an overview of key risks related to our Group's businesses and the industries in which we operate, please refer to the "Corporate Governance Report" on pages 112 to 134 of this report.

Our Climate Risk Management Process

Building on our risk management framework, we conducted a thorough assessment at the ESG Taskforce level to evaluate the physical and transition risks associated with climate change, as well as opportunities it brings to our Company. Comprising representatives from our various departments, including enterprise and residential solutions, network, administration, Talent engagement, procurement and the ESG team, our ESG Taskforce — after examining the potential impacts on our business and the likelihood of occurrence — identified and prioritised a number of climate-related risks and opportunities. Please refer to the previous section to view the list of key risks and opportunities identified.

In the coming year, we will conduct a scenario analysis to gain deeper insights into these climate-related risks and opportunities — and gain a more comprehensive understanding of their implications. By integrating these considerations into our risk management practices, we will be better equipped to address and navigate the challenges and opportunities presented by climate change. For more detailed information on the material climate-related risks and opportunities faced by our Group, please refer to the "Strategy" section on pages 93 to 95 of this report.

Metrics & Targets

As a member of the Business Environment Council's Climate Change Business Forum Advisory Group, we recognise our responsibility in supporting Hong Kong's transition to a low-carbon economy. We are fully committed to implementing strategically-effective decarbonisation measures throughout our operations, and are proud to contribute in this important area.

This year, we have set an ambitious goal to reduce our electricity consumption by 14% by the end of FY24, using FY22 as the baseline. To stay accountable and extra-motivated — as this aggressive target will require determined leadership — an executive ESG-related pain/GAIN scheme has been approved, linking the target with the salaries of our Executive Vice Chairman, our Group CEO and three other senior executives. Mindful that our electricity consumption constitutes a significant portion of our operational emissions, this target reflects the priority we've put on mitigating our environmental impact and reducing our carbon footprint. Please refer to "Improving Energy Efficiency" in the following section for details about the newest measures and practices we've adopted to further reduce our electricity usage.

In our efforts to cut our carbon footprint, we recognise the significance of addressing emissions throughout our value chain. Scope 3 emissions, which have a substantial impact on global climate change, present a critical opportunity for us to take action. By gaining a thorough understanding of the quantity and sources of our Scope 3 emissions, we can actively identify and implement strategies to reduce them. This is why we initiated a comprehensive Scope 3 emissions calculation this year, adhering to the GHG Protocol guidelines. As an ICT solutions provider, the majority of our Scope 3 emissions are emissions associated with those from purchased goods and services (Category 1), capital goods (Category 2), and the use of sold products (Category 11), which include activities that occur beyond our direct control. Nonetheless, we are committed to improving our data collection and analysis processes to accurately calculate and report our Scope 3 emissions soon.

Through our participation in the Low Carbon Charter, we have pledged to achieve our carbon reduction targets and actively support a more sustainable future. As part of our ongoing efforts, we are currently in the process of setting our near-term science-based targets and preparing a submission to the Science-Based Targets initiative (SBTi) for validation and approval. Our goal is to make a positive impact on the environment and drive meaningful change towards a low-carbon future.

ESG | Transforming Business

Improving Energy Efficiency

To enhance our energy consumption, we perform an annual internal energy audit to pinpoint areas where we can save electricity and take action to rectify inefficiencies or excessive energy usage. By undertaking these audits, we strive to reduce our energy-related GHG emissions.

A Greener Network

Across our network operations, the use of HVAC (heating, ventilation, and air conditioning) systems is a major contributor in our energy consumption. To address this, we have elevated the chiller systems in our major data centres and are experimenting with an innovative chiller coating technology that has the potential to increase cooling efficiency by up to 5%.

Moreover, our Network team is working hard to enhance the network architecture to bolster robustness and reduce the number of nodes required. The team is also consolidating our data centre equipment to augment power usage effectiveness ("PUE") and ensure optimal efficiency.

Smart Office

Throughout our offices, we have embraced smart IoT applications to regulate and manage the use of cooling and lighting. For instance, we have installed vital sign sensors that can detect when a room is unoccupied and automatically turn off the lights and air conditioning.

Additionally, our Guangzhou office serves as a live demonstration of our many smart capabilities in a real-world workplace environment. We proudly showcase HKBN JOS's latest high efficiency server rack, which occupies only 0.8 square meters, operates with an average PUE of 1.25 and noise level of less than 60 dB.

Improving Resource Management

Recycling Waste Lead Acid Batteries ("WLAB")

To promote sustainable practices, we have partnered with the Hong Kong Battery Recycling Centre to ensure the safe and ethical recycling of our WLAB since 2019. Through our recycling efforts, we diverted 50,870 kg of WLAB from ending up in landfills in FY23.

Customer Premise Equipment (CPE) Recovery and Recycling Programme

As technology becomes more integral in our daily lives, the amount of electronic waste we generate also increases. To address this, we established a programme to recover valuable metals from the CPE used for broadband and cable connectivity. When customers terminate or upgrade their services, we retrieve and recycle as much of the equipment as possible to prevent it from ending up in landfills and promote a more circular economy. This year, we successfully recovered 42.29 tonnes of valuable metals.

Turning Legacy Waste into Useful Resources

We are committed to finding innovative ways to repurpose routine waste. Our efforts this year include partnerships and initiatives such as:

- Upcycling 36.4 tonnes of wooden pallets in our warehouse to create Green Paws wood cat litter. This not only reduces waste but also provides a sustainable alternative for pet owners.

- Collecting paper packaging from offices for repurposing at Lively Life. This is helping to reduce the amount of paper waste we generate.

- Donating second-hand office furniture to GOODS-CO, a resource-matching platform. This ensures that our furniture is given a second life.

- Setting up collection points in our offices to gather obsolete cables and wires from our end-of-life computing devices. The materials collected are then sent to Green@Community for recycling.

Saving Paper Through Digital Transformation

Digital transformation has paved the way for a more sustainable future via streamlined workflows. As an example, through simple adjustments like replacing legacy paper-based forms and contracts with electronic ones, our operations in mainland China have significantly slashed paper usage, resulting in the reduction of 1.02 tonnes. To achieve our paper curtailment goals, our operations in Hong Kong also launched the Paper Cut Challenge, which involved all departments committing to a 10% reduction in paper usage.

Championing Greener Operations

This year, we formed a team of "Green Champions" consisting of Talents from key departments. Their primary responsibility will be to evaluate their respective department's environmental impact and adopt the necessary mitigation measures. Together, our "Green Champions" are helping develop effective ways to reduce our company's resource and energy consumption, whilst improving our waste management practices — bringing both environmental and financial benefits for HKBN. This network of "Green Champions" also helps communicate our environmental management issues to different departments.

Eco-engagement Inside HKBN

Inside HKBN, we use a variety of green activities and interactive means to engage with our Talents, including animated videos, educational fun days and immersive outreach visits. To encourage participation, we also organised exciting contests that fuelled our teams' excitement and competitive spirit. Our goal is to promote a culture of sustainability and inspire greater interest in protecting the planet for future generations.

Impactful Customer Experiences

Every customer interaction is an opportunity to make a positive impression on how our brand is perceived. Through our commitment to deliver impactful customer experiences, we take a systematic approach to improve our support functions, while enabling customers to enjoy the convenience of digital and online user experiences.

FY25 Goal	FY23 Progress
Futureproof HKBN's customer services by launching new customer experience initiatives each year	Residential Solutions: In the process of developing "Smart Broadband Move", a My HKBN App self-service tool for customers to schedule relocation of their broadband service Enterprise Solutions: Deployed e-forms for over 70% of general service contracts since June 2023

Improving Customer Experience and Satisfaction

Throughout the year, our Residential Solutions and Enterprise Solutions divisions have implemented measures to improve the customer journey experience. By embracing the latest digital innovations, our goal is to simplify each customer's user experience and create outstanding engagement.

Residential Solutions

As a business obsessed with customer satisfaction, we know that when our customers require assistance, they want it fast and good. Our customers can get help through multiple channels such as our customer service hotline, online platforms, email and social media. In FY23, we achieved an 85% combined answer rate for our customer service hotline, online platforms and email during normal business hours.

Besides fast Internet, speed is also crucial at every point of our service support, from installation to maintenance. As such, we always ensure that our Customer Premises Engineering ("CPE") team has the necessary resources to fulfil a customer installation appointment within three calendar days. In FY23, we were able to complete installations in an average of just 1.1 days after receiving a customer's request.

As maintenance is a big part of our customer service — and consequential to customer satisfaction — promptness of service is important. When on-site checks are necessary, our Customer Service team works quickly to schedule a maintenance appointment for affected customers. In FY23, 99% of our maintenance appointments were arranged within two calendar days*.

Enterprise Solutions

To enhance the flexibility of our service channels, we are upgrading the MyAccount portal with useful features such as an e-ticket reporting tool for enterprise customers to request service and technical support. We are also expanding support options to include popular instant messaging platforms such as WhatsApp, allowing for direct messaging and customised information delivery.

Additionally, we implemented a new customer relationship management ("CRM") system that centralises all customer data onto one platform. This will enhance the quality and personalisation of our interactions with customers. We have also introduced a case management system that tracks and effectively addresses customer concerns.

We understand that our commitment to deliver exceptional customer service is a never ending journey. For this reason, we conduct monthly communication sessions where we gather feedback, identify areas for improvement, and implement changes to enhance customer satisfaction.

Beyond Hong Kong, our HKBN JOS team has updated its mobility system for projects and field engineers. This upgrade has resulted in faster turnaround times, allowing us to provide efficient and prompt service to our customers, regardless of their location.

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

Listening to our Customers

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

Residential Solutions

Our Resolution Service team plays a vital role in promptly handling customer inquiries and complaints. They conduct thorough investigations involving all relevant parties to understand the complaint-related issues and provide a response to each complainant. Our target is to resolve customer complaints within six calendar days. We only consider complaint cases settled and closed after the customer has expressed satisfaction with the follow-up actions. In FY23, about 84% of Residential Solutions-related complaints were fully resolved within the target response timeframe.

To ensure effective allocation of resources, we classify complaint cases into five categories based on severity and the number of calls received by our residential customer service hotline. Our complaint management system is designed to store and monitor all customer communications and follow-up actions, ensuring that no concern goes unaddressed. This systematic approach enables us to stay on top of customer issues and take proactive measures to resolve them.

In FY23, we achieved average satisfaction scores of

5.79
out of 6 for our customer service channels

4.65
out of 6 for new broadband

5.75
out of 6 for our installation and maintenance services

To continuously improve the experience provided by our sales teams, we employ quality enhancement programmes such as mystery shopper and promoter booth assessments. These programmes help us identify areas for improvement. In FY23, our mystery shopper and promoter booth assessment scores were respectively 77.2 and 92.9 out of 100.

During the reporting period, we received 703 complaints related to Residential Solutions products and services. We consider these complaints as valuable feedback to help us improve, with an aim to prevent similar issues from reoccurring.

In FY23, we received
3,428
complimentary notes

Enterprise Solutions

To gain insights into customer expectations, we conduct monthly surveys to gather feedback on our products and services. In FY23, we sent an average of 1,800 satisfaction surveys per month. The feedback we received was subsequently disseminated to help enhance our offerings.

In FY23, we achieved an average satisfaction score of

4.8
out of 6 for Enterprise Solutions in Hong Kong

In the area of addressing customer concerns, we implement the ISO 10002 complaints handling standard across our Enterprise Solutions business. This standard ensures that we follow an effective and systemic approach to handling complaints. Additionally, we also integrated the ISO 9001 quality management standard in our after-sales operations, which demonstrates our commitment to delivering high-quality products and services.

During the reporting period, we received 1,051 customer complaints relating to Enterprise Solutions products and services. 97.6% of these complaints were successfully resolved within five business days.

To enhance service quality, our Enterprise Solutions team conducts regular reviews of consolidated complaint reports to identify common issues and areas for improvement. We work closely with department heads to address issues based on feedback patterns and complaints. To ensure effective tracking of complaint cases, monthly complaints summaries are shared with relevant department heads. Our Quality Management team also provides regular refresher training on quality to equip our account managers with the knowledge and skills to maintain high service quality standards.

Data Privacy & Security

Customers trust us with their personal data. Maintaining and protecting their trust is a top priority for our business. Our commitment to data privacy goes beyond mere compliance, as we continually adapt and strengthen our security whilst treating customer information with the utmost care.

Our Approach to Information Data Security

Our Management Committee is responsible for leading and maintaining oversight of our data privacy and security efforts, with the goal of ensuring adherence to the following cybersecurity risk management strategy:

Identify	• Identify, assess and manage cybersecurity risks through effective cybersecurity risk management processes with proper governance and accountability • Identify risks at an early stage and remediate them through proactive threat hunting
Protect	• Protect against cyber-attacks by adopting appropriate security measures with centrally deployed capabilities to enable protection at scale • Cultivate a culture of vigilant cybersecurity by improving awareness and knowledge among all Talents, partners and customers
Detect	• Maintain comprehensive monitoring of systems, networks and services to enable threat detection before threats become actual incidents
Respond and Recover	• Swiftly contain and assess cybersecurity incidents to allow rapid response at scale, and ultimately minimise impact on customers

FY25 Goal

Achieve less than 2% average failure rate among Talents in phishing assessments

FY23 Progress

1.38% average failure rate among Talents in phishing assessments

Organised our Cybersecurity Day and educated over 1,000 Talents with cybersecurity knowledge

Our Information Security Policy is designed to guarantee the safety, integrity and confidentiality of our data. Complemented by other policies, we have clearly defined responsibilities for all Talents, contractors and third-party users. On an annual basis, we review these responsibilities and policies, and make sure they are easily accessible by Talents through our Company Intranet. To stay compliant with the ever-changing and stringent security standards, our Audit and Risk department annually engages certified third-party professionals to conduct comprehensive reviews of our security systems and internal audits of our information system. We respect each customer's rights regarding their data and uphold strict practices and consent requirements for any third parties involved in handling such data. Furthermore, we do not collect personal data from third parties unless required by law.

To maintain a robust security posture, we have implemented vulnerability scanning across all segments of our internal network. These assessments are conducted at least once a year to provide us with a comprehensive understanding of our network's security well-being and quickly address any vulnerabilities or weaknesses. Furthermore, we introduced a bug bounty program facilitated by third-party security experts. Simulating potential threats using real-world attack vectors, this program allows us to assess our network's resilience without exposing it to actual risk.

Being extra responsible in how we handle personal data means we follow a strict policy of deleting sensitive data after a defined period of time — which is done when the following conditions are met: all services associated with a customer's account have been terminated, there are no outstanding credit or debit amounts, and there are no outstanding complaints related to the customer.

In FY23, we established a Privacy Management Programme which was subsequently recognised by the Office of the Privacy Commissioner for Personal Data, Hong Kong ("PCPD") with the Gold "Privacy-Friendly" Certificate. We also proactively identify and mitigate potential risks through threat hunting, which resulted in the successfully remediation of risks in 486 cases.

HKBNES and HKBN JOS data centres and security operations centre are certified to

ISO 27001

standard

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

Strengthening our Information Security

Talents are an important line of defence against cybersecurity risks, making them crucial to our operations. To improve protection from cyberattacks, it is essential that security awareness is strong amongst all Talents. During the reporting period, we conducted a total of 1,237 hours of PCPD training.

In FY23, we initiated the following to augment our information security:

- Conducted 10 impromptu phishing email assessments, and imposed disciplinary penalties for Talents who failed the assessment three times or more
- Provided 13 year-round awareness training modules for all Talents, covering topics such as cyberattacks, phishing and information security best practices
- Shared 26 sets of cybersecurity tips on work-related and personal security with all Talents
- Organised Cybersecurity Day, educating over 1,000 Talents with cybersecurity knowledge

We also extend our efforts by providing our outsourced staff with training on data security and privacy-related practices. Our aim is to ensure that all parties involved in our operations uphold the highest standards of data protection, reinforcing our commitment to safeguarding customer information.

Besides strengthening our internal defences, we also focussed on providing educational resources (videos and social media posts) externally to our customers. These awareness building resources helped promote good security practices and tips so that consumers are better equipped at protecting themselves digitally. Examples include recommendations for creating strong passwords, learning about data security, and tips to avoid phishing scams.

Reliable and Responsible Service

Our commitment to being the best network never ceases. By expanding our coverage and strengthening our network infrastructure, we ensure that customers love our services and stay with us long term. Guided by our desire to enhance the user experience journey, we're also continuously exploring digital technologies to deliver flexibility, convenience and value that customers want.

FY25 Goal	FY23 Progress
Reduce affected customer hours from residential network service disruptions by 14%, relative to FY22 baseline	Reduce affected customer hours from residential network service disruptions by 4%, relative to FY22 baseline Extended the use of IoT applications in data centres and our central office for pre-emptive maintenance

Delivering Better Network Experiences

As a trailblazer that has persistently raised the bar for fibre connectivity in Hong Kong, consumers expect only the best from HKBN. For this reason, we continued to undertake great efforts to expand our coverage and enhance our network's efficiency. This year, significant investments were made in our network and technologies to maintain our leadership in performance, reliability, and coverage.

Network Performance

Keeping our fibre network service reliable is of utmost importance to us. This year, our Network Operation Centre ("NOC"), Customer Service and Technical Engineer teams implemented a Broadband Connectivity Proactive Monitoring project to further enhance our outage management and prevention capabilities. Whenever our NOC detects a potential anomaly that can lead to a problem, our Customer Service team will coordinate an on-site appointment for our technical engineers to visit a customer's premises and resolve any issues before they escalate.

To ensure uninterrupted operations, we proactively reach out to over 100 Building Management Offices ("BMOs") on a quarterly basis to schedule annual power checks. Through this, we provide backup batteries or mini generators as necessary to prevent interruptions. Additionally, we have extended the use of IoT applications in our data centres and our Central Office for pre-emptive maintenance. This enables us to monitor and address potential issues before they become major problems.

We have also taken steps to enhance the reliability of data transmissions in our Metro Ethernet/Copper switches. In this approach, we circumvent parts of the network that are not functioning optimally, which ensures that the network continues operating despite any localised issues. We have also worked with contractors to improve service level agreements ("SLA"), resulting in a significant reduction in the frequency of outages.

In May 2023, we launched a dual-link broadband and higher-tier dual-link DIA/PDIA services for our enterprise customers. These services utilise the combined unique capabilities of our ex-WTT and HKBN infrastructure, providing built-in redundancy and diversification of network routes to minimise the risk of service disruption. Additionally, we also provided our customers with plant patrol services for critical routes to identify potential fibre issues at construction sites, minimising impact on our customers' business operations.

Residential Customers

Availability of core network*

100%

Availability of access network*

99.9945%

Enterprise Customers

Availability of core network*

99.99997%

Availability of access network*

99.99976%

* Not including events or circumstances beyond HKBN's control ("force majeure events"). Force majeure events include acts of God, war, civil disobedience, explosions, fires, typhoons, floods, government action, restraints imposed by government or any other regulatory authorities, labour disputes, trade disputes or delays caused by third parties over which HKBN has no control.

Network Coverage and Affordability

This year, we continued to prioritise 5G development and have also diligently worked to expand our network coverage for residential and enterprise customers. Our focus is to support the 5G base stations of mobile network operators, and we have achieved this by providing state-of-the-art fibre services that leverage our network capacity advantages. We are also focussed on ensuring that newly developed residential and commercial buildings in Hong Kong are equipped with our fibre services from the moment they are ready for occupancy.

Another key focus area is the expansion of our network into Hong Kong's rural areas, with priority given to villages that are near our existing fibre network coverage. This will enable us to deploy our services to more people in these regions at a faster pace.

HONG KONG'S FIRST DUAL-PATH SUBSEA CABLE SYSTEM

This year, we joined forces with data centre operator SUNeVision to launch Hong Kong's first dual-path subsea cable system, TKO Connect. TKO Connect is a dedicated undersea fibre cable system directly linking SUNeVision's MEGA-i, a critical subsea interconnection hub in Chai Wan, and MEGA Plus, a state-of-the-art hyperscale data centre in Tseung Kwan O. Spanning approximately 3km between the two precincts, our new cable system provides the most direct and shortest route between MEGA-i and MEGA Plus — 20+km shorter and 4 times faster than alternate land routes. TKO Connect is also the first and only dual-path subsea cable in Hong Kong, with two physical cables specifically built underwater to achieve full resilience and enhanced network continuity for enterprise customers.

As a company driven by Purpose, our investments have always been a backbone for society's progress. This pioneering joint project continues our commitment to deliver world leading industry-first breakthroughs for customers.

NiQ Lai
Co-Owner and Group CEO

HKBN x SUNeVision teams joined hands to celebrate our TKO Connect milestone.

In FY23, our fibre network reached over

2.55 million
homes in Hong Kong

8,090 commercial buildings
and facilities in Hong Kong

Network Improvements and Upgrades
Over the years, we have made significant investments in upgrading and expanding our platforms to enhance operability, scalability, and performance of our world-class network. Importantly, we continuously pursue network enhancements to ensure that our infrastructure is powered with the latest technologies and breakthroughs. The following are some of the network enhancement initiatives we undertook during the reporting period:

- Upgraded our Cloud Voice/Cloud Voice S platforms
- Upgraded network platform hardware and software to ensure service sustainability, e.g., GPON Access, DWDM Transmission, Metro Ethernet, and IP Routing
- Adapted our network infrastructure to align with emerging demands for new services and ad-hoc demand surges, e.g., 10G Broadband Service and n x 100G Network Core
- Improved our power supply facilities at essential hub sites

Selling Responsibly
Doing business ethically means we are committed to being fair and transparent about our sales and marketing practices. Our Code of Practices on Marketing Calls provides clear guidelines for conducting marketing-related calls. We respect our customers' autonomy and provide multiple channels for them to opt out from receiving promotional materials and marketing calls. These channels include our customer service hotline, email, fax, mail, the My HKBN app, and by visiting an HKBN shop. Any changes to their preferences will take effect within seven working days. Customers can also access their contract details through various channels such as HKBN shops, our customer service hotline, email, fax, mail and the My HKBN App.

Our telesales teams operate with pre-approved scripts, detailed procedural guidelines and supervision from team leaders and our Quality Management team to make certain that accurate information is relayed to customers. We regularly review our sales scripts and operational guidelines to ensure that our policies, operational approaches and overall quality align with customer expectations.

During the reporting period, there were no substantiated cases of non-compliance with respect to the relevant advertising regulations.

Through year-round trainings, our frontline Talents are instructed with up-to-date sales and marketing information and on how to treat customers fairly. Our training programme for sales-related Talents is comprehensive and covers areas such as product and service knowledge, sales techniques, company policies and ethical standards. We require all new sales-related Talents to attend training on regulations like the Personal Data (Privacy) Ordinance, Trade Descriptions Ordinance and Code of Practices on Marketing Calls. Regular refresher trainings on sales and marketing, and quality improvement are also provided to maintain a consistent standard of quality across our business. In FY23, we provided over 36,082 hours of training on product, sales, marketing and quality improvement training to our Residential Solutions Talents.

In our effort to ensure that elderly customers are fully informed about the terms and details of our value-added service ("VAS") and broadband plan upgrades when registering via hotline, we implemented a new change this year. After the customer accepts the telesales offer, a team leader must check to confirm that the customer fully understands the terms and details of the service. We also implemented a restriction on upselling VAS or upgrade plans to customers who are over the age of 70, ensuring their best interests are considered.

Rain or shine, our sales associates are always available to serve and assist customers.

Ensuring Customer Health and Product Safety

At all times, customer safety are top priorities for us. We are fully committed to adhering to all relevant legal and regulatory requirements concerning consumer safety. Right from the product design stage, we engage with our suppliers to ensure that our requirements for quality, health and safety, as well as sustainability, are integrated into the development process.

During the reporting period, there were no substantiated non-compliance lawsuits or product recalls relating to product health and safety.

Win-win-win Partnership & Value Chain

At HKBN, we fully believe in the power of collaboration and that true success comes when win-win-win is achieved for all parties involved — HKBN, partner/suppliers, and end customers. Rather than profit off one another, we prioritise building strong, long-lasting and trustworthy relationships with our partners and suppliers. By doing so, we can unlock new opportunities, drive innovation, and create lasting value for all stakeholders.

FY25 Goal

Improve at least 20 SME suppliers' ESG assessment scores

FY23 Progress

Created a questionnaire specifically designed to evaluate suppliers' ESG performance

Adopting Comprehensive Supply Chain Management and Assessment Procedures

To help us effectively evaluate environmental and social risks in our supply chain, we now implement criticality assessments to evaluate important projects with amounts greater than $300,000. Since December 2020, we have used a digitalised criticality assessment form that allows our business units to seamlessly evaluate supplier criticality on a project-specific basis. This e-tool also assists our Procurement team generate reports that provide a comprehensive understanding of the supply chain risks associated with each project. For projects that are flagged as "high risk," we mandate the implementation of a business continuity plan and conduct more frequent supplier performance assessments.

In FY23, HKBN sourced products and services from

2,786 suppliers, with

94.8% of suppliers sourced locally within our operating locations

To ensure compliance with the obligations outlined in the pre-concurred service level agreements, we regularly monitor supplier performance, focussing on areas critical to our business and stakeholders. Our business units conduct assessments of key suppliers at least once a year to evaluate their performance. If we identify poor performance, our Procurement team will then assess the associated risks and advise on appropriate mitigation measures. These measures may include implementing improvement plans, reducing the scope of engagement, or in severe cases, termination of the supplier relationship.

We work closely with our suppliers to promote sustainable procurement. Our Procurement team conducts annual evaluations of the supply chain management system in order to set and ultimately achieve our supply chain ESG targets. These initiatives and their progress are communicated to our senior management, including our Chief Financial Officer ("CFO"), who report to the Board, maintaining an active oversight role in our supply chain management.

In January 2023, we launched a pilot scheme to review high-spend suppliers through external audits on their IT security. This scheme aims to identify the potential data privacy risks associated with our suppliers and mitigate the risks that are operationally relevant to HKBN. Suppliers who receive a D grade or below are required to take corrective action and provide us with an improvement plan so as to enhance operational efficiency. In order to promote more sustainability practices within our supply chain, our Procurement team has set a target to draft an ESG assessment questionnaire, to be distributed to select SME suppliers in FY24. For more about sustainability in our supply chain, please visit www.hkbn.net/group/en/esg.

Over 90%

of our suppliers have either accepted our Supplier Code of Conduct (SCoC) terms or have their own CoC

Enhancing Interaction and Communication with Suppliers

Our supplier satisfaction survey is designed to promote transparency and honesty in feedback, while maintaining strong business relationships. We understand the importance of anonymity and value the perspectives and opinions provided by our suppliers. In particular, we actively seek feedback from them on our ESG performance. By incorporating their perspectives, we strive to continuously improve our operations and make our communities a better place to live.

34%

of our suppliers have had 10+ year relationships with HKBN

86%

of our suppliers said they like working with HKBN

According to results from our online supplier satisfaction survey conducted in April 2023, our suppliers identified "getting the right person to talk to" was the most challenging aspect of doing business with HKBN. To address this concern, our Procurement team is currently working on improving task allocation and implementing a backup system to ensure that suppliers can easily reach the appropriate personnel within our company.

Corporate Governance Report

The Board is pleased to present this "Corporate Governance Report" for the year ended 31 August 2023.

Corporate Governance Practices

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

Corporate Governance Code

The Company has complied with all the code provisions as set out in the "Corporate Governance Code" (the "CG Code") contained in Appendix 14 to the Listing Rules during the year ended 31 August 2023.

Corporate Governance Functions

The Board is primarily responsible for performing the corporate governance functions of the Company, including the following, which are contained in the Corporate Governance Manual of the Company (as amended from time to time):

- developing and reviewing the Company's policies and practices on corporate governance and compliance with legal and regulatory requirements;

- reviewing and monitoring the training and continuous professional development of Directors and senior management;

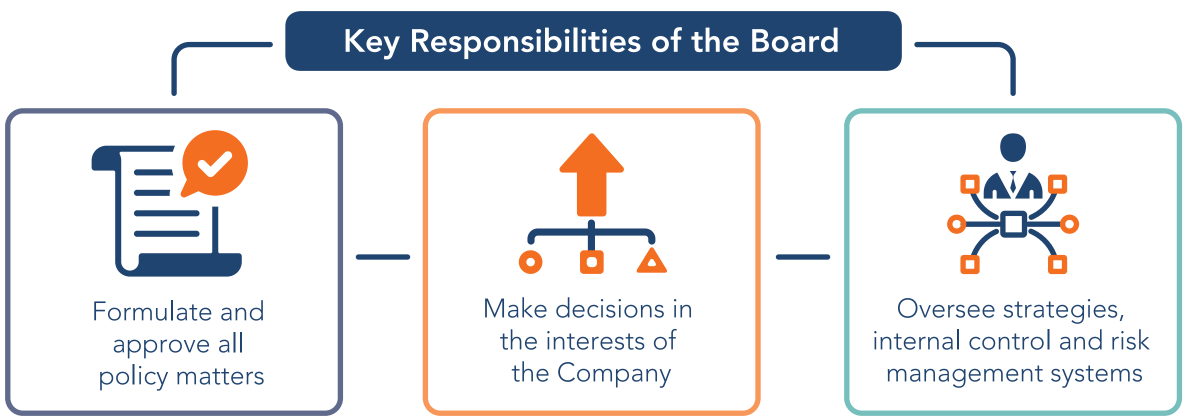
- developing, reviewing and monitoring this policy and any other codes of conduct or policies applicable to Talents, Directors and officers of the Company; and

- reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Board of Directors

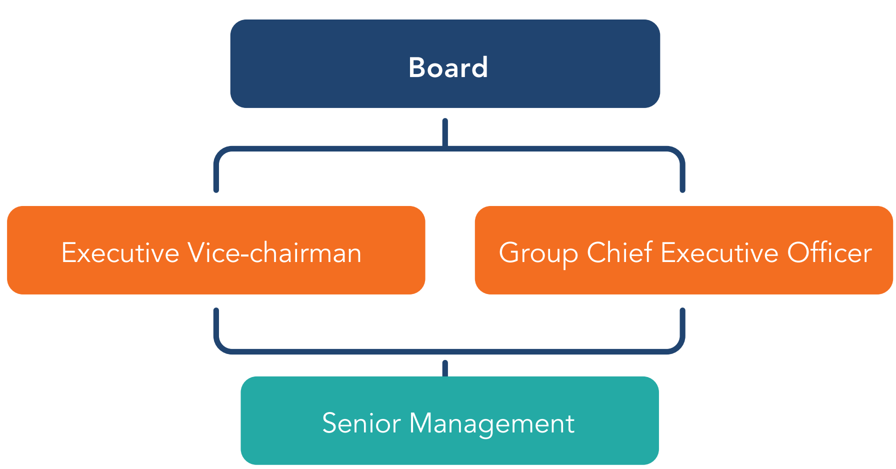
Roles and Responsibilities

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



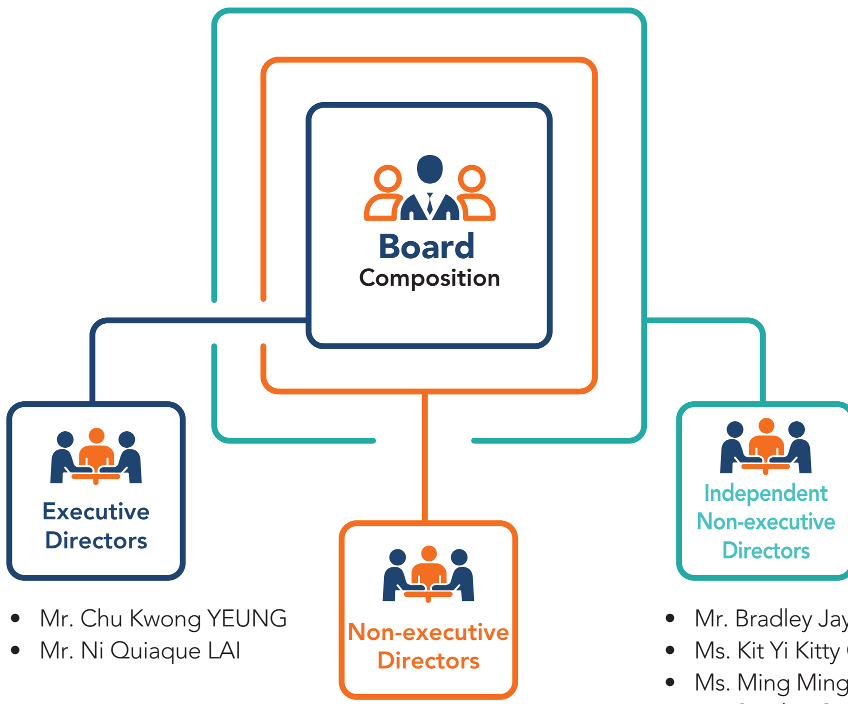
Board meetings are held at least four times per year. Matters which are immaterial and may not cause potential conflicts of interest will be dealt with by way of written resolutions. The Company Secretary of the Company prepares minutes which are recorded in sufficient detail of matters considered by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

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



Board Composition

The Board currently comprises nine Directors, including two Executive Directors, two Non-executive Directors and five Independent Non-executive Directors. The Directors' biographical details are set out in the "Board of Directors" chapter on pages 10 to 13. None of the members of the Board are related to one another.



Executive Directors:

- Mr. Chu Kwong YEUNG
- Mr. Ni Quiaque LAI

Non-executive Directors:

- Mr. Liyang ZHANG
- Ms. Shengping YU

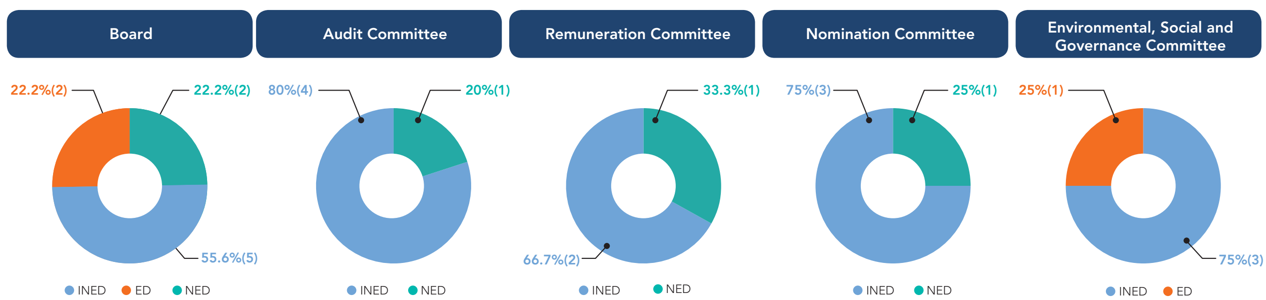
Independent Non-executive Directors:

- Mr. Bradley Jay HORWITZ (Chairman)
- Ms. Kit Yi Kitty CHUNG
- Ms. Ming Ming Anna CHEUNG
- Mr. Stanley CHOW
- Mr. Yee Kwan Quinn LAW

Independence

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

Board Independence



During the year ended 31 August 2023, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors with at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise, and that the appointed Independent Non-executive Directors represent at least one-third of the Board.

In addition, the Company has received from the Independent Non-executive Directors a confirmation of their independence for the year ended 31 August 2023 pursuant to Rule 3.13 of the Listing Rules, and consider all of them to be independent.

Non-executive Directors (including Independent Non-executive Directors) are not part of the Company's management but they make a positive contribution to the development of the Company's strategy and policies. Independent Non-executive Directors also scrutinise the Company's performance through informed insight and independent judgements. They have not been reserved in asking questions and challenging management's views and recommendations. In order to preserve well-balanced governance, the Board has ensured that all members of the Audit Committee are Non-executive Directors, and that the majority of the members of the Nomination Committee and the Remuneration Committee are Independent Non-executive Directors.

The term of Non-executive Directors (including Independent Non-executive Directors) will continue subject to re-nomination and re-election when appropriate by the Company in general meetings of the Company. Every newly appointed Director is required to offer himself/herself for re-election at the next following annual general meeting following his/her appointment. Under the Articles, at least one-third of the Directors for the time being are subject to retirement by rotation at the Company's annual general meeting at least once every three years. If so recommended by the Nomination Committee, the retiring Directors who are eligible may offer themselves for re-election by the shareholders at the annual general meeting at which he or she retires.

Board Diversity

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

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

Gender

- Male: 6 Directors
- Female: 3 Directors

Age Group

- 31-40: 2 Directors
- 51-60: 4 Directors
- 61-70: 3 Directors

Designation

- 2 Executive Directors
- 2 Non-executive Directors
- 5 Independent Non-executive Directors

Educational Background

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

Nationality

- American: 2 Directors
- Australian: 1 Director
- British: 1 Director
- Canadian: 1 Director
- Chinese: 4 Directors

Business Experience

- Telecommunications: 3 Directors
- Investment: 3 Directors
- Legal: 1 Director
- Accounting: 2 Directors

Board Diversity Policy

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

The Company values gender diversity. As at the date of this report, the Board has 33% female Directors (3 females out of 9 Directors). The Board has achieved the Company's gender diversity target of at least 30% of female Directors by the end of 2025.

During the year ended 31 August 2023, the Nomination Committee and the Board considered that the composition of the Board was balanced and diversified.

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

Appointment and Re-election of Directors

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

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

Nomination Policy

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

Nomination Criteria

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

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

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

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

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

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

(f) independence of the candidate; and

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

Nomination Procedures and Process

The following is a summary of the nomination procedures and process adopted by the Company for newly appointed or re-appointed Directors based on the criteria mentioned previously.

Shareholders

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

Board

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

Nomination Committee

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

Chairman and Chief Executive

The roles of chairman and chief executive are held separately to ensure a balance of power and authority. During the year ended 31 August 2023, the roles of the chairman of the Board, Executive Vice-chairman and the Group Chief Executive Officer were served by Mr. Bradley Jay HORWITZ, Mr. Chu Kwong YEUNG and Mr. Ni Quiaque LAI, respectively. The Directors do not have any relationship with the chairman and chief executives of the Company.

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

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

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

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

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

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

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

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

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

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

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

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

Meetings

The Board meets on a regular and on an ad hoc basis, as required by business needs. The attendance of each Director at the Board meetings, committee meetings and general meetings during the year ended 31 August 2023 is set out in the following table:

	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	ESG Committee Meeting	General Meeting
	Number of Meetings Attended/Held (1)					
Chairman and Independent Non-executive Director						
Mr. Bradley Jay HORWITZ	14/16	4/4	1/1	N/A	N/A	2/2
Executive Directors						
Mr. Chu Kwong YEUNG	15/16	N/A	1/1	N/A	N/A	2/2
Mr. Ni Quiaque LAI	13/16	N/A	N/A	N/A	2/3	1/2
Non-executive Directors						
Mr. Liyang ZHANG (2)	1/1	1/1	N/A	N/A	N/A	N/A
Ms. Shengping YU (7)	6/16	N/A	1/1	N/A	N/A	1/2
Mr. Zubin Jamshed IRANI (3)	15/15	3/3	N/A	N/A	N/A	0/2
Mr. Agus TANDIONO (4)	11/15	N/A	1/1	N/A	2/3	0/2
Independent Non-executive Directors						
Ms. Kit Yi Kitty CHUNG (5)	N/A	N/A	N/A	N/A	N/A	N/A
Ms. Ming Ming Anna CHEUNG (5)	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Stanley CHOW	13/16	4/4	1/1	3/3	3/3	2/2
Mr. Yee Kwan Quinn LAW	15/16	4/4	1/1	3/3	N/A	2/2
Ms. Edith Manling NGAN (4)	14/16	4/4	1/1	3/3	3/3	2/2
Alternate Director						
Mr. Hongfei YU (6) (7)	6/6	N/A	N/A	N/A	N/A	0/1

Notes:

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

(2) Appointed on 15 June 2023.

(3) Resigned on 15 June 2023.

(4) Resigned on 13 September 2023.

(5) Appointed on 13 September 2023.

(6) Appointed on 1 March 2023 and resigned on 14 July 2023.

(7) Mr. Hongfei YU was an Alternate Director to Ms. Shengping YU and attended the Board meetings during her absence.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiries with the Directors, they confirmed that they had complied with the required standard as set out in the Model Code for the year ended 31 August 2023.

Directors' Liability Insurance

The Company maintains appropriate liability insurance to indemnify its Directors for their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis. During the year ended 31 August 2023, no claim was made against the Directors.

Induction and Continuous Professional Development

The Board recognises the importance of continuing professional development and knowledge enhancement of the Directors to ensure that their contribution to the Board remains informed and relevant.

The Directors have provided a record of training they received during the year ended 31 August 2023 to the Company, including:

(a) attending training from the Company's external advisers about the topics pertinent to the business of the Company;

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

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

In addition, the Company arranges formal and comprehensive induction for all the newly appointed Directors on director's responsibilities and obligations.

Time Commitment of Directors

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

Sufficient time and attention

The Directors have confirmed that they have given sufficient time and attention to the affairs of the Company for the year ended 31 August 2023.

Other offices and commitments

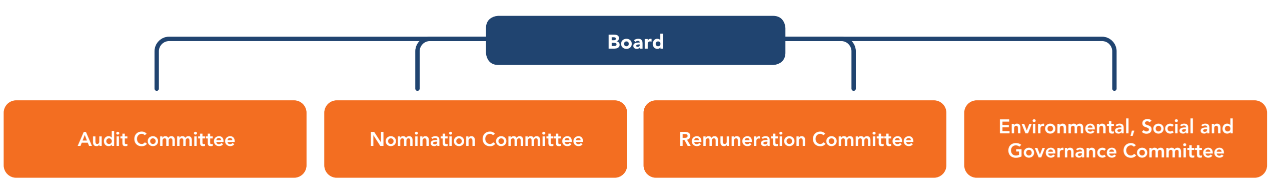
The Directors disclose to the Company annually the number, identity and nature of offices held in Hong Kong or overseas listed public companies and organisations and other significant commitments.

Board Evaluation

The Board has a structured process to evaluate its own performance and Directors' contribution on an annual basis including a self-evaluation questionnaire which is completed by all Directors. The objectives of the evaluation are to assess whether the Board and the Board committees, as well as the Directors have adequately and effectively performed its/their roles and fulfilled its/their responsibilities; have devoted sufficient time to the Company's affairs; and to recommend areas for improvement. The evaluation process has confirmed that the Board and the Board committees continue to operate effectively and that the performance of the Directors and the time commitment in discharging their duties as Directors of the Company for the year ended 31 August 2023 were satisfactory.

Board Committees

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



As at the date of this report, the composition of the four Board committees of the Company is as follows:

Audit Committee	Nomination Committee	Remuneration Committee	Environmental, Social and Governance Committee
Chairman Mr. Yee Kwan Quinn LAW *(Independent Non-executive Director)*	**Chairman** Mr. Bradley Jay HORWITZ *(Independent Non-executive Director)*	**Chairman** Mr. Stanley CHOW *(Independent Non-executive Director)*	**Chairman** Ms. Ming Ming Anna CHEUNG *(Independent Non-executive Director)*
Members Mr. Liyang ZHANG *(Non-executive Director)* Mr. Bradley Jay HORWITZ *(Independent Non-executive Director)* Ms. Kit Yi Kitty CHUNG *(Independent Non-executive Director)* Mr. Stanley CHOW *(Independent Non-executive Director)*	**Members** Ms. Shengping YU *(Non-executive Director)* Mr. Stanley CHOW *(Independent Non-executive Director)* Mr. Yee Kwan Quinn LAW *(Independent Non-executive Director)*	**Members** Mr. Liyang ZHANG *(Non-executive Director)* Mr. Yee Kwan Quinn LAW *(Independent Non-executive Director)*	**Members** Mr. Ni Quiaque LAI *(Executive Director)* Ms. Kit Yi Kitty CHUNG *(Independent Non-executive Director)* Mr. Stanley CHOW *(Independent Non-executive Director)*

Audit Committee

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

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

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

During the year ended 31 August 2023, the Audit Committee held four meetings with the following summary of work performed, including:

- reviewed the audited consolidated financial statements, the annual report and the annual results announcement for the year ended 31 August 2022 and recommended them for the Board's approval;

- reviewed and approved the reappointment of KPMG as the Company's auditor, with a recommendation to the Board for the re-appointment of KPMG at the 2022 annual general meeting of the Company;

- reviewed the internal audit work plan, the risk management and internal control systems of the Group for the year ended 31 August 2022;

- reviewed the interim report and the interim results announcement for the six months ended 28 February 2023 and recommended them for the Board's approval; and

- discussed the audit plan with the external auditor and reviewed the professional fees for the audit and non-audit services.

The audited consolidated financial statements for the year ended 31 August 2023 have been reviewed by the Audit Committee.

Nomination Committee

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

During the year ended 31 August 2023, the Nomination Committee held one meeting with the following summary of work performed, including:

- assessed the independence of Independent Non-executive Directors;
- considered the re-election of the retiring Directors at the 2022 annual general meeting of the Company; and
- reviewed the composition of the Board, the Nomination Policy and the Board Diversity Policy.

Remuneration Committee

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

During the year ended 31 August 2023, the Remuneration Committee held three meetings with the following summary of work performed, including:

- reviewed the remuneration package and discretionary bonus of Directors, senior management and Talents;
- reviewed the Remuneration Policy of the Company and made recommendations for the Board's approval;
- reviewed and proposed the adoption of the Amended and Restated Co-Ownership Plan IV of the Company and made recommendations for the Board's approval; and
- reviewed the updated Terms of Reference of the Remuneration Committee and made recommendations for the Board's approval.

Pursuant to code provision E.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 August 2023 is set out in note 6 to the "Notes to the Financial Statements".

Environmental, Social and Governance ("ESG") Committee

The primary responsibilities of the ESG Committee include but are not limited to reviewing and monitoring the Company's ESG strategies, policies and practices in order to ensure that they align with the Company's needs and comply with the applicable laws, regulations and regulatory requirements and international standards, reviewing the Company's ESG report and making recommendations to the Board for approval, and reviewing the Company's ESG performance against targets.

During the year ended 31 August 2023, the ESG Committee held three meetings with the following summary of work performed, including:

- reviewed the ESG Report of the Company for the year ended 31 August 2022 and made recommendations for the Board's approval;
- reviewed the Company's ESG policies, practices, performance;
- reviewed the Company's ESG-linked executive pay scheme;
- reviewed the Company's FY23 ESG priorities' overall planning and progress; and
- reviewed the Company's electricity performance and roadmap.

Company Secretary

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

Ms. Cheng has complied with the requirement to undertake not less than 15 hours of professional training for the year ended 31 August 2023.

Auditor

The Company continues to engage KPMG as the external auditor for the year ended 31 August 2023. KPMG has confirmed the Company its independence, and there are no relationships between KPMG and the Company that are likely to impair its independence.

The statement of the Directors' responsibility and auditor's statement of reporting responsibilities in respect of the financial statements of the Group for the year ended 31 August 2023 are set out on pages 139 to 141 of this report.

Auditor's Remuneration

During the year ended 31 August 2023, the remuneration paid or payable to the Company's external auditor, KPMG, is set out as follows:

	$'000
Audit services	6,959
Other services (Note)	3,012
	9,971

Note: Other service fee includes the review of the Group's interim financial report amounting to $785,000, tax advisory service amounting to $719,000 and other professional fees in connection with business combination and proposed business combination amounting to $1,508,000.

Governance Beyond Just Compliance

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

Co-Ownership Plans and Entrepreneurial Mindset

As a Group led by 406 Co-Owners (as at 31 August 2023), our Talents operate with the mindset of entrepreneurs and shareholders. Whilst most legacy companies have an agency problem, in that there can be a misalignment of interest between employees, management and stakeholders, our Co-Ownership Plans negate this as Talents from all facets of our business are part owners of HKBN. For every action we make, our interests are fully aligned with shareholders.

Calculated Risk

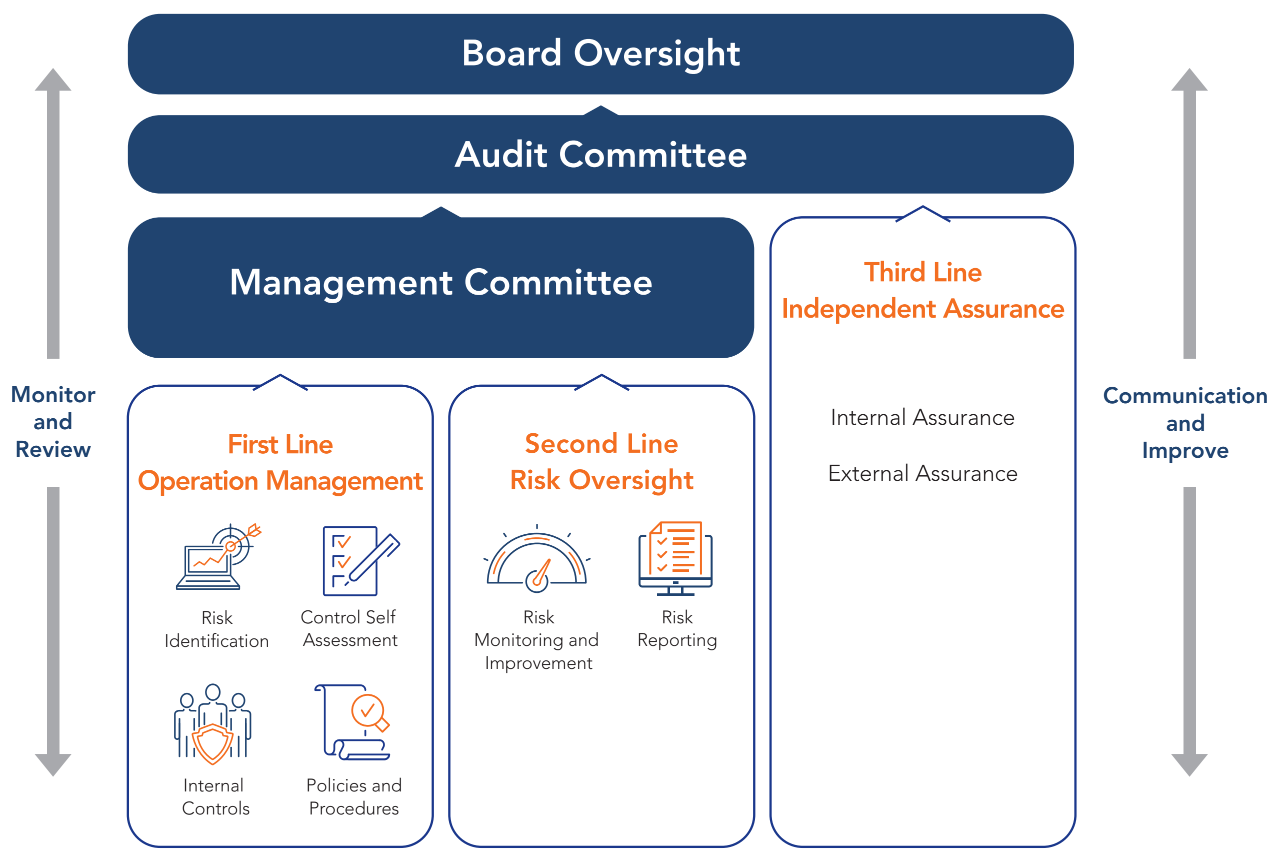
While we embrace risk in our operation for faster and more agile decision-making, we also examine the risk and weigh its impact based on the opportunity outcome before taking action. In addition, sound procurement policies and other controls are in place as a baseline to empower our decision making.

Trustworthy

Trust plays a vital role in ensuring that we can operate with agility. As such, we actively encourage our Talents to adopt a "Sunshine test" and "Newspaper test" when making decisions. Our rule is simple: we ask Talents "would you be proud of your action or decision if it was shared with the entire company?" or "would you be content if it was reported in a newspaper?" If the answer is yes to both, we ask our Talents to proceed. When in doubt, Internal Audit and Talent Management Talents are available to provide advice. However, under any circumstance, we adopt zero tolerance for dishonesty and unethical behaviour, with the Management Committee of the Company responsible for overseeing business ethics and corruption related issues.

The Three-Lines of Defence and Enterprise Risk Management

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



Risk Management Framework

First Line of Defence

Internal Control

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

Risk Register and Control Self-Assessment

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

Company Policies

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

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

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

Training
Training is carried out in the format of self-learning or attended in-person via training provided by the Independent Commission Against Corruption (ICAC) or a local specialist in Hong Kong, Macau and mainland China to strengthen our understanding of anti-corruption laws and enhance our alertness to corruption, conflict of interest and integrity issues.

Materials covered in the anti-bribery and anti-corruption trainings include location and country specific prevention of bribery ordinances, conflict of interest and company policies including Anti-Bribery, Anti-Corruption, Conflict of Interest Policy and No Business Gift Policy.

In 2023, our training summary is as follows:

	Number of Talents	Format	Location
Directors	9	Self-reading materials and declaration	Hong Kong
New join Talents and refresher training	1,522	In-person training by ICAC and local specialist	Hong Kong, mainland China
New join Talents and refresher	63	Self-reading materials and declaration	Hong Kong and Macau

Whistleblowing Policy and Complaint Handling
Our Whistleblowing Policy facilitates Talents and other stakeholders (e.g. vendors, contractors and all that we have business relationships) to report concerns to us about suspected unethical behaviour or malpractice in confidence and without fear of reprisal, victimisation, subsequent discrimination, disadvantage or dismissal.

Complaints or concerns filed via email or online portal reporting are received by HKBN Speakup, an independent speakup service managed by a third party on behalf of HKBN Group. An analyst will review the information the Informer provides, summarise the information provided, suggest specific follow-up action and submit a report to a designated representative(s) of the Group for follow-up which includes any corrective action(s) as appropriate. The HKBN Speakup online portal provides an anonymity function should the Informer choose to remain anonymous. During FY23, no substantiated court cases or complaints relating to HKBN and corruption, bribery or conflict of interest occurred.

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

Cybersecurity
Our Information Security Policy provides rules and best practices to maintain the confidentiality, integrity, and availability of the Company's information and outlined the responsibilities for Talents, contractors and third-party in relation to information security. During the year, we continued to subscribe to a threat intelligence service to identify phishing websites and impersonation of HKBN brands in cyberspace. We also subscribed to a cloud-based cyber range service to provide real-life simulation training on cybersecurity events across different departments.

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

Risk Governance

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

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

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

Apart from the Audit and Risk Department, an independent Quality Enhancement/Quality Management team performs comprehensive training programmes and conducts quality enhancement activities to ensure compliance and to deliver outstanding service quality. New frontline customer service and sales representatives must undergo training on product knowledge, service standards, and relevant regulations such as the Personal Data (Privacy) Ordinance, Trade Descriptions Ordinance, and Code of Practice on Person-to-Person Marketing Calls. These training sessions lay the foundation for Talents to deliver high-quality service while remaining compliant with regulations.

In addition to training, the team regularly conducts quality monitoring to evaluate performance and maintain quality standards. Regular call monitoring and promoter booth assessments are carried out to assess the performance of telemarketing and direct sales teams. Mystery customers are assigned to visit outdoor sales representatives, ensuring accurate information delivery. Any identified discrepancies are addressed through refresher training programmes, allowing individual performance to align with quality standards.

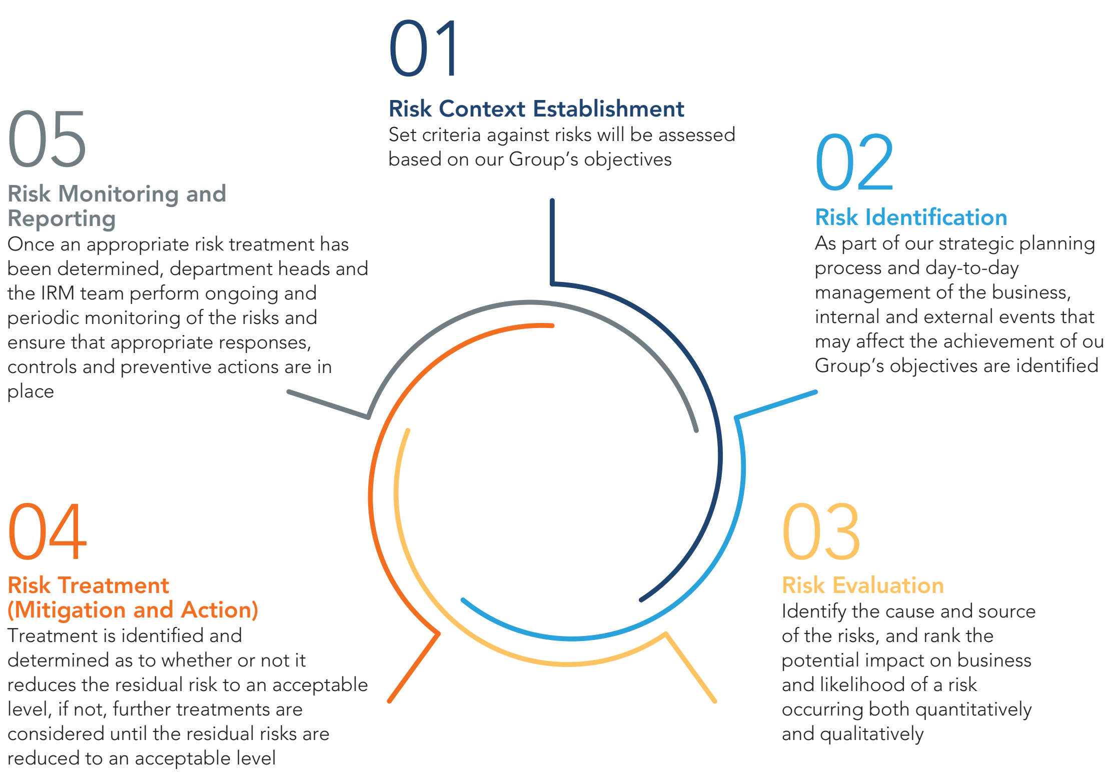
Recognising and responding to customer expectations and feedback is vital to the team's endeavors. We conduct customer satisfaction surveys for both new customers and post-service interactions. Customers are invited to share their feedback after utilising our comprehensive customer services. The insights gained from these surveys provide valuable information about customer expectations, requirements, and areas for improvement. The findings are reviewed by management and relevant departments, who take action to continuously improve frontline performance and enhance the service journey, with an aim to exceed customer expectations.

External Assurance and Consultation

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

Risk Management and Principal Risks

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



Principal Risks

The Group is exposed to a broad range of risks. The following table details the main areas of focus. Significant risks specific to the operations are included in their risk registers.

Area of Focus	Mitigation
Market competition	• Proactively monitor market conditions • Conduct responsive project management to allow flexible allocation of resources for strategy changes • Closely monitor price levels and act accordingly
Interest rate risk	• Continue to monitor interest rate trends and market conditions diligently and devise hedging strategy accordingly • Utilise interest-rate swaps to hedge against our interest rate risks as appropriate
Network availability	• The Group has implemented a multi-vendor approach • Continuously monitor network status
People	• A succession planning strategy is in place for key management positions
Cybersecurity and data protection	• Continuously review and update our customer data collection and retention policy • Provide network/IT security awareness training to all Talents
Legal and regulation	• ARD will conduct compliance review on business activities and new initiatives where appropriate • Legal and Regulatory Department will review contracts before their execution • On-going trainings on legal and regulatory compliance will be provided to Talents to promote awareness and ensure compliance
Technology advancement	• Explore and roll out emerging network technologies as we see fit • New service is provided to customers by partnering with industry leaders
Climate risk	• Please refer to the Climate Action section of this report on page 91

Board Confirmation

The Board has considered and endorsed the Audit Committee's assessment of the effectiveness of risk management and controls systems in the Group. During the year ended 31 August 2023, there was no area of concern identified which might materially affect the operational, financial reporting and compliance controls of the Group, and that the existing risk management and internal control systems remain effective and adequate.

Shareholders and Investors

Dividend Policy

The Company seeks to provide stable and sustainable returns to the shareholders of the Company. In determining the dividend amount, the Board will take into account the Group's financial performance, investment and funding requirements, early debt repayment, prevailing economic and market conditions, and other factors that the 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 pay-out ratio as appropriate from time to time.

The Board will review the policy and dividend pay-out ratio as appropriate from time to time.

Shareholder Communication Policy

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

Shareholders' Rights

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

Procedures for Shareholders to Convene an Extraordinary General Meeting

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

Investor Relations Enquiries and Communication

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

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

Procedures for Shareholders to Put Forward Proposals at Shareholders' Meetings

There are no provisions in the Articles or the Cayman Islands Companies Act for shareholders to put forward new resolutions at general meetings. Shareholders who wish to put forward a new resolution may request the Company to convene a general meeting in accordance with the procedures set out on page 133 in the paragraph under "Procedures for Shareholders to Convene an Extraordinary General Meeting". Detailed procedure for shareholders to propose a person for election as a Director is available under the Corporate Governance section of the Company's website.

Information Disclosure and Investor Relations

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

Constitutional Documents

On 27 October 2022, the Board proposed to make certain amendments to the existing Amended and Restated Memorandum and Articles of Association (the "Existing Memorandum and Articles") of the Company to, inter alia, (i) reflect the latest amendments to Appendix 3 to the Listing Rules concerning the core shareholder protection standards; (ii) bring the Existing Memorandum and Articles in line with the applicable laws of the Cayman Islands; and (iii) make some housekeeping amendments. Accordingly, the Board proposed to adopt a Second Amended and Restated Memorandum and Articles of Association in substitution for the Existing Memorandum and Articles subject to the approval of the shareholders by way of a special resolution.

The special resolution was duly passed by the shareholders at the annual general meeting of the Company held on 16 December 2022 and the Second Amended and Restated Memorandum and Articles of Association has been adopted since then.

Save as disclosed above, there was no other change made to the Second Amended and Restated Memorandum and Articles of Association during the year ended 31 August 2023.

Independent auditor's report to the shareholders of HKBN Ltd.

(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of HKBN Ltd. ("the Company") and its subsidiaries ("the Group") set out on pages 142 to 239, which comprise the consolidated statement of financial position as at 31 August 2023, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 August 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

Independent auditor's report to the shareholders of HKBN Ltd. (continued)

(Incorporated in the Cayman Islands with limited liability)

Key audit matters (continued)

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

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

The Key Audit Matter	How the matter was addressed in our audit
Management performs an annual impairment assessment of its goodwill and the associated intangible assets, PP&E and right-of-use assets. Management compares the carrying value of each of the CGUs to which the goodwill, intangible assets, PP&E and right-of-use assets have been allocated against discounted cashflow forecast of each of the CGUs to determine the amount of impairment loss which should be recognised, if any. Based on the annual impairment assessment, management recognised an impairment loss on goodwill of HK$1,200 million in one of the CGUs. The carrying values of the Group's goodwill, intangible assets, PP&E and right-of-use assets as at 31 August 2023, amounted to HK$7,817 million, HK$2,776 million, HK$3,419 million and HK$690 million, respectively. The preparation of discounted cashflow forecasts involves the exercise of significant management judgement, particularly in estimating the long term revenue growth rates and the discount rates applied. We identified assessing the potential impairment of goodwill, intangible assets, PP&E and right-of-use assets as a key audit matter because the impairment assessment prepared by management is complex and contains judgemental assumptions, particularly the long term revenue growth rate and discount rate applied, which could be subject to management bias in their selection.	Our audit procedures to assess potential impairment of goodwill, intangible assets, PP&E and right-of-use assets included the following: • evaluating the Group's identification of CGUs and the value of goodwill, intangible assets, PP&E and right-of-use assets allocated to each of the CGUs and assessing the methodology applied by management in the preparation of the discounted cashflow forecasts with reference to the requirements of the prevailing accounting standards; • evaluating the discounted cashflow forecasts prepared by management by comparing specific data and significant assumptions in the discounted cashflow forecasts with the financial budget which was approved by the Board of directors. Our evaluation has taken into account our understanding of the Group's future business plans and the observable market data of the industry; • comparing the revenue and operating costs included in prior year's discounted cashflow forecasts with the current year's performance in order to assess the reasonableness of prior year's forecast and making enquires of management as to the reasons for any significant variation identified; • comparing the long term revenue growth rate and discount rate adopted in the discounted cashflow forecasts with that of comparable companies and external market data; and • obtaining from management sensitivity analysis of long term revenue growth rate and the discount rate adopted in the discounted cashflow forecasts and assessing the impact of changes in these key assumptions to the conclusions reached in the impairment assessments and whether there were any indicators of management bias.

Independent auditor's report to the shareholders of HKBN Ltd. (continued)

(Incorporated in the Cayman Islands with limited liability)

Key audit matters (continued)

Accuracy of revenue due to complex billing systems

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

The Key Audit Matter	How the matter was addressed in our audit
The Group's revenue from fixed telecommunications network services, international telecommunications services and other services totalled HK$6,156 million, which accounted for 53% of the total revenue for the year ended 31 August 2023. The accuracy of such revenue recorded in the consolidated financial statements is an inherent risk because the Group's billing systems are complex, and process large volumes of data including a variety of service packages with price changes in the year.	Our audit procedures to assess the recognition of revenue included the following: • with the assistance of our information technology specialists, evaluating the design, implementation and operating effectiveness of key internal controls with particular emphasis on: — the capturing and recording of data usage; — authorising rate changes; and — calculating amounts billed to customers. • assessing the design, implementation and operating effectiveness of key non-automated internal controls over the revenue recognition process; • reconciling revenue recognised in the telecom billing system to the general ledger and assessing whether the reconciling items were properly supported by underlying documentation, on a sample basis;

Independent auditor's report to the shareholders of HKBN Ltd. (continued)

(Incorporated in the Cayman Islands with limited liability)

Key audit matters (continued)

Accuracy of revenue due to complex billing systems (continued)

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

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

Independent auditor's report to the shareholders of HKBN Ltd. (continued)

(Incorporated in the Cayman Islands with limited liability)

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

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

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

Independent auditor's report to the shareholders of HKBN Ltd. (continued)

(Incorporated in the Cayman Islands with limited liability)

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

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

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

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

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

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

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

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

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

Independent auditor's report to the shareholders of HKBN Ltd. (continued)

(Incorporated in the Cayman Islands with limited liability)

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

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

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

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

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

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

KPMG
Certified Public Accountants

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

2 November 2023

Consolidated Income Statement

For the year ended 31 August 2023 (Expressed in Hong Kong dollars)

	Note	2023 $'000	2022 $'000
Revenue	2	**11,692,176**	11,626,164
Other net income	3(a)	**18,708**	62,842
Network costs and costs of sales		**(7,525,019)**	(7,155,803)
Other operating expenses	3(b)	**(3,444,559)**	(3,532,453)
Impairment on goodwill	3(e)	**(1,200,000)**	–
Finance costs	3(d)	**(702,303)**	(239,204)
Share of (losses)/profits of associates	13(d)	**(742)**	4,167
Share of losses of joint ventures	13(b)	**(69,592)**	(53,497)
(Loss)/profit before taxation	3	**(1,231,331)**	712,216
Income tax expense	4	**(36,077)**	(158,895)
(Loss)/profit for the year attributable to equity shareholders of the Company		**(1,267,408)**	553,321
(Loss)/earnings per share	7		
Basic		**(96.7) cents**	42.2 cents
Diluted		**(96.7) cents**	37.4 cents

The notes on pages 149 to 239 form part of these financial statements. Details of dividend payable to equity shareholders of the Company attributable to the loss for the year are set out in note 29(b).

Consolidated Statement of Comprehensive Income

For the year ended 31 August 2023 (Expressed in Hong Kong dollars)

	2023 $'000	2022 $'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 translation of 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 attributable to equity shareholders of the Company	**(1,281,433)**	532,340

The notes on pages 149 to 239 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 August 2023 (Expressed in Hong Kong dollars)

	Note	**2023 $'000**	2022 $'000
Non-current assets			
Goodwill	9	**7,816,507**	9,016,507
Intangible assets	10	**2,775,801**	3,202,607
Property, plant and equipment	11	**3,418,992**	3,731,436
Right-of-use assets	11(b)	**689,568**	705,607
Customer acquisition and retention costs	15(b)	**464,533**	513,045
Interest in associates	13(d)	**4,332**	56,920
Interests in joint ventures	13(b)	**6,284**	17,110
Loan to associates	22	**–**	15,359
Deferred tax assets	26	**66,674**	26,724
Other non-current assets	14	**72,289**	98,531
		15,314,980	17,383,846
Current assets			
Inventories	15(a)	**105,681**	111,478
Trade receivables	17	**909,394**	967,414
Other receivables, deposits and prepayments	17	**465,921**	463,892
Amounts due from associates	22	**–**	25
Contract assets	16(a)	**315,420**	237,189
Amounts due from joint ventures	22	**5,663**	57,449
Tax recoverable	25	**–**	192
Cash and cash equivalents	18	**1,016,769**	1,129,226
Financial assets at fair value through profit or loss	28	**13,777**	76,387
		2,832,625	3,043,252

Consolidated Statement of Financial Position

At 31 August 2023 (Expressed in Hong Kong dollars)

	Note	**2023 $'000**	2022 $'000
Current liabilities			
Trade payables	19	**927,666**	778,651
Other payables and accrued charges — current portion	19	**869,699**	960,778
Contract liabilities — current portion	16(b)	**573,977**	600,097
Deposits received		**83,277**	89,144
Amounts due to associates	22	**4,332**	4,542
Amounts due to joint ventures	22	**10,000**	10,000
Bank and other borrowings	20	**284,861**	297,703
Lease liabilities — current portion	21	**150,910**	136,271
Tax payable	25	**193,843**	240,428
Other current liabilities	23	**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	19	**18,000**	54,000
Contract liabilities — long-term portion	16(b)	**160,162**	145,807
Deferred tax liabilities	26	**684,672**	800,662
Lease liabilities — long-term portion	21	**385,105**	381,850
Provision for reinstatement costs		**54,003**	52,492
Bank and other borrowings	20	**10,671,853**	10,913,214
Other non-current liabilities	23	**10,588**	24,162
		11,984,383	12,372,187
NET ASSETS		**3,051,082**	4,924,083
CAPITAL AND RESERVES			
Share capital	29(c)	**132**	132
Reserves		**3,050,950**	4,923,951
TOTAL EQUITY		**3,051,082**	4,924,083

Approved and authorised for issue by the board of directors on 2 November 2023.

Chu Kwong YEUNG	)	Directors
Ni Quiaque LAI	)	

The notes on pages 149 to 239 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 August 2023 (Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company							
	Note	Share capital $'000	Share premium $'000	Vendor Loan Notes $'000	Capital reserve $'000	Other reserve $'000	Retained profits $'000	Exchange reserve $'000	Total $'000
Balance at 1 September 2021		132	1,574,047	2,349,204	40,658	596,420	974,201	3,101	5,537,763
Changes in equity for the year ended 31 August 2022:									
Profit for the year		–	–	–	–	–	553,321	–	553,321
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong, with nil tax effect		–	–	–	–	–	–	(18,129)	(18,129)
Share of other comprehensive income of associates		–	–	–	–	–	–	(935)	(935)
Exchange differences on translation of foreign operations transferred to consolidated income statement upon disposal		–	–	–	–	–	–	(1,917)	(1,917)
Total comprehensive income		–	–	–	–	–	553,321	(20,981)	532,340
Dividend approved in respect of the previous year	29(b)(ii)	–	(491,850)	–	–	–	–	–	(491,850)
Dividend declared to equity shareholders of the Company in respect of the current year	29(b)(i)	–	(524,640)	–	–	–	–	–	(524,640)
Distribution to holders of Vendor Loan Notes		–	(129,675)	–	–	–	–	–	(129,675)
Equity-settled share-based transactions	24(a)	–	–	–	145	–	–	–	145
Balance at 31 August 2022		132	427,882	2,349,204	40,803	596,420	1,527,522	(17,880)	4,924,083

Consolidated Statement of Changes in Equity

For the year ended 31 August 2023 (Expressed in Hong Kong dollars)

	Note	Attributable to equity shareholders of the Company							
		Share capital $'000	Share premium $'000	Vendor Loan Notes $'000	Capital reserve $'000	Other reserve $'000	Retained profits $'000	Exchange reserve $'000	Total $'000
Balance at 1 September 2022		132	427,882	2,349,204	40,803	596,420	1,527,522	(17,880)	4,924,083
Changes in equity for the year ended 31 August 2023:									
Loss for the year		–	–	–	–	–	(1,267,408)	–	(1,267,408)
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong, with nil tax effect		–	–	–	–	–	–	(14,750)	(14,750)
Share of other comprehensive income of associates		–	–	–	–	–	–	(326)	(326)
Exchange differences on translation of foreign operations transferred to consolidated income statement upon disposal		–	–	–	–	–	–	1,051	1,051
Total comprehensive income		–	–	–	–	–	(1,267,408)	(14,025)	(1,281,433)
Dividend approved in respect of the previous year	29(b)(ii)	–	(262,320)	–	–	–	–	–	(262,320)
Dividend declared to equity shareholders of the Company in respect of the current year	29(b)(i)	–	(98,634)	–	–	–	(163,686)	–	(262,320)
Distribution to holders of Vendor Loan Notes		–	(66,928)	–	–	–	–	–	(66,928)
Balance at 31 August 2023		132	–	2,349,204	40,803	596,420	96,428	(31,905)	3,051,082

The notes on pages 149 to 239 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 August 2023 (Expressed in Hong Kong dollars)

	Note	2023 $'000	2022 $'000
Operating activities			
Cash generated from operations	18(b)	**2,221,539**	2,027,110
Tax paid:			
— Hong Kong Profits Tax paid		**(227,640)**	(149,971)
— Tax paid outside Hong Kong		**(11,020)**	(15,705)
— Tax refunded outside Hong Kong		**–**	575
Net cash generated from operating activities		**1,982,879**	1,862,009
Investing activities			
Payment for the purchase of property, plant and equipment		**(489,391)**	(516,124)
Payment for the purchase of intangible assets		**–**	(15)
Proceeds from sale of property, plant and equipment		**1,181**	3,053
Proceeds from sale of associates		**68,961**	–
Proceeds from disposal of subsidiaries	31	**–**	276,908
Shareholder loan to associates		**6,039**	(15,359)
Payment for investment in a joint venture		**(58,761)**	(60,000)
Interest received		**7,647**	2,857
Net cash used in investing activities		**(464,324)**	(308,680)
Financing activities			
Capital element of lease rentals paid	18(c)	**(153,223)**	(191,225)
Interest element of lease rentals paid	18(c)	**(20,853)**	(18,621)
Proceeds from bank loans and other borrowings	18(c)	**253,809**	2,210,339
Repayment of bank loans	18(c)	**(508,388)**	(2,474,470)
Repayment of other borrowings	18(c)	**(39,316)**	(9,340)
Repayment of other liabilities	18(c)	**(14,042)**	(14,043)
Interest paid on bank and other borrowings and interest-rate swap	18(c)	**(552,634)**	(300,769)
Dividend paid to the equity shareholders of the Company		**(524,640)**	(1,016,490)
Dividend paid to the holders of Vendor Loan Notes		**(66,928)**	(129,675)
Net cash used in financing activities		**(1,626,215)**	(1,944,294)
Net decrease in cash and cash equivalents		**(107,660)**	(390,965)
Cash and cash equivalents at the beginning of the year	18(a)	**1,129,226**	1,526,661
Effect of foreign exchange rate changes		**(4,797)**	(6,470)
Cash and cash equivalents at the end of the year	18(a)	**1,016,769**	1,129,226

The notes on pages 149 to 239 form part of these financial statements.

1 Significant accounting policies

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 August 2023 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in joint ventures and associates.

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

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

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

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

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.

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

1 Significant accounting policies (continued)

(b) Basis of preparation of the financial statements (continued)

Going concern assumption (continued)

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 37.

(c) Change in accounting policies

(i) New and 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.

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.

1 Significant accounting policies (continued)

(c) Change in accounting policies (continued)

(ii) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022 the Hong Kong SAR Government gazetted 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 retrospectively. The cessation of applying the practical expedient in paragraph 93(b) of HKAS 19 in conjunction with the enactment of the Amendment Ordinance resulted in a catch-up profit or loss adjustment in June 2022 for the service cost up to that date and consequential impacts on current service cost, interest expense and remeasurement effects from changes in actuarial assumptions for the year ended 31 August 2023, with the corresponding adjustment to the 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 specialist engaged by the Group, the Group did not restate the comparative figure for consolidated financial statements.

1 Significant accounting policies (continued)

(d) Subsidiaries and non-controlling interests

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

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

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

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

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

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

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

1 Significant accounting policies (continued)

(e) Associates and joint ventures

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

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

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

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

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

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

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

1 Significant accounting policies (continued)

(f) Business combination and goodwill

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

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

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

Goodwill represents the excess of

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

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

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

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

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

1 Significant accounting policies (continued)

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

(i) Derivative financial instruments

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

(ii) Investments other than equity investments

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

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

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

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

1 Significant accounting policies (continued)

(h) Property, plant and equipment

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

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

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

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

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

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

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

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

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(i) Intangible assets (other than goodwill)

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

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

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

Both the period and method of amortisation are reviewed annually.

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

1 Significant accounting policies (continued)

(j) Leased assets

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

(i) As a lessee

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

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

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

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

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

1 Significant accounting policies (continued)

(j) Leased assets (continued)

(i) As a lessee (continued)

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

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

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

(ii) As a lessor

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

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

(iii) Sale and leaseback transactions

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

1 Significant accounting policies (continued)

(k) Credit losses and impairment of assets

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

The Group recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables, deposits and prepayments), contract assets as defined in HKFRS 15 (see note 1(m)) and lease receivables.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— trade receivables, other receivables, deposits and prepayments and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate;

— lease receivables: discount rate used in the measurement of the lease receivable.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

1 Significant accounting policies (continued)

(k) Credit losses and impairment of assets (continued)

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

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

1 Significant accounting policies (continued)

(k) Credit losses and impairment of assets (continued)

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

Basis of calculation of interest income
Interest income recognised in accordance with note 1(v)(vi) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract such as a default or delinquency in interest or principal payments;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Write-off policy
The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

1 Significant accounting policies (continued)

(k) Credit losses and impairment of assets (continued)

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within "trade and other payables" at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 1(k)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected (payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

1 Significant accounting policies (continued)

(k) Credit losses and impairment of assets (continued)

(iii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment, including right-of-use assets;

— intangible assets;

— customer acquisition and retention costs;

— goodwill;

— investment in associates and joint ventures; and

— investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— *Calculation of recoverable amount*
The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*
An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

1 Significant accounting policies (continued)

(k) Credit losses and impairment of assets (continued)

(iii) Impairment of other non-current assets (continued)

— *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iv) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(k)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(l) Inventories and other contract costs

(i) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first in, first out cost formula and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1 Significant accounting policies (continued)

(l) Inventories and other contract costs (continued)

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 1(l)(i)), other property, plant and equipment (see note 1(h)) or intangible assets (see note 1(i)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, other property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 1(v).

(m) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 1(v)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in note 1(k)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 1(n)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 1(v)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(n)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 1(v)).

1 Significant accounting policies (continued)

(n) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 1(m)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(k)(i)).

(o) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(y)).

(p) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(k)(ii), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Obligations under granting of rights

The obligations under granting of rights to use the Group's services on a free of charge basis as part and parcel of a business combination are recognised initially at fair value. The obligations are amortised over the period which the rights are granted, as follows:

— Rights to use of telecommunications services	10 years

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 1(k)(i).

1 Significant accounting policies (continued)

(s) Talent benefits

(i) Short term Talent benefits

Salaries, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by Talents. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Profit sharing and bonus plans

Provisions for profit sharing and bonus plans are recognised when the Group has a present legal or constructive obligation as a result of services rendered by Talents and a reliable estimate of the obligation can be made.

(iii) Retirement benefit costs

The Group contributes to defined contribution retirement schemes which are available to certain Talents. Contributions to the schemes by the Group are calculated as a percentage of Talents' basic salaries and charged to profit or loss. The Group's contributions are reduced by contributions forfeited by those Talents who leave the scheme prior to vesting fully in the contributions.

The assets of the scheme are held in an independently administered fund that is separated from the Group's assets.

(iv) Share-based payments

(a) Equity-settled share-based payments

The fair value of Restricted Share Units ("RSUs") granted to Talents of the Group in Hong Kong under the Co-Ownership Plan II is recognised as a Talent cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the RSUs were granted. Where the Talents have to meet vesting conditions before becoming unconditionally entitled to the RSUs, the total estimated fair value of the RSUs is spread over the vesting period, taking into account the probability that the RSUs will vest.

During the vesting period, the number of RSUs that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original Talent expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of RSUs that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the service condition. The equity amount is recognised in the capital reserve until the RSUs are vested (when it is included in the amount recognised in share premium for the shares vested).

1 Significant accounting policies (continued)

(s) Talent benefits (continued)

(iv) Share-based payments (continued)

(b) Cash-settled share-based payments

The fair value of the amount payable to Talents of the Group in the People's Republic of China (the "PRC") in respect of RSUs under the Co-Ownership Plan II, which are to be settled in cash and based on the price of the equity instruments of the Company, is recognised as a Talent cost with a corresponding increase in liabilities. Where the Talents have to meet vesting conditions before becoming unconditionally entitled to payment, the total estimated fair value of the RSUs is spread over the vesting period, taking into account the probability that the RSUs will vest. The liability is remeasured at the end of each reporting period and at settlement date. Any changes in the fair value of the liability are recognised as Talent costs in profit or loss.

(c) Share-based payments among group entities

In the Company's statement of financial position, the Company recognises the fair value of the RSUs granted by the Company to the subsidiaries as a capital contribution to the subsidiaries with an increase in its investments in the subsidiaries. The Company recognises the reimbursement by the subsidiaries of this capital contribution by recognising a recharge asset and a corresponding adjustment (credit) to the carrying amount of the investments in the subsidiaries.

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

1 Significant accounting policies (continued)

(t) Income tax (continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

1 Significant accounting policies (continued)

(u) Provisions, contingent liabilities and onerous contracts

(i) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 1(u)(ii).

(ii) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

1 Significant accounting policies (continued)

(v) Revenue and other income (continued)

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue for the provision of international telecommunications and fixed telecommunications network service

Revenue is recognised over time on the basis of units of traffic/data processed and/or contracted fees for telecommunications services that have been provided and based on the relative fair value of the services rendered. Tariff-free period granted to customers are recognised in profit or loss rateably over the term of the service subscription agreement. Amount received in advance for the provision of services is deferred and included under contract liabilities and subsequently recognised as revenue over the related service period.

Revenue from international telecommunications and fixed telecommunications services was recognised on a similar basis in the comparative period.

(ii) Product revenue

Revenue is recognised when the customer takes possession of and accepts the goods. If the goods are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

Revenue for sale of goods was recognised on a similar basis in the comparative period.

(iii) Revenue from system integration services

Revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract. When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent that it is probable the contract costs incurred will be recoverable. Accumulated experience is used to estimate the variable consideration to the extent that it is highly probable that a significant reversal will not occur, using the expected value method, to be included in the transaction price.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised in accordance with the policy set out in note 1(u)(ii).

1 Significant accounting policies (continued)

(v) Revenue and other income (continued)

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(v) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method.

(vii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(w) Research and development costs

Research and development costs of new services and enhancements to existing services are charged to profit or loss as incurred.

1 Significant accounting policies (continued)

(x) Translation of foreign currencies

The Group's functional currency is Hong Kong dollars. Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill and fair value adjustments arising from acquisition, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(y) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(z) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group.

1 Significant accounting policies (continued)

(z) Related parties (continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(aa) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position where there is a legally enforceable right to set off the recognised amount and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(ab) Segment reporting

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

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

2 Revenue and segment reporting

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

(a) Disaggregation of revenue

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

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

	2023 $'000	2022 $'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%).

2 Revenue and segment reporting (continued)

(a) Disaggregation of revenue (continued)

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 August 2023, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is $5,217,446,000 (2022: $4,875,172,000). This amount represents revenue expected to be recognised in the future from contracts for products or services entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the service is performed or as the work is completed, which is expected to occur over the next 1 to 11 years (2022: 1 to 20 years).

(b) Segment reporting

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

(i) Telecom and technology solutions (Hong Kong)

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

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

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

2 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities

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

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

The performance measure used for 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.

2 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

(i) ***Segment results, assets and liabilities*** (continued)

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 August 2023 and 2022 is set out below.

	Telecom and technology solutions (Hong Kong)		Telecom and technology solutions (non-Hong Kong)		Total	
	2023 $'000	2022 $'000	**2023 $'000**	2022 $'000	**2023 $'000**	2022 $'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

2 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 $'000	2022 $'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 on investment in 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 property, 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	
	2023 $'000	2022 $'000
Hong Kong (place of domicile)	**10,659,852**	10,360,218
Mainland China	**656,716**	781,784
Singapore	**–**	116,759
Other territories	**375,608**	367,403
	1,032,324	1,265,946
	11,692,176	11,626,164

2 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

(iii) Geographic information (continued)

	Specified non-current assets	
	2023 **$'000**	2022 $'000
Hong Kong (place of domicile)	**15,191,136**	17,288,978
Mainland China	**56,292**	67,817
Other territories	**878**	327
	57,170	68,144
	15,248,306	17,357,122

3 (Loss)/profit before taxation

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

	2023 **$'000**	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 (note 27)	**–**	(6,771)
Impairment on investment in a joint venture (note 13(b))	**–**	6,523
Gain on disposal of subsidiaries (note 31)	**–**	(40,033)
Gain on disposal of associates	**(6,264)**	–
Other income	**(6,051)**	(22,017)
	(18,708)	(62,842)

3 (Loss)/profit before taxation (continued)

	2023 $'000	2022 $'000
(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 (note 32(a))	**66,786**	61,327
Talent costs (note 3(c))	**922,698**	912,022
Amortisation of intangible assets	**384,727**	411,384
Amortisation of customer acquisition and retention costs (note 15(b))	**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
(c) Talent costs		
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 (note 24(a)(A))	**–**	145
Cash-settled share-based payment expenses (note 24(a)(B))	**–**	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

3 (Loss)/profit before taxation (continued)

	2023 $'000	2022 $'000
(d) Finance costs		
Interest and finance charges on bank loans	**681,096**	302,161
Interest on other borrowings	**4,283**	3,834
Interest on interest-rate swaps, 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 swaps	**(30,228)**	(89,717)
	702,303	239,204
(e) Other items		
Amortisation of intangible assets (note 10)	**426,808**	475,570
Depreciation		
— Property, plant and equipment (note 11(a))	**714,198**	728,941
— Investment properties (note 11(a))	**–**	7,367
— Right-of-use assets (note 11(b))	**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 buildings	**11,848**	13,028
Auditor's remuneration		
— Audit services	**6,959**	7,464
— Review services	**785**	785
— Tax services	**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 (note 9)	**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 (note 15)	**4,255,791**	4,453,689
Write down of inventories (note 15)	**1,068**	1,581

Network costs and costs of sales includes $259,986,000, $1,908,000 and $42,081,000 for the year ended 31 August 2023 (2022: $348,781,000, $5,668,000 and $64,186,000), relating to Talent costs, and depreciation of right-of-use assets and amortisation of intangible assets respectively which amount is also included in the respective total amounts disclosed separately above or in notes 3(b) and 3(c) for each of these types of expenses.

4 Income tax in the consolidated income statement

(a) Taxation in the consolidated income statement represents:

	2023 $'000	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 (note 26)	**(156,012)**	(61,508)
Tax expenses	**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-tiered Profits Tax rate regime.

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

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

(b) Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates:

	2023 $'000	2022 $'000
(Loss)/profit before taxation	**(1,231,331)**	712,216
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to (loss)/profits in the tax jurisdictions concerned	**(201,946)**	117,666
Tax effect of non-deductible expenses	**323,173**	67,326
Tax effect of non-taxable income	**(3,304)**	(29,277)
Adjustment to deferred tax assets previously not recognised	**(84,921)**	(1,418)
Tax effect of unused tax losses not recognised	**(186)**	997
Under-provision in respect of prior years	**2,226**	2,273
Others	**1,035**	1,328
Actual tax expense	**36,077**	158,895

5 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2023				
	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Total $'000
Executive directors					
Mr. Chu Kwong YEUNG	–	10,440	439	1,082	11,961
Mr. Ni Quiaque LAI	–	7,207	292	730	8,229
Non-executive directors					
Mr. Liyang ZHANG (appointed on 15 June 2023)	–	–	–	–	–
Mr. Zubin Jamshed IRANI (resigned on 15 June 2023)	–	–	–	–	–
Mr. Agus TANDIONO (resigned on 13 September 2023)	–	–	–	–	–
Ms. Shengping Yu	–	–	–	–	–
Independent non-executive directors					
Mr. Bradley Jay HORWITZ	645	–	–	–	645
Mr. Stanley CHOW	645	–	–	–	645
Mr. Yee Kwan Quinn LAW	645	–	–	–	645
Ms. Edith Manling NGAN (appointed on 1 September 2022 and resigned on 13 September 2023)	645	–	–	–	645
	2,580	17,647	731	1,812	22,770

5 Directors' emoluments (continued)

	2022				
	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Total $'000
Executive directors					
Mr. Chu Kwong YEUNG	–	9,645	–	1,051	10,696
Mr. Ni Quiaque LAI	–	6,417	–	699	7,116
Non-executive directors					
Ms. Suyi KIM (resigned on 14 December 2021)	–	–	–	–	–
Mr. Zubin Jamshed IRANI	–	–	–	–	–
Mr. Teck Chien KONG (resigned on 13 December 2021)	–	–	–	–	–
Mr. Agus TANDIONO (appointed on 14 December 2021)	–	–	–	–	–
Ms. Shengping Yu (appointed on 14 December 2021)	–	–	–	–	–
Independent non-executive directors					
Mr. Bradley Jay HORWITZ	628	–	–	–	628
Mr. Stanley CHOW	628	–	–	–	628
Mr. Yee Kwan Quinn LAW	628	–	–	–	628
	1,884	16,062	–	1,750	19,696

During the year ended 31 August 2023, there were no amounts paid or payable by the Group to the directors or any of the highest paid individual set out in note 6 below as an inducement to join or upon joining the Group or as a compensation for loss of office (2022: Nil). There was no arrangement under which a director waived or agreed to waive any remuneration during the year ended 31 August 2023 (2022: Nil).

6 Individuals with highest emoluments

Of the five individuals with the highest emoluments, two (2022: two) are directors whose emoluments are disclosed in note 5. The aggregate of the emoluments in respect of the other three (2022: three) individuals are as follows:

	2023 $'000	2022 $'000
Salaries and other emoluments	**11,262**	12,630
Discretionary bonuses	**823**	850
Retirement scheme contributions	**934**	775
	13,019	14,255

The emoluments of the three (2022: three) individuals with the highest emoluments are within the following bands:

	2023 Number of individuals	2022 Number of individuals
$3,000,001–$3,500,000	**–**	2
$3,500,001–$4,000,000	**–**	–
$4,000,001–$4,500,000	**2**	–
$4,500,001–$5,000,000	**1**	–
$5,000,001–$5,500,000	**–**	–
$5,500,001–$6,500,000	**–**	–
$6,500,001–$7,500,000	**–**	–
$7,500,001–$8,500,000	**–**	1
	3	3

7 (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 shareholders 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:

	2023 '000	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

7 (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 shareholders of the Company of $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:

	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

8 Retirement benefit costs

The Group contributes to an Occupational Retirement Scheme (the "ORSO Scheme"), a defined contribution retirement scheme, which is available to some of its Talents in Hong Kong. Under the ORSO Scheme, the Talents are required to contribute 5% of their monthly salaries, while the Group's contributions are calculated at 10% and 5% of the monthly salaries of senior Talents and other Talents respectively. The Talents are entitled to 100% of the employer's contributions after 10 years of completed service, or at a reduced scale after completion of 3 to 9 years' service. Contributions to the ORSO Scheme are reduced by contributions forfeited by those Talents who leave the ORSO Scheme prior to vesting fully in the Group's contributions.

A mandatory provident fund scheme (the "MPF Scheme") has been established under the Hong Kong Mandatory Provident Fund Scheme Ordinance in December 2000. The existing Talents of the Group in Hong Kong could elect to join the MPF Scheme, while all new Talents joining the Group in Hong Kong from then onwards are required to join the MPF Scheme. Both the Group and the Talents are required to contribute 5% of each individual's relevant income with a maximum amount of $1,250 per month before 1 June 2014, and commenced from 1 June 2014, the maximum amount has been increased to $1,500, as a mandatory contribution. Employer's mandatory contributions are 100% vested in the Talents as soon as they are paid to the MPF Scheme. Senior Talents may also elect to join a Mutual Voluntary Plan (the "Mutual Plan") in which both the Group and senior Talents, on top of the MPF Scheme mandatory contributions, make a voluntary contribution to the extent of contributions that would have been made under the ORSO Scheme. During the year, forfeited contributions totaling $938,000 (2022: $122,000) were used to reduce the current year's level of contributions and $Nil was available at 31 August 2023 (2022: $Nil) to reduce future year's contributions.

8 Retirement benefit costs (continued)

Pursuant to the relevant regulations in the PRC, the Group contributes to a defined contribution retirement scheme organised by the local social security bureau for each Talent of the subsidiary in the PRC at the rate of 20% of a standard salary base as determined by the local social security bureau, the rate has been decreased to 14% effective from 1 January 2015. The Group has no other obligation to make payments in respect of retirement benefits of these Talents.

Retirement benefits for employees in mainland China and other locations are based primarily on local mandatory requirements.

9 Goodwill

	$'000
Cost:	
At 1 September 2021, 31 August 2022, 1 September 2022 and 31 August 2023	9,016,507
Accumulated impairment losses:	
At 1 September 2021, 31 August 2022	–
At 1 September 2022	
Impairment for the year	1,200,000
At 31 August 2023	1,200,000
Carrying amount:	
At 31 August 2023	7,816,507
At 31 August 2022	9,016,507

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to operating segments as follows:

	2023 $'000	2022 $'000
Telecom and technology solutions (Hong Kong)		
— fixed telecommunications network service (residential solutions and enterprise solutions)	7,733,317	8,933,317
— technology related services	83,190	83,190
	7,816,507	9,016,507

The recoverable amount of the CGUs is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a period of five years except for the enterprise solutions CGU covering ten years because of the longer period to revamp the business, assumptions reflective of the prevailing market conditions, and are discounted appropriately.

The key assumptions used in the value-in-use calculation are (i) the average annual growth rate of revenue of the fixed telecommunications network services (including Wi-Fi connectivity services) and technology solutions and consultancy services, (ii) terminal growth rates and (iii) discount rates, which are determined based on the past performance and management's expectation for market development. The discount rate used is pre-tax and reflects specific risks relating to the relative segment. Any adverse change in the key assumptions could result in further impairment loss.

(Expressed in Hong Kong dollars unless otherwise indicated)

9 Goodwill (continued)

Key assumptions adopted in the cash flow projections for impairment reviews are as follows:

	2023	2022
Telecom and technology solutions (Hong Kong)		
— fixed telecommunications network service (residential solutions and enterprise solutions)		
Revenue growth rate	**3%**	3%
Long-term growth rate	**2–3%**	2%
Pre-tax discount rate	**12–13%**	13%

	2023	2022
Telecom and technology solutions (Hong Kong)		
— technology related services		
Revenue growth rate	**8%**	3%
Long-term growth rate	**2%**	1%
Pre-tax discount rate	**17%**	17%

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. The carrying amount of that cash generating unit has been written down to its recoverable amount of $9,139,000,000 based on the impairment assessment conducted by management of the Group.

10 Intangible assets

	Customer relationship					Brand and trademark								
	For FTNS business $'000	For IDD business $'000	For Wi-Fi business $'000	For Cloud business $'000	For IT business $'000	For FTNS business $'000	For IDD business $'000	For Wi-Fi business $'000	For Cloud business $'000	For IT business $'000	Backlog $'000	Computer software $'000	Other intangible assets $'000	Total $'000
Cost:														
At 1 September 2021	2,886,029	164,000	9,296	1,229	513,316	1,461,205	48,819	7,721	12,228	205,461	213,977	27,945	477,778	6,029,004
Additions	–	–	–	–	–	–	–	–	–	–	–	15	72,000	72,015
Exchange difference	–	–	–	–	–	–	–	–	–	–	–	(61)	–	(61)
At 31 August 2022	2,886,029	164,000	9,296	1,229	513,316	1,461,205	48,819	7,721	12,228	205,461	213,977	27,899	549,778	6,100,958
At 1 September 2022	2,886,029	164,000	9,296	1,229	513,316	1,461,205	48,819	7,721	12,228	205,461	213,977	27,899	549,778	6,100,958
Exchange difference	–	–	–	–	–	–	–	–	–	–	–	(48)	–	(48)
At 31 August 2023	2,886,029	164,000	9,296	1,229	513,316	1,461,205	48,819	7,721	12,228	205,461	213,977	27,851	549,778	6,100,910
Accumulated amortisation:														
At 1 September 2021	967,860	108,354	4,472	776	71,357	577,301	20,694	3,345	3,409	54,036	213,977	16,870	380,390	2,422,841
Charge for the year	181,786	11,714	516	176	31,588	146,886	5,656	386	1,112	22,246	–	9,318	64,186	475,570
Exchange difference	–	–	–	–	–	–	–	–	–	–	–	(60)	–	(60)
At 31 August 2022	1,149,646	120,068	4,988	952	102,945	724,187	26,350	3,731	4,521	76,282	213,977	26,128	444,576	2,898,351
At 1 September 2022	1,149,646	120,068	4,988	952	102,945	724,187	26,350	3,731	4,521	76,282	213,977	26,128	444,576	2,898,351
Charge for the year	181,786	11,714	516	176	31,588	130,436	4,978	386	1,112	20,485	–	1,550	42,081	426,808
Exchange difference	–	–	–	–	–	–	–	–	–	–	–	(50)	–	(50)
At 31 August 2023	1,331,432	131,782	5,504	1,128	134,533	854,623	31,328	4,117	5,633	96,767	213,977	27,628	486,657	3,325,109
Net book value:														
At 31 August 2023	1,554,597	32,218	3,792	101	378,783	606,582	17,491	3,604	6,595	108,694	–	223	63,121	2,775,801
At 31 August 2022	1,736,383	43,932	4,308	277	410,371	737,018	22,469	3,990	7,707	129,179	–	1,771	105,202	3,202,607

10 Intangible assets (continued)

The identifiable intangible assets recognised by the Group upon the business combinations completed on 30 May 2012, 4 January 2013, 31 March 2016, 30 May 2018, 30 April 2019 and 13 December 2019 include:

— Customer relationship of FTNS and IDD business
— Brand and trademark of FTNS and IDD business, including "HKBN", "WTT", "IDD1666" , "IDD0030", "IDD007", "IDD1507"
— Customer relationship of Wi-Fi business
— Brand and trademark of Wi-Fi business
— Customer relationship of Cloud business
— Brand and trademark of Cloud business
— Customer relationship of IT business
— Brand and trademark of IT business
— Backlog of FTNS business

The fair value of the intangible assets at the dates of completion of the business combinations were appraised by independent valuers.

Other intangible assets include contractual right to receive future benefits and licences.

11 Property, plant and equipment

(a) Reconciliation of carrying amount

	Cable $'000	Leasehold land and buildings $'000	Leasehold improvements $'000	Furniture, fixtures and fittings $'000	Telecommunications, computer and office equipment $'000	Motor vehicles $'000	Sub-total $'000	Investment properties $'000	Total $'000
Cost:									
At 1 September 2021	52,449	111,195	110,942	12,992	7,630,652	5,658	7,923,888	229,371	8,153,259
Exchange adjustments	–	–	(1,962)	(348)	(2,630)	–	(4,940)	–	(4,940)
Additions	–	–	2,530	548	560,533	323	563,934	–	563,934
Disposals	–	–	(2,094)	(964)	(46,113)	(772)	(49,943)	–	(49,943)
Disposal of subsidiaries (note 31)	–	–	(2,638)	–	–	–	(2,638)	(229,371)	(232,009)
At 31 August 2022	52,449	111,195	106,778	12,228	8,142,442	5,209	8,430,301	–	8,430,301
At 1 September 2022	52,449	111,195	106,778	12,228	8,142,442	5,209	8,430,301	–	8,430,301
Exchange adjustments	–	–	(895)	(230)	(2,011)	–	(3,136)	–	(3,136)
Additions	–	–	1,390	1,925	399,213	836	403,364	–	403,364
Disposals	–	–	(1,934)	(1,544)	(143,391)	(372)	(147,241)	–	(147,241)
At 31 August 2023	52,449	111,195	105,339	12,379	8,396,253	5,673	8,683,288	–	8,683,288
Accumulated depreciation:									
At 1 September 2021	46,983	12,207	68,781	7,045	3,884,314	3,468	4,022,798	30,543	4,053,341
Exchange adjustments	–	–	(1,619)	(182)	(1,738)	–	(3,539)	–	(3,539)
Charge for the year	262	4,005	13,066	1,927	708,815	866	728,941	7,367	736,308
Written back on disposals	–	–	(2,094)	(938)	(45,108)	(376)	(48,516)	–	(48,516)
Disposal of subsidiaries (note 31)	–	–	(819)	–	–	–	(819)	(37,910)	(38,729)
At 31 August 2022	47,245	16,212	77,315	7,852	4,546,283	3,958	4,698,865	–	4,698,865
At 1 September 2022	47,245	16,212	77,315	7,852	4,546,283	3,958	4,698,865	–	4,698,865
Exchange adjustments	–	–	(676)	(149)	(1,328)	–	(2,153)	–	(2,153)
Charge for the year	281	4,008	10,330	1,757	697,129	693	714,198	–	714,198
Written back on disposals	–	–	(1,934)	(1,509)	(142,799)	(372)	(146,614)	–	(146,614)
At 31 August 2023	47,526	20,220	85,035	7,951	5,099,285	4,279	5,264,296	–	5,264,296
Net book value:									
At 31 August 2023	4,923	90,975	20,304	4,428	3,296,968	1,394	3,418,992	–	3,418,992
At 31 August 2022	5,204	94,983	29,463	4,376	3,596,159	1,251	3,731,436	–	3,731,436

11 Property, plant and equipment (continued)

(b) Right-of-use assets

The analysis of net book values of right-of-use assets by class of underlying asset of the Group is as follows:

	Notes	2023 $'000	2022 $'000
Interests in leasehold land held for own use, carried at depreciated cost, with remaining lease term of:	(i)		
— 10 years or less		**3,474**	3,706
— between 10 and 50 years		**216,097**	224,717
— 50 years or more		**4,975**	5,284
		224,546	233,707
Other properties leased for own used, carried at depreciated cost	(ii)	**363,223**	340,198
Telecommunication facilities and computer equipment	(iii)	**101,799**	131,702
		689,568	705,607

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2023 $'000	2022 $'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Interests in leasehold land held for own use	**9,336**	9,055
Other properties leased for own used	**149,334**	158,219
Telecommunication facilities and computer equipment	**27,952**	30,246
	186,622	197,520

During the year, additions to right-of-use assets were $147,472,000 (2022: $233,829,000). This amount primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 18(e) and 21 respectively.

(i) Interests in leasehold land held for own use

The Group holds several commercial buildings, industrial buildings, hub sites and car park space for its business and is the registered owner of these property interests. Lump sum payments were made upfront to acquire these property interests from their previous registered owners.

11 Property, plant and equipment (continued)

(b) Right-of-use assets (continued)

(ii) Properties leased for own use

The Group has obtained the right to use other properties as its office, data centre, server rooms, warehouse and retail stores through tenancy agreements. The leases typically run for an initial period of 2 to 10 years (2022: 2 to 10 years).

The Group leased a number of retail stores which contain variable lease payment terms that are based on 1%–5% of sales generated from the retail stores and minimum fixed lease payment terms. No variable lease payment occurred during the years ended 31 August 2023 and 2022.

(iii) Telecommunications facilities and computer equipment

The Company leases telecommunications facilities and computer equipment under leases expiring from 2 to 9 years (2022: 2 to 9 years). None of the leases includes variable lease payments.

(c) Sales and leaseback arrangement contracts

The Group entered into sale and leaseback arrangement contracts with third-party leasing companies, with contract terms of three years. The substance of the arrangement is that the lessors provide finance to the Group with the asset as security. The Group continues to account for the assets in its consolidated statement of financial position. The sales proceeds are recorded as other borrowings in the consolidated statement of financial position (note 20(b)(vi)).

(d) Security

At 31 August 2023, certain telecommunications, computer and office equipment with carrying amount of $81,868,000 (2022: $33,078,000) were pledged against the other loan (note 20(b)(vii)).

(Expressed in Hong Kong dollars unless otherwise indicated)

12 Investments in subsidiaries

The following is a list of principal subsidiaries of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation/ establishment	Particulars of issued and paid up share capital	Percentage of ownership interest held	Principal activities and place of operation
COL LIMITED	Hong Kong	40,000 shares	100	Provision of data processing services in Hong Kong
COL (SHANGHAI) LTD.*	PRC#	US$700,000	100	Provision of data processing/ data centre services in the PRC
CONCORD IDEAS LTD.	BVI	US$10	100	Investment holding in Hong Kong
COSMO TRUE LIMITED	BVI	US$1	100	Property investment in Hong Kong
DYNAMIC FUTURE INVESTMENTS LIMITED	Hong Kong	1 share	100	Property holding in Hong Kong
EC TELECOM LIMITED	Hong Kong	2 shares	100	Provision of telecommunication services in Hong Kong
Guangzhou Cangxun Electron Technology Service Limited Company*	PRC#	$1,000,000	100	Provision of telecommunication services in the PRC
Guangzhou City Telecom Customer Services Co. Ltd.*	PRC#	$8,000,000	100	Provision of administrative support services in the PRC
HKBN Enterprise Solutions Cayman Corp ("HKBNESCC")	Cayman Islands	US$1	100	Investment holding in Hong Kong
HKBN Enterprise Solutions Cloud Services Limited	Hong Kong	100 shares	100	Provision of consulting services in Hong Kong
HKBN Enterprise Solutions Development Limited ("HKBNESDL")	Cayman Islands	US$0.01	100	Investment holding in Hong Kong

(Expressed in Hong Kong dollars unless otherwise indicated)

12 Investments in subsidiaries (continued)

Name of company	Place of incorporation/ establishment	Particulars of issued and paid up share capital	Percentage of ownership interest held	Principal activities and place of operation
HKBN Enterprise Solutions HK Limited ("HKBNESHKL")	Hong Kong	1,752,079,583 shares	100	Provision of telecommunication services in Hong Kong
HKBN Enterprise Solutions Limited	Hong Kong	10,000,000 shares	100	Provision of telecommunication services in Hong Kong
HKBN Enterprise Solutions Net Limited	Hong Kong	2 shares	100	Investment holding in the PRC
HKBN Group Limited ("HKBNGL")	BVI	US$5,294	100	Investment holding in Hong Kong
HKBN JOS (China) Limited	Hong Kong	100,000 shares	100	Investment holding in PRC
HKBN JOS Holdings (C.I.) Limited	Cayman Islands	US$1,411.9	100	Investment holding in Hong Kong
HKBN JOS Limited	Hong Kong	33,000,000 shares	100	Enterprise systems technical services and distribution and logistics services in Hong Kong
HKBN JOS (MACAU) LIMITED	Macau	MOP$25,000	100	Enterprise systems in Macau
HKBN JOS (Shanghai) Company Limited*	PRC#	$30,000,000	100	Technical services and product sales in the PRC
HKBN JOS (Zhuhai) Company Limited*	PRC#	$2,500,000	100	Technical services and product sales in the PRC
Hong Kong Broadband Network Limited ("HKBN")	Hong Kong	383,049 shares	100	Provision of internet, telecommunications and security devices installation services in Hong Kong

(Expressed in Hong Kong dollars unless otherwise indicated)

12 Investments in subsidiaries (continued)

Name of company	Place of incorporation/ establishment	Particulars of issued and paid up share capital	Percentage of ownership interest held	Principal activities and place of operation
Jiuxin (Guangzhou) Electron Technology Service Limited Company*	PRC#	$1,300,000	100	Provision of telecommunication services in the PRC
JOS Applications Holding Limited	BVI	US$10,000	100	Investment holding in Hong Kong
Metropolitan Light Company Limited ("MLCL")	Cayman Islands	US$1,000	100	Investment holding in Hong Kong
Metropolitan Light (HK) Company Limited	Hong Kong	400,000 shares	100	Investment holding in the PRC
NEW FORCE CUSTOMER SERVICES LIMITED	Hong Kong	2 shares	100	Investment holding in the PRC
NEW IMPACT CUSTOMER SERVICES LIMITED	Hong Kong	2 shares	100	Investment holding in the PRC
Y5Zone Limited	Hong Kong	2 shares	100	Provision of Wi-Fi connectivity services in Hong Kong

* The English names are translated for reference only. The official names of these entities are in Chinese.

\# Wholly owned foreign enterprise registered under the PRC law.

13 Interest in joint ventures and associates

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

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

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

* The directors of HomePlus and HomePlus Holding intend to dissolve the companies in the foreseeable future.

13 Interest in joint ventures and associates (continued)

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

	2023 $'000	2022 $'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**6,284**	17,110
Impairment on investment in joint ventures	**–**	(6,523)
Aggregate amounts of the Group's share of those joint ventures'		
— Loss and other comprehensive income for the year	**(69,592)**	(53,497)
— Total comprehensive income	**(69,592)**	(53,497)

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

				Proportion of ownership interest			
Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Group's effective interest	Held by the company	Held by a subsidiary	Principal activity
Guangdong Broadband Network Limited*	Limited liability company	PRC#	RMB10,000,000	40%	0%	40%	Provision of telecommunications service in the PRC
JOS (MALAYSIA) SDN. BHD.	Limited liability company	Malaysia	MYR$7,500,000	40%	0%	40%	Enterprise systems technical services in Malaysia
JOS (SG) PTE. LTD.	Limited liability company	Singapore	SG$25,362,590	40%	0%	40%	Enterprise systems technical services in Singapore
JOS APPLICATIONS (S) PTE. LTD.	Limited liability company	Singapore	Ordinary shares: SG$200 Preference shares: SG$750,000	40%	0%	40%	Software and programming activities in Singapore

On 30 August 2023, the Group disposed of the remaining 40% interest of JOS (MALAYSIA) SDN. BHD., JOS (SG) PTE. LTD. and JOS APPLICATIONS (S) PTE. LTD. to a third party at a consideration of $68,961,000.

* The English name is translated for reference only. The official name of entity is in Chinese.

\# Chinese-Foreign equity joint venture registered under the PRC law.

13 Interest in joint ventures and associates (continued)

(d) Aggregate information of associates:

	2023 $'000	2022 $'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**4,332**	56,920
Aggregate amounts of the Group's share of those associate		
— (Loss)/profit for the year	**(742)**	4,167
— Other comprehensive income	**(326)**	(935)
— Total comprehensive income	**(1,068)**	3,232

14 Other non-current assets

Other non-current assets mainly comprise prepayments and deposits for purchase of property, plant and equipment. The amounts are neither past due nor impaired.

	2023 $'000	2022 $'000
Prepayments	**62,670**	69,065
Deposits	**9,619**	29,466
	72,289	98,531

15 Inventories and customer acquisition and retention costs

(a) Inventories

Inventories in the consolidated statement of financial position comprise finished goods, spare parts and work in progress.

	2023 $'000	2022 $'000
Finished goods	**105,151**	105,137
Spare parts for services	**530**	6,182
Work in progress	**–**	159
	105,681	111,478

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2023 $'000	2022 $'000
Carrying amount of inventories sold	**4,255,791**	4,453,689
Write down of inventories	**1,068**	1,581
	4,256,859	4,455,270

The write-down of inventories made due to the decrease in net realisable value of goods for resale.

15 Inventories and customer acquisition and retention costs (continued)

(b) Customer acquisition and retention costs

	$'000
Cost:	
At 1 September 2021	1,393,128
Additions	242,050
At 31 August 2022 and 1 September 2022	1,635,178
Additions	226,414
At 31 August 2023	1,861,592
Accumulated amortisation:	
At 1 September 2021	828,279
Charge for the year	293,854
At 31 August 2022 and 1 September 2022	1,122,133
Charge for the year	274,926
At 31 August 2023	1,397,059
Carrying amount:	
At 31 August 2023	464,533
At 31 August 2022	513,045

Customer acquisition and retention costs capitalised as at 31 August 2023 and 2022 relate to the (i) customer acquisition costs paid to Talents or agents whose selling activities resulted in customers entering into contracts for the provision of telecommunications services which the contract periods are over 12 months at the reporting date and (ii) customer retention costs incurred in fulfilling a contract with a customer which the contract periods are over 12 months at the reporting date to generate or enhance resources of the Group that will be used in satisfying performance obligations in the future.

Customer acquisition costs and customer retention costs are recognised as part of "other operating expenses" in the consolidated income statement in the period in which revenue from the related contracts is recognised.

There was no impairment in relation to the customer acquisition and retention costs capitalised during the year.

16 Contract assets and contract liabilities

(a) Contract assets

	2023 $'000	2022 $'000
Arising from international telecommunications services	**120,909**	40,750
Arising from product revenue bundled with telecommunication services	**134,428**	137,409
Arising from system integration services contracts with conditional payment terms	**60,083**	59,030
	315,420	237,189
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade receivables, other receivables, deposits and prepayments"	**923,603**	967,414

Typical payment terms which impact on the amount of contract assets recognised are as follows:

— ***International telecommunications services***
The Group provides international telecommunications services to telecommunications operators. The Group and certain telecommunications operators enter into contracts with minimum commitments on either transaction amount or unit of traffic to be processed and contract term would usually last for over three months. Such contracts involve large amount of transactions and both parties are required to verify and reconcile the transactions details received from counter party against their own records. Once the verification and reconciliation work have been completed, the Group will issue an invoice to the telecommunications operator. The Group's right to the consideration is generally unconditional upon the completion of verification and reconciliation work from both parties as well as the issuance of invoice.

— ***Sales of equipment and mobile handsets bundled with services***
The Group offers packages to the customer which include the bundle sales of products and provision of services. In this situation, the customer pays to the Group in accordance with the predetermined payment schedule. If the performance obligations fulfilled by the Group exceed the total payments received to date, a contract asset is recognised. The contract assets are transferred to receivables when the Group's rights to the contract consideration become unconditional.

— ***System integration services with conditional payment terms***
System integration services is one of the services to enterprise customers. The Group's project based system integration services include payment schedules which require stage payments over the project period once milestones are reached. This gives rise to contract assets when the revenue recognised on the project exceeds the amount of the payment made by customer.

All of the current contract assets are expected to be recovered within one year.

16 Contract assets and contract liabilities (continued)

(b) Contract liabilities

	2023 $'000	2022 $'000
Indefeasible right of use ("IRU") arrangement		
— Billing in advance of performance	**158,789**	174,538
Telecom and technology solutions services		
— Billing in advance of performance	**575,350**	571,366
	734,139	745,904
Represented by:		
— Non-current portion	**160,162**	145,807
— Current portion	**573,977**	600,097
	734,139	745,904

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

IRU arrangements
The Group received 100% of the contract value when they sign the IRU arrangement contract with customer. This consideration is recognised as contract liabilities upon receipt.

Telecom and technology solutions services — Billing in advance of performance
The Group's telecom and technology solutions services normally include payment schedules which require advance payments from customers for the services. This gives rises to contract liabilities until revenue recognised on the services are provided.

Movements in contract liabilities

	$'000
Balance at 1 September 2021	827,310
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	(5,370,261)
Increase in contract liabilities as a result of billings in advance of IRU arrangements	6,516
Increase in contract liabilities as a result of billings in advance of the provision of telecom and technology solutions services	5,283,363
Exchange difference	(1,024)
Balance at 31 August 2022	745,904

16 Contract assets and contract liabilities (continued)

(b) Contract liabilities (continued)

Movements in contract liabilities (continued)

	$'000
Balance at 1 September 2022	**745,904**
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	**(6,146,826)**
Increase in contract liabilities as a result of billings in advance of IRU arrangements	**8,831**
Increase in contract liabilities as a result of billings in advance of the provision of telecom and technology solutions services	**6,127,285**
Exchange difference	**(1,055)**
Balance at 31 August 2023	**734,139**

The amount of billings in advance of performance and upfront service fees received in advance expected to be recognised as income after more than one year is $161,761,000 (2022: $145,807,000).

17 Trade receivables, other receivables, deposits and prepayments and financial assets at fair value through profit or loss

Trade receivables, other receivables, deposits and prepayments

	2023 $'000	2022 $'000
Trade debtors, net of loss allowances	**909,394**	967,414
Other receivables, deposits and prepayments	**465,921**	463,892
	1,375,315	1,431,306

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

Ageing analysis

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

	2023 $'000	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. Further details on the Group's credit policy are set out in note 32(a).

18 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

	2023 $'000	2022 $'000
Cash and cash equivalents in the consolidated cash flow statement	**1,016,769**	1,129,226

(b) Reconciliation of (loss)/profit before taxation to cash generated from operations:

	Note	2023 $'000	2022 $'000
(Loss)/profit before taxation		**(1,231,331)**	712,216
Adjustments for:			
Amortisation of intangible assets	10	**426,808**	475,570
Depreciation	3(e)	**900,820**	933,828
Amortisation of obligations under granting of rights	3(a)	**–**	(6,771)
Amortisation of customer acquisition and retention costs	3(b)	**274,926**	293,854
Interest income	3(a)	**(8,853)**	(2,857)
Finance costs	3(d)	**702,303**	239,204
Gain on disposal of property, plant and equipment, net	3(b)	**(584)**	(1,459)
Gain on disposal of right-of-use assets, net	3(b)	**(888)**	–
Foreign exchange gain		**(8,362)**	(5,630)
Share of losses of joint ventures	13(b)	**69,592**	53,497
Share of losses/(profits) of associates	13(d)	**742**	(4,167)
Equity-settled share-based payment expenses	3(c)	**–**	145
Write down of inventories	3(e)	**1,068**	1,581
Gain on disposal of subsidiaries	3(a)	**–**	(40,033)
Gain on disposal of associates	3(a)	**(6,264)**	–
Impairment of investment in a joint venture	3(a)	**–**	6,523
Impairment on goodwill	3(e)	**1,200,000**	–
Changes in working capital:			
Decrease/(increase) in other non-current assets		**7,113**	(4,094)
Decrease/(increase) in inventories		**5,394**	(28,324)
Decrease in trade receivables		**64,521**	142,620
Increase in other receivables, deposits and prepayments		**(981)**	(104,881)
Decrease in finance lease receivables		**–**	767
Increase in customer acquisition and retention costs		**(226,414)**	(242,050)
Increase in contract assets		**(78,231)**	(12,364)
Decrease/(increase) in amounts due from joint ventures		**51,780**	(11,199)
Decrease/(increase) in amounts due from associates		**25**	(25)
Increase/(decrease) in trade payables		**143,292**	(159,587)
Decrease in other payables and accrued charges		**(46,077)**	(112,431)
Decrease in deposits received		**(5,867)**	(432)
Decrease in contract liabilities		**(12,993)**	(96,391)
Cash generated from operations		**2,221,539**	2,027,110

18 Cash and cash equivalents (continued)

(c) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as financing activities.

	Interest-rate swap $'000	Bank and other borrowings (Note 20) $'000	Other non-current and current liabilities (Note 23) $'000	Accrued borrowing costs (*) $'000	Lease liabilities (Note 21) $'000	Total $'000
At 1 September 2021	13,330	11,440,609	50,239	31,769	508,471	12,044,418
Changes from financing cash flows:						
Proceeds from bank and other borrowings, net of transaction costs	–	2,210,339	–	–	–	2,210,339
Repayment of bank loans	–	(2,474,470)	–	–	–	(2,474,470)
Repayment of other borrowings	–	(9,340)	–	–	–	(9,340)
Repayment of other liabilities	–	–	(14,043)	–	–	(14,043)
Capital element of lease rentals paid	–	–	–	–	(191,225)	(191,225)
Interest element of lease rentals paid	–	–	–	–	(18,621)	(18,621)
Interest paid	(3,125)	(3,834)	–	(293,810)	–	(300,769)
Total changes from financing cash flows	(3,125)	(277,305)	(14,043)	(293,810)	(209,846)	(798,129)
Changes in fair value	(89,717)	–	–	–	–	(89,717)
Exchange adjustments	–	4,232	–	–	482	4,714
Other changes:						
Increase in other borrowings	–	7,209	–	–	–	7,209
Increase in lease liabilities from entering into new leases during the period	–	–	–	–	242,891	242,891
Interest and finance charges	3,125	43,578	1,180	262,417	18,621	328,921
Disposal of subsidiaries (note 31)	–	(7,406)	–	–	(42,498)	(49,904)
Total other charges	3,125	43,381	1,180	262,417	219,014	529,117
At 31 August 2022	(76,387)	11,210,917	37,376	376	518,121	11,690,403

18 Cash and cash equivalents (continued)

(c) Reconciliation of liabilities arising from financing activities: (continued)

	Interest-rate swap $'000	Bank and other borrowings (Note 20) $'000	Other non-current and current liabilities (Note 23) $'000	Accrued borrowing costs [*] $'000	Lease liabilities (Note 21) $'000	Total $'000
At 1 September 2022	(76,387)	11,210,917	37,376	376	518,121	11,690,403
Changes from financing cash flows:						
Proceeds from bank and other borrowings, net of transaction costs	–	253,809	–	–	–	253,809
Repayment of bank loans	–	(508,388)	–	–	–	(508,388)
Repayment of other borrowings	–	(39,316)	(14,042)	–	–	(53,358)
Capital element of lease rentals paid	–	–	–	–	(153,223)	(153,223)
Interest element of lease rentals paid	–	–	–	–	(20,853)	(20,853)
Interest received/(paid)	92,838	(4,283)	–	(641,189)	–	(552,634)
Total changes from financing cash flows	92,838	(298,178)	(14,042)	(641,189)	(174,076)	(1,034,647)
Changes in fair value	(30,228)	–	–	–	–	(30,228)
Exchange adjustments	–	–	–	–	(605)	(605)
Other changes:						
Increase in lease liabilities from entering into new leases during the period	–	–	–	–	171,722	171,722
Interest and finance charges	–	43,975	829	641,404	20,853	707,061
Originating fee for banking facilities amendment	–	–	–	25,470	–	25,470
Total other charges	–	43,975	829	666,874	192,575	904,253
At 31 August 2023	(13,777)	10,956,714	24,163	26,061	536,015	11,529,176

[*] Accrued borrowing costs are included in "Other payables and accrued charges — current portion" in the consolidated statement of financial position.

18 Cash and cash equivalents (continued)

(d) Material non-cash transactions:

(i) During the year ended 31 August 2023, additions to certain property, plant and equipment of the Group financed by other borrowings and other liabilities were $Nil (2022: $8,476,000).

(ii) The initial capital investment in an associate of $4,438,000 has not been paid as at 31 August 2022 and 2023.

(e) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2023 $'000	2022 $'000
Within operating cash flows	11,848	13,028
Within financing cash flows	174,076	209,846
	185,924	222,874

These amounts relate to the following:

	2023 $'000	2022 $'000
Lease rentals paid	185,924	222,874

19 Trade payables, other payables and accrued charges

	2023 $'000	2022 $'000
Trade payables	927,666	778,651
Other payables and accrued charges		
— Current portion	869,699	960,778
— Long-term portion	18,000	54,000
	1,815,365	1,793,429

All trade payables, other payables and accrued charges are expected to be settled within one year, except other payables and accrued charges of $18,000,000 (2022: $54,000,000) are expected to be settled after more than one year and are classified as non-current liabilities.

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

	2023 $'000	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

20 Bank and other borrowings

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

	2023 $'000	2022 $'000
Bank borrowings		
— unsecured	**10,907,770**	11,122,657
Other borrowings		
— secured	**48,944**	88,260
	10,956,714	11,210,917
Amounts due within one year included in current liabilities	**(284,861)**	(297,703)
	10,671,853	10,913,214

(b) As at 31 August 2023, the bank and other borrowings were repayable as follows:

	2023 $'000	2022 $'000
Bank borrowings (unsecured)		
Within 1 year on demand	**253,808**	258,387
After 2 years but within 5 years	**10,653,962**	10,864,270
	10,907,770	11,122,657
Other borrowings (secured)		
Within 1 year on demand	**31,052**	39,316
After 1 year but within 2 years	**17,892**	32,129
After 2 years but within 5 years	**–**	16,815
	48,944	88,260
Bank and other borrowings	**10,956,714**	11,210,917
Amounts due within one year included in current liabilities	**(284,861)**	(297,703)
	10,671,853	10,913,214

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

20 Bank and other borrowings (continued)

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

(iii) On 9 December 2021, HKBN entered into a master buyer agreement for supply chain financing from a bank in Hong Kong. An aggregate amount of $157,660,000 was utilised as of 31 August 2023. The bank charges a handling fee based on the amount of supplier's invoices applied. The facility was unsecured and covered by a guarantee arrangement issued by the Company. The extended credit term ranged from 60 to 180 days from the date of utilisation.

(iv) On 11 April 2022, HKBN entered into an import invoice financing agreement for supply chain financing from a bank in Hong Kong. An aggregate amount of $96,149,000 was utilised as of 31 August 2023. The bank charges at HIBOR plus a margin of 1.15% per annum on the amount of supplier's invoices applied. The facility was unsecured and covered by a guarantee arrangement issued by the Company. The agreement grants up to 120 days of payment term from the date of utilisation.

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

The bank loans mentioned in note (i) and (ii) above are subject to the fulfilment of covenants relating to certain balance sheet ratios of the Group. As at 31 August 2023 and 2022, the Group complied with all of the covenants relating to bank loans.

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

The effective interest rate of the bank loans as of 31 August 2023 is 5.77% per annum (2022: 3.46%).

(vi) The Group entered into sale and leaseback arrangement contracts with third-party leasing companies, with contract terms of three years. The substance of the arrangement was that the lessors provide finance to the Group with the assets as security. The Group accounted for the assets in its consolidated statement of financial position. The sales proceeds are recorded as other borrowings in the consolidated statement of financial position. As at 31 August 2023, the aggregate book value of the assets was $11,614,658 (2022: $17,941,000) and the balance of other borrowings amounting to $2,582,000 (2022: $8,569,000) was recorded as a current liability and $1,077,000 (2022: $3,660,000) was recorded as a non-current liability on the Group's consolidated statement of financial position. The effective interest rate of the other loans is 0% to 4.70% (2022: 0% to 4.70%).

(vii) The Group entered into financing arrangement contracts with third-party company, with contract terms of three years and four months. The Group has obtained a other loan with principal amount of $100,160,000 at effective interest rate of 6% per annum. The loan was secured by assets of the Group amounting to $81,868,000 (2022: $33,078,000). The Group shall repay the interest and principal of the loan in 40 monthly instalments. As at 31 August 2023, the balance of other borrowings amounting to $28,470,000 (2022: $30,747,000) was recorded as a current liability and $16,815,000 (2022: $45,284,000) was recorded as a non-current liability on the Group's consolidated statement of financial position.

21 Lease liabilities

As at 31 August 2023, the lease liabilities were repayable as follows:

	2023 Present value of the minimum lease payments $'000	2022 Present value of the minimum lease payments $'000
Within 1 year	**150,910**	136,271
After 1 year but within 2 years	**129,043**	111,090
After 2 years but within 5 years	**236,240**	195,115
After 5 years	**19,822**	75,645
	385,105	381,850
	536,015	518,121

22 Amounts due from/(to) joint ventures and associates, loan to associates

The amounts due from/(to) joint ventures and an associate are unsecured, interest free and recoverable/(repayable) on demand.

As at 31 August 2022, loan to an associate, JOS (MALAYSIA) SDN. BHD. was unsecured, interest-bearing at 5% per annum, recoverable in January 2027 and denominated in Malaysian ringgit.

As at 31 August 2022, loan to an associate, JOS (SG) PTE. LTD. was unsecured, interest-bearing at 5% per annum, recoverable in January 2027 and denominated in Singapore dollar.

The above two loans were either settled or waived upon the disposal of the associate during the year.

23 Other non-current and other current liabilities

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

24 Share-based transactions

(a) Co-Ownership Plan II

(A) Equity-settled share-based transactions

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

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

On 20 November 2015, 158,000 RSUs were granted to Talents of the Group in Hong Kong by the Company under the Plan II. The directors estimated the weighted average fair value of each RSU at the grant date to be $10.28.

On 20 June 2016, 2,082,000 RSUs were granted to directors and Talents of the Group in Hong Kong by the Company under the Plan II. The directors estimated the weighted average fair value of each RSU at the grant date to be $8.10.

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

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

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

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

Equity-settled share-based payment expenses of $Nil (2022: $145,000) were recognised as Talent costs in the consolidated income statement (see note 3(c)) for the year ended 31 August 2023.

24 Share-based transactions (continued)

(a) Co-Ownership Plan II (continued)

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

(i) The major terms and conditions of the grants are as follows:

	Number of instruments '000	Vesting conditions
RSUs granted to directors:		
— on 29 June 2015	397	notes (i) and (ix)
— on 20 June 2016	329	notes (ii) and (ix)
RSUs granted to Talents:		
— on 29 June 2015	2,326	notes (i) and (ix)
— on 18 August 2015	133	notes (ii) and (ix)
— on 20 November 2015	158	notes (iii) and (ix)
— on 20 June 2016	1,753	notes (iv) and (ix)
— on 24 January 2017	258	notes (v) and (ix)
— on 20 July 2017	253	notes (vi) and (ix)
— on 30 January 2019	329	notes (vii) and (ix)
— on 26 February 2019	31	notes (viii) and (ix)
Total RSUs granted	5,967	

Notes:

(i) The RSUs granted have a vesting period of three years as follows:
— 25% of RSUs shall vest on 29 June 2016;
— 25% of RSUs shall vest on 29 June 2017; and
— 50% of RSUs shall vest on 29 June 2018.

(ii) The RSUs granted have a vesting period of three years as follows:
— 25% of RSUs shall vest on 18 August 2016;
— 25% of RSUs shall vest on 18 August 2017; and
— 50% of RSUs shall vest on 18 August 2018.

(iii) The RSUs granted have a vesting period of three years as follows:
— 25% of RSUs shall vest on 20 November 2016;
— 25% of RSUs shall vest on 20 November 2017; and
— 50% of RSUs shall vest on 20 November 2018.

(iv) The RSUs granted have a vesting period of three years as follows:
— 25% of RSUs shall vest on 20 June 2017;
— 25% of RSUs shall vest on 20 June 2018; and
— 50% of RSUs shall vest on 20 June 2019.

(v) The RSUs granted have a vesting period of three years as follows:
— 25% of RSUs shall vest on 24 January 2018;
— 25% of RSUs shall vest on 24 January 2019; and
— 50% of RSUs shall vest on 24 January 2020.

24 Share-based transactions (continued)

(a) Co-Ownership Plan II (continued)

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

(i) The major terms and conditions of the grants are as follows: (continued)

Notes: (continued)

(vi) The RSUs granted have a vesting period of three years as follows:
— 25% of RSUs shall vest on 20 July 2018;
— 25% of RSUs shall vest on 20 July 2019; and
— 50% of RSUs shall vest on 20 July 2020.

(vii) The RSUs granted have a vesting period of three years as follows:
— 25% of RSUs shall vest on 30 January 2020;
— 25% of RSUs shall vest on 30 January 2021; and
— 50% of RSUs shall vest on 30 January 2022.

(viii) The RSUs granted have a vesting period of three years as follows:
— 25% of RSUs shall vest on 26 February 2020;
— 25% of RSUs shall vest on 26 February 2021; and
— 50% of RSUs shall vest on 26 February 2022.

(ix) Directors and Talents who leave the Group prior to full vesting would forfeit their right to any unvested RSUs.

(ii) The movement of the RSUs is as follows:

	Number of RSUs	
	2023	2022
	'000	'000
Outstanding at the beginning of the year	**–**	110
Vested during the year	**–**	(110)
Outstanding at the end of the year	**–**	–

The fair value of services received in return for RSUs granted is measured by reference to the fair value of RSUs granted. The estimate of the fair value of the RSUs granted is measured based on a binomial lattice model.

The expected dividends during the vesting period have been taken into account when measuring the fair value of the RSUs. The dividends paid from the Company's ordinary shares underlying the RSUs would be accrued and paid to the RSUs plan participants upon vested.

RSUs were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the RSUs granted.

24 Share-based transactions (continued)

(a) Co-Ownership Plan II (continued)

(B) Cash-settled share-based transaction

On 24 January 2017, 142,000 RSUs were granted to Talents of the Group in the PRC which are to be settled in cash. The weighted average share price at the date of exercise for RSUs exercised during the year was $13.87.

On 26 February 2019, 95,000 RSUs were granted to Talents of the Group in the PRC which are to be settled in cash. The directors estimated the weighted average fair value of each RSU at 31 August 2023 to be $Nil (2022: $Nil).

The amount payable to the Talents in respect of those RSUs is accounted for under cash-settled share-based payment in accordance with the accounting policy set out in note 1(s)(iv)(b).

Cash-settled share-based payment expenses of $Nil (2022: $67,000) were recognised as Talent costs in the consolidated income statement (see note 3(c)) for the year ended 31 August 2023 and the remaining expenses related to the RSUs are to be recognised in the year ending 31 August 2023 based on the respective vesting periods.

The liability is remeasured at the end of each reporting period and at settlement date. Any changes in the fair value of the liability are recognised as Talent costs in profit or loss.

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

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

During the year ended 31 August 2023 and 2022, no share was purchased on behalf of the Talents and are held on trust by the appointed trustee until their release to the beneficiaries upon the vesting of the RSUs. Although the granting of the RSUs has not yet occurred, the service periods are considered having commenced as of 19 January 2021, depending on the dates when the Talents were invited to participate the Plan III Plus.

24 Share-based transactions (continued)

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

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

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

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

(d) The Amended and Restated Co-Ownership Plan IV

The Co-Ownership Plan IV was originally adopted on 19 August 2021 (the "Adoption Date") to incentivise Participants to achieve a cumulative performance target over the 2022–2024 financial years of the Group. Due to macroeconomic downturn caused by the COVID-19 pandemic, and exacerbated by geopolitics and rising interest rates, the Company has changed the company-wide performance targets from being based on adjusted free cash flow to focusing on earnings and revenue. Accordingly, the Company considered it appropriate to extend the performance targets to cover the 2023–2025 financial years of the Company and better align the incentives of its Talents to the Company's overall performance targets. The Amended and Restated Co-Ownership Plan IV became effective on 11 May 2023 (the "Commencement Date").

The total maximum number of Shares that may underlie the RSUs to be granted pursuant to the Amended and Restated Co-Ownership Plan IV is 36,973,039 Shares (being approximately 2.50% of the Shares in Issue (on a fully diluted and as-converted basis) on the day of the general meeting of the Company approving the amendments and restatements of the Amended and Restated Co-Ownership Plan IV (as may be adjusted in the event of a subdivision or consolidation of the Shares). Since the Commencement Date and up to 31 August 2023, a total of 16,679,892 award shares have been granted under the Amended and Restated Co-Ownership Plan IV. The total number of Shares available for future grant under the Amended and Restated Co-Ownership Plan IV is 20,293,147 Shares, representing approximately 1.55% of the total number of issued Shares as at the date of this report.

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

25 Current taxation in the consolidated statement of financial position

Current taxation in the consolidated statement of financial position represents:

	2023 $'000	2022 $'000
Provision for Hong Kong Profits Tax for the year	**181,497**	202,234
Balance of Profits Tax provision relating to prior years	**7,589**	33,717
	189,086	235,951
Provision for tax outside Hong Kong	**4,757**	4,285
	193,843	240,236

Tax (payable)/recoverable in the consolidated statement of financial position represents:

	2023 $'000	2022 $'000
Tax recoverable	**–**	192
Tax payable	**(193,843)**	(240,428)
	(193,843)	(240,236)

26 Deferred tax in the consolidated statement of financial position

(a) Deferred tax liabilities and assets recognised:

The components of deferred tax (liabilities)/assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Depreciation allowances in excess of the related depreciation $'000	Amortisation of intangible assets $'000	Amortisation of obligations under granting of rights $'000	Contract costs $'000	Credit loss allowance $'000	Tax losses $'000	Others $'000	Total $'000
Deferred tax arising from:								
At 1 September 2021	(331,285)	(577,177)	1,117	(13,133)	23,098	59,914	1,531	(835,935)
Disposal of subsidiaries	628	–	–	–	–	–	–	628
Credited/(charged) to profit or loss	24,124	66,353	(1,117)	7,724	40	(35,838)	222	61,508
Exchange difference	82	–	–	–	23	–	(244)	(139)
At 31 August 2022 and 1 September 2022	(306,451)	(510,824)	–	(5,409)	23,161	24,076	1,509	(773,938)
Credited/(charged) to profit or loss	40,369	63,234	–	4,090	(3,741)	52,052	8	156,012
Exchange difference	–	–	–	–	–	–	(72)	(72)
At 31 August 2023	(266,082)	(447,590)	–	(1,319)	19,420	76,128	1,445	(617,998)

(i) Reconciliation to the consolidated statement of financial position

	2023 $'000	2022 $'000
Net deferred tax asset recognised in the consolidated statement of financial position	**66,674**	26,724
Net deferred tax liability recognised in the consolidated statement of financial position	**(684,672)**	(800,662)
	(617,998)	(773,938)

(b) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(t), the Group had not recognised deferred tax assets in respect of cumulative tax losses of $2,040,507,000 (2022: $2,258,800,000) as it was not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses did not expire under current tax legislation.

At 31 August 2023, temporary differences relating to the undistributed profits of the Group's PRC subsidiaries amounted to RMB190,162,000 (equivalent to $205,946,000) (2022: RMB173,799,000 (equivalent to $197,350,000)). Deferred tax liabilities amounted to 10% (or 5% if tax treaty is available) of the undistributed profits have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of the subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

27 Obligations under granting of rights

	2023 $'000	2022 $'000
At the beginning of the year	–	6,771
Amortisation for the year (note 3(a))	–	(6,771)
	–	–

As part and parcel of the business combination on 30 May 2012, the Group granted Hong Kong Television Network Limited ("HKTV") the telecommunication business rights to use of certain telecommunication services from the Group for a term of 10 years from 30 May 2012 to 30 May 2022. The Group recognised the obligations in connection with the granting of such rights at fair value at the date of business combination. The amortisation of the obligations is charged to profit or loss on a straight-line basis over 10 years.

28 Financial assets at fair value through profit or loss

	2023 $'000	2022 $'000
Current assets		
Interest-rate swap	13,777	76,387

In 2021, the Group entered into an interest-rate swap ("the 2021 interest-rate swap"), to hedge the floating interest rate after the maturity of the current interest-rate swap. The 2021 interest-rate swap has a notional amount of $3,900,000,000 and with a maturity date on 31 May 2023. In June 2023, the Group entered into another interest-rate swap ("the 2023 interest-rate swap"), to hedge the floating interest rate. The 2023 interest-rate swap has a notional amount of $5,250,000,000 and with a maturity date on 24 November 2025.

Under these arrangements, the Group pays a fixed rate interest on the notional amount on a monthly basis, net of a floating rate interest at 1-month Hong Kong Inter-bank Offered Rate ("HIBOR") in the corresponding period.

These derivative financial instruments are recognised initially at fair value and remeasured at the end of each reporting period. These derivative financial instruments do not qualify for hedge accounting under HKFRS 9, Financial instruments, and therefore, it is accounted for as FVPL and measured at fair value.

As at 31 August 2023, the fair value of the interest-rate swap was $13,777,000. As at 31 August 2022, the fair value of the interest-rate swap was $76,387,000.

29 Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Note	Share capital $'000	Share premium $'000	Vendor Loan Notes $'000	Capital reserve $'000	Retained profits $'000	Total $'000
Balance at 1 September 2021		132	1,574,047	2,349,204	40,658	3,500,809	7,464,850
Changes in equity for the year ended 31 August 2022:							
Profit and total comprehensive income for the year		–	–	–	–	1,013,369	1,013,369
Dividend approved to equity shareholders of the Company in respect of the previous year	29(b)(ii)	–	(491,850)	–	–	–	(491,850)
Dividend declared to equity shareholders of the Company in respect of the current year	29(b)(i)	–	(524,640)	–	–	–	(524,640)
Distribution to holders of Vendor Loan Notes		–	(129,675)	–	–	–	(129,675)
Equity-settled share-based transactions	24(a)	–	–	–	145	–	145
Balance at 31 August 2022 and 1 September 2022		132	427,882	2,349,204	40,803	4,514,178	7,332,199
Changes in equity for the year ended 31 August 2023:							
Profit and total comprehensive income for the year		–	–	–	–	520,206	520,206
Dividend approved to equity shareholders of the Company in respect of the previous year	29(b)(ii)	–	(262,320)	–	–	–	(262,320)
Dividend declared to equity shareholders of the Company in respect of the current year	29(b)(i)	–	(98,634)	–	–	(163,686)	(262,320)
Distribution to holders of Vendor Loan Notes		–	(66,928)	–	–	–	(66,928)
Balance at 31 August 2023		132	–	2,349,204	40,803	4,870,698	7,260,837

29 Capital, reserves and dividends (continued)

(b) Dividends

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

	2023 $'000	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

	2023 $'000	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

(c) Share capital

	No. of shares	$'000
Authorised:		
At 1 September 2021, 31 August 2022, 1 September 2022 and 31 August 2023	3,800,000,000	380
Ordinary shares, issued and fully paid:		
At 31 August 2022 and 1 September 2022	1,311,599,000	132
At 31 August 2023	1,311,599,000	132

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

29 Capital, reserves and dividends (continued)

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by Section 34(2) of the Companies Law (2013 Revision) of the Cayman Islands. Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of the business.

(ii) Capital reserve

The capital reserve represents the portion of the grant date fair value of RSUs granted to the directors and Talents of the Group in Hong Kong that has been recognised in accordance with the accounting policy adopted for share-based payments in note 1(s)(iv)(a).

(iii) Other reserve

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

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong.

29 Capital, reserves and dividends (continued)

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a gearing ratio. For this purpose, gearing ratio is calculated as gross debt divided by total equity.

The gearing ratio at 31 August 2023 and 2022 was as follows:

	Note	**2023** **$'000**	2022 $'000
Bank borrowings (principal amount)	20	**11,003,809**	11,258,388
Other borrowings	20	**48,944**	88,260
Lease liabilities	21	**536,015**	518,121
Gross debt		**11,588,768**	11,864,769
Total equity		**3,051,082**	4,924,083
Gearing ratio		**380%**	241%

Neither the Company nor any of its subsidiaries were subject to externally imposed capital requirements during the years presented.

30 Vendor Loan Notes

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

31 Disposal of subsidiaries

Disposal of subsidiaries during the year ended 31 August 2022

On 10 November 2021, an indirect wholly-owned subsidiary of the Company entered into the Share Purchase Agreement with a third party to sell the 60% equity interest of two subsidiaries in Singapore and Malaysia at a total consideration, net of post-closing adjustment in accordance with the Share Purchase Agreement of $73,719,000. Upon the completion in January 2022, these two subsidiaries ceased to be subsidiaries of the Company and became 40%-owned associates of the Company.

Assets and liabilities associated with these subsidiaries were classified as held for sale as 31 August 2021. These assets and liabilities on the date of disposal and the reconciliation to gain on disposal are as follows:

	$'000
Intangible assets, property, plant and equipment and right-of-use assets	95,089
Deferred tax assets	1,245
Inventories	62,488
Trade and other receivables and contract assets	130,325
Trade and other payables and contract liabilities	(134,182)
Bank loans	(7,406)
Tax payables	(1,104)
Deferred tax liabilities	(6,034)
Lease liabilities	(42,498)
Net assets disposed of	97,923
Net assets disposed of	(97,923)
Consideration received	73,719
Exchange gain on translating foreign operations transferred income statement upon disposal	1,917
Fair value of the retained equity interest	49,146
Gain on disposal of subsidiaries	26,859

On 6 July 2022, an indirect wholly-owned subsidiary of the Company entered into the Share Purchase Agreement with a third party to sell the entire interest of a subsidiary in Hong Kong at a total consideration of $204,344,000. Consideration of $203,981,000 was settled as at 31 August 2022. The remaining consideration of $363,000 was settled subsequently in September 2022.

These assets and liabilities on the date of disposal and the reconciliation to gain on disposal are as follows:

	$'000
Investment properties	191,461
Property, plant and equipment	1,819
Other receivables, deposits and prepayments	340
Cash and cash equivalents	792
Other payables and accrued charges	(1,037)
Tax payables	(1,577)
Deferred tax liabilities	(628)
Net assets disposed of	191,170
Net assets disposed of	(191,170)
Cash consideration received	203,981
Cash consideration to be received	363
Gain on disposal of subsidiaries	13,174

31 Disposal of subsidiaries (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	$'000
Cash consideration received	277,700
Cash and cash equivalents disposed of	(792)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	276,908

32 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and contract assets. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with sound credit rating, for which the Group considers to have low credit risk.

Except for the financial guarantees given by the Group as set out in note 34, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 34.

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Concentrations of credit risk with trade receivables and contract assets are limited due to Group's customer being large and unrelated.

32 Financial risk management and fair values of financial instruments (continued)

(a) Credit risk (continued)

Trade receivables and contract assets (continued)

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30–90 days from the date of billing. Subscribers with receivables that are more than 3 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets as at 31 August 2023 and 31 August 2022:

	2023		
	Expected loss rate %	**Gross carrying amount $'000**	**Loss allowance $'000**
Current (not past due)	**1.6%**	**756,894**	**11,991**
Less than 30 days past due	**3.2%**	**175,705**	**5,606**
31 to 60 days past due	**8.8%**	**94,199**	**8,250**
Over 60 days past due	**29.3%**	**316,638**	**92,775**
		1,343,436	**118,622**

	2022		
	Expected loss rate %	Gross carrying amount $'000	Loss allowance $'000
Current (not past due)	2.1%	682,937	14,525
Less than 30 days past due	3.7%	190,407	7,037
31 to 60 days past due	6.6%	110,130	7,314
Over 60 days past due	33.3%	374,920	124,915
		1,358,394	153,791

Expected loss rates are based on actual loss experience over the past year. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

32 Financial risk management and fair values of financial instruments (continued)

(a) Credit risk (continued)

Trade receivables and contract assets (continued)

Movement in the loss allowance account in respect of trade receivables and contract assets during the year is as follows:

	2023 $'000	2022 $'000
Balance at the beginning of the year	153,791	145,760
Amounts written off during the year	(101,955)	(53,296)
Impairment losses recognised during the year (note 3(b))	66,786	61,327
Balance at the end of the year	118,622	153,791

(b) Liquidity risk

The Group has a cash management policy, which includes the short term investment of cash surpluses and the raising of loans and other borrowings to cover expected cash demands. The Group's policy is to regularly monitor its current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table shows the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group is required to pay.

	2023					
		Contractual undiscounted cash outflow				
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 year but less than 5 years $'000	More than 5 year $'000	Total $'000	Carrying amount at 31 August $'000
Trade payables	927,666	–	–	–	927,666	927,666
Other payables and accrued charges	869,699	18,000	–	–	887,699	887,699
Deposits received	83,277	–	–	–	83,277	83,277
Amount due to associates	4,332	–	–	–	4,332	4,332
Amounts due to joint ventures	10,000	–	–	–	10,000	10,000
Bank and other borrowings	1,093,992	823,140	11,054,882	–	12,972,014	10,956,714
Lease liabilities	172,232	144,285	252,827	20,353	589,697	536,015
Other liabilities	14,043	10,697	–	–	24,740	24,163
	3,175,241	996,122	11,307,709	20,353	15,499,425	13,429,866

32 Financial risk management and fair values of financial instruments (continued)

(b) Liquidity risk (continued)

	2022					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 year but less than 5 years $'000	More than 5 year $'000	Total $'000	Carrying amount at 31 August $'000
Trade payables	778,651	–	–	–	778,651	778,651
Other payables and accrued charges	960,778	36,000	18,000	–	1,014,778	1,014,778
Deposits received	89,144	–	–	–	89,144	89,144
Amount due to associates	4,542	–	–	–	4,542	4,542
Amounts due to joint ventures	10,000	–	–	–	10,000	10,000
Bank and other borrowings	552,338	420,496	11,939,849	–	12,912,683	11,210,917
Lease liabilities	152,421	123,883	212,563	76,966	565,833	518,121
Other liabilities	14,042	24,650	–	–	38,692	37,376
	2,561,916	605,029	12,170,412	76,966	15,414,323	13,663,529

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank borrowings and interest-rate swap. Financial instruments with variable interest rates expose the Group to cash flow interest rate risk. The Group's interest-bearing financial instruments are set out in (ii) below. The interest rates and terms of repayment of interest-bearing borrowings of the Group are disclosed in note 20 to the financial statements.

(i) Hedging

An interest-rate swap, denominated in Hong Kong dollars ("HKD"), has been entered into achieve an appropriate mix of fixed and floating rate exposure consistent with the Group's policy. At 31 August 2023, the Group had interest-rate swaps with a notional contract amount of $5,250,000,000 (2022: $3,900,000,000) which were not designated as cash flow hedging instrument. The net fair value of swaps entered into by the Group at 31 August 2023 was assets of $13,777,000 (2022: $76,387,000).

32 Financial risk management and fair values of financial instruments (continued)

(c) Interest rate risk (continued)

(ii) Interest-bearing financial instruments

The following table details the interest-bearing financial instruments of the Group at the end of the reporting period.

	2023 **$'000**	2022 $'000
Fixed rate instruments		
Lease liabilities	**536,015**	518,121
Other borrowings	**48,944**	88,260
Other financial liabilities	**24,163**	37,376
	609,122	643,757
Variable rate instruments		
Bank borrowings	**10,907,770**	11,122,657
Derivative financial instrument — interest-rate swap	**(13,777)**	(76,387)
	10,893,993	11,046,270
Total borrowings	**11,503,115**	11,690,027
Fixed rate borrowings as a percentage of total borrowings	**5%**	6%

(iii) Sensitivity analysis

At 31 August 2023, it is estimated that a general increase/decrease of 50 basis points (2022: 50 basis points) in interest rates, with all other variables held constant, would have decreased/increased the Group's loss after tax and retained profits by approximately $28,289,000 (2022: profit of $36,113,000). Other components of consolidated equity would not be affected by the changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax and retained profits is estimated as an annualised impact on interest expenses of such a change in interest rate.

32 Financial risk management and fair values of financial instruments (continued)

(d) Currency risk

All the Group's monetary assets and liabilities are primarily denominated in either HKD or USD. Given the exchange rate of the HKD to the USD has remained close to the current pegged rate of HKD7.80 = USD1.00 since 1983, management does not expect significant foreign exchange gains or losses between the two currencies.

The Group is also exposed to a certain amount of foreign exchange risk based on fluctuations between the HKD and the Renminbi ("RMB") arising from its operations in the PRC. In order to limit this foreign currency risk exposure, the Group ensures that the net exposure is kept to an acceptable level of buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in HKD, translated using the spot rate at the year end date.

	2023		2022	
	USD	**RMB**	USD	RMB
	$'000	**$'000**	$'000	$'000
Cash and cash equivalents	**372,284**	**4,718**	268,777	2,228
Trade receivables	**122,418**	**116**	628,362	478
Trade payables	**(342,399)**	**(477)**	(824,640)	(1,139)
Other payables and accrued charges	**(2,243)**	**(68)**	(34,844)	(74)
Net exposure arising from recognised assets and liabilities	**150,060**	**4,289**	37,655	1,493

32 Financial risk management and fair values of financial instruments (continued)

(d) Currency risk (continued)

(ii) Sensitivity analysis

The Group's foreign currency risk is mainly concentrated on the fluctuation of the RMB against the HKD. It is assumed that the pegged rate between the HKD and the USD would be materially unaffected by any changes in movement in value of the USD against other currencies. The following table details the Group's sensitivity to a 10% increase or decrease in the HKD against other currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower, and adjusts their translation at the year end for a 10% change in foreign currency rates. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency.

	2023			2022		
	Increase/ (decrease) in foreign exchange rates	**Impact on loss after tax $'000**	**Impact on retained profits $'000**	Increase/ (decrease) in foreign exchange rates	Impact on profit after tax $'000	Impact on retained profits $'000
RMB	**10%**	**436**	**(436)**	10%	(264)	(264)
	(10)%	**(436)**	**436**	(10)%	264	264

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' (loss)/profit after tax and equity measured in the respective functional currencies, translated into HKD at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency. The analysis is performed on the same basis for 2022.

32 Financial risk management and fair values of financial instruments (continued)

(e) Fair value measurement

(i) *Financial assets and liabilities measured at fair value*

Fair value hierarchy

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

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

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

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

	Fair value at 31 August 2023 $'000	**Fair value measurements as at 31 August 2023 categorised into Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**
Recurring fair value measurement				
Financial Assets:				
Derivative financial instrument:				
Interest-rate swap	**13,777**	**–**	**13,777**	**–**

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

During the year ended 31 August 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (year ended 31 August 2022: $Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

32 Financial risk management and fair values of financial instruments (continued)

(e) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Valuation techniques and inputs used in Level 2 fair value measurement

The fair value of interest-rate swap is the estimated amount that the Group would receive or pay to terminate the swap at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the swap counterparty.

(ii) Financial assets and liabilities carried at other than fair value

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

(f) Offsetting financial assets and financial liabilities

The Group enters into netting arrangements with its carriers. The outstanding transactions with these counterparties are settled on a net basis and result in offsetting the assets and liabilities in the statement of financial position.

	2023		
	Gross amounts of recognised financial assets/ (liabilities) $'000	Gross amounts of recognised financial assets/ (liabilities) offset in the consolidated statement of financial position $'000	Net amounts of financial assets/ (liabilities) presented in the consolidated statement of financial position $'000
Trade receivables	1,174,256	(264,862)	909,394
Trade payables	(1,192,528)	264,862	(927,666)

32 Financial risk management and fair values of financial instruments (continued)

(f) Offsetting financial assets and financial liabilities (continued)

	2022		
	Gross amounts of recognised financial assets/ (liabilities) $'000	Gross amounts of recognised financial assets/ (liabilities) offset in the consolidated statement of financial position $'000	Net amounts of financial assets/ (liabilities) presented in the consolidated statement of financial position $'000
Trade receivables	1,246,673	(279,259)	967,414
Trade payables	(1,057,910)	279,259	(778,651)

33 Commitments

(a) Capital commitments

At 31 August 2023, the Group had the following capital commitments:

	2023 $'000	2022 $'000
Contracted but not provided for		
— Purchase of property, plant and equipment	**199,955**	209,327

(b) Commitment under operating leases

At 31 August 2023, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2023 $'000	2022 $'000
Leases in respect of telecommunications facilities which are receivable:		
Within 1 year	**151,913**	160,298
After 1 year but within 5 years	**158,957**	186,024
After 5 years	**54,399**	63,071
	365,269	409,393

	2023 $'000	2022 $'000
Leases in respect of equipment:		
Within 1 year	**–**	5,319
After 1 year but within 5 years	**–**	8,109
	–	13,428

34 Contingent liabilities

	2023 $'000	2022 $'000
Bank guarantee in lieu of payment of utility deposits	**3,622**	3,622
Bank guarantee in lieu of performance guarantees	**263,459**	223,732
	267,081	227,354

The Group is subject to certain corporate guarantee obligations to guarantee the performance of its subsidiaries in the normal course of their businesses. The amount of liabilities arising from such obligations, if any, cannot be ascertained but the directors are of the opinion that any resulting liability will not materially affect the financial position of the Group.

At 31 August 2023, the directors did not consider it is probable that a claim will be made against the Group under any guarantees. The Group has not recognised any deferred income in respect of the guarantees issued as their fair value cannot be reliably measured and their transaction price was $Nil during the year (2022: $Nil).

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.

35 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions:

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors of the Company as disclosed in note 5 and certain of the highest paid employees as disclosed in note 6, as follows:

	2023 $'000	2022 $'000
Short-term employee benefits	**37,910**	40,285
Post-employment benefits	**3,239**	3,387
	41,149	43,672

Total remuneration is included in "Talent costs" (see note 3(c)).

(b) In connection with the acquisition of the telecommunication business by MLCL from HKTV, completed on 30 May 2012, the Group granted indefeasible rights of use in favour of HKTV allowing it to use certain capacity of the Group's network for a term of 20 years from 30 May 2012, on a free of charge basis. In addition, the Group agreed to provide certain telecommunication services to HKTV, at no additional cost, for a period of 10 years from 30 May 2012. The incremental costs associated with fulfilling the obligations under the granting of indefeasible rights of use to HKTV are expected to be insignificant to the Group. Accordingly, no provision was made by the Group in this connection.

36 Company-level statement of financial position

	Note	2023 $'000	2022 $'000
Non-current assets			
Investments in subsidiaries		**1,165,125**	1,165,125
		1,165,125	1,165,125
Current assets			
Other receivables, deposits and prepayments		**161**	323
Amounts due from subsidiaries		**6,665,140**	6,665,140
Cash and cash equivalents		**42**	27
		6,665,343	6,665,490
Current liabilities			
Other payables and accrued charges		**6,195**	5,472
Amounts due to subsidiaries		**563,436**	492,944
		569,631	498,416
Net current assets		**6,095,712**	6,167,074
NET ASSETS		**7,260,837**	7,332,199
CAPITAL AND RESERVES	29(a)		
Share capital		**132**	132
Reserves		**7,260,705**	7,332,067
TOTAL EQUITY		**7,260,837**	7,332,199

Approved and authorised for issue by the board of directors on 2 November 2023.

Chu Kwong YEUNG) Directors

Ni Quiaque LAI)

37 Accounting judgement and estimates

Sources of estimation uncertainty

Note 32 contains information about the assumptions and their risk factors relating to financial instruments. Other key sources of estimation uncertainty are as follows:

(a) ***Loss allowance for credit losses***

The Group maintains impairment loss for doubtful debts based upon evaluation of the recoverability of the trade and other receivables which takes into account the historical write-off experience and recovery rates. If the financial condition of the customers were to deteriorate, additional impairment may be required.

(b) ***Impairment of goodwill, intangible assets, property, plant and equipment and right-of-use assets***

The Group tests annually whether goodwill and other assets in the cash generating units has suffered any impairment in accordance with the accounting policy set out in note 1(k)(iii).

The recoverable amount of an asset or a cash-generating unit has been determined based on its value-in-use. These calculations require the use of estimates. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the expected operating margin, growth rates and selection of discount rates, to reflect the risks-involved and the earnings multiple that can be realised for the estimated terminal value.

Management prepared the financial budgets reflecting actual performance and market development expectations. Judgement is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the result of the impairment reviews.

(Expressed in Hong Kong dollars unless otherwise indicated)

38 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 August 2023

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 August 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 17, *Insurance contracts*	1 January 2023
Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*	1 January 2023
Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*	1 January 2023
Amendments to HKAS 12, *Income Taxes: Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023
Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*	1 January 2024
Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants*	1 January 2024
Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*	1 January 2024

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Five year summary

(Expressed in Hong Kong dollars)

The following table summaries the consolidated results, assets and liabilities of the Group for the five years ended 31 August 2023.

	Years ended 31 August				
	2023	2022	2021	2020	2019
	$'000	$'000	$'000	$'000	$'000
Results					
Revenue	**11,692,176**	11,626,164	11,463,745	9,452,957	5,107,637
(Loss)/profit from operations	**(458,694)**	1,000,750	837,802	619,305	568,909
Finance costs	**(702,303)**	(239,204)	(481,029)	(526,961)	(259,271)
Share of profits of associates	**(742)**	4,167	–	–	–
Share of losses of joint ventures	**(69,592)**	(53,497)	(31,508)	(242)	(276)
(Loss)/profit before taxation	**(1,231,331)**	712,216	325,265	92,102	309,362
Income tax (expense)/credit	**(36,077)**	(158,895)	(118,393)	4,509	(94,835)
(Loss)/profit for the year	**(1,267,408)**	553,321	206,872	96,611	214,527

Five year summary

(Expressed in Hong Kong dollars)

	As at 31 August				
	2023	2022	2021	2020	2019
	$'000	$'000	$'000	$'000	$'000
Assets and liabilities					
Goodwill	**7,816,507**	9,016,507	9,016,507	9,016,507	8,788,319
Intangible assets	**2,775,801**	3,202,607	3,606,163	4,200,644	4,638,643
Property, plant and equipment	**3,418,992**	3,731,436	3,901,090	4,112,260	4,341,590
Investment properties	**–**	–	198,828	206,800	222,041
Right-of-use assets	**689,568**	705,607	681,349	886,709	–
Customer acquisition and retention costs	**464,533**	513,045	564,849	595,149	598,030
Contract assets	**–**	–	–	–	4,740
Interest in an associate	**4,332**	56,920	4,816	4,438	–
Interest in joint ventures	**6,284**	17,110	17,879	9,387	9,429
Deferred tax assets	**66,674**	26,724	68,913	91,258	–
Finance lease liabilities	**–**	–	–	6,534	–
Loan to associates	**–**	15,359	–	–	–
Other non-current assets	**72,289**	98,531	91,958	81,012	32,105
Net current (liabilities)/assets	**(279,515)**	(87,576)	(248,163)	(1,718,533)	2,003
Total assets less current liabilities	**15,035,465**	17,296,270	17,904,189	17,492,165	18,636,900
Other payables and accrued charges — long-term portion	**(18,000)**	(54,000)	(30,397)	(87,677)	(143,600)
Contract liability — long-term portion	**(160,162)**	(145,807)	(194,818)	(219,939)	(187,690)
Obligations under granting of rights — long-term portion	**–**	–	–	(6,771)	(15,795)
Deferred tax liabilities	**(684,672)**	(800,662)	(904,848)	(1,033,447)	(1,131,440)
Contingent consideration — long-term portion	**–**	–	–	–	(28,278)
Lease liabilities	**(385,105)**	(381,850)	(305,129)	(445,804)	–
Provision for reinstatement costs	**(54,003)**	(52,492)	(62,442)	(67,320)	(50,146)
Bank and other borrowings	**(10,671,853)**	(10,913,214)	(10,831,416)	(5,018,368)	(4,454,253)
Senior notes	**–**	–	–	(4,101,847)	(5,169,137)
Other non-current liabilities	**(10,588)**	(24,162)	(37,376)	(50,493)	–
NET ASSETS	**3,051,082**	4,924,083	5,537,763	6,460,499	7,456,561
Capital and reserves					
Share capital	**132**	132	132	132	132
Reserves	**3,050,950**	4,923,951	5,537,631	6,460,367	7,456,429
TOTAL EQUITY	**3,051,082**	4,924,083	5,537,763	6,460,499	7,456,561

Five year summary

(Expressed in Hong Kong dollars)

Notes to the five year summary:

1 As a result of the adoption of HKFRS 16, *Leases*, with effect from 1 September 2019, the Group has changed its accounting policies in respect of the lessee accounting model. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted by way of opening balance adjustments to recognise right-of-use assets and lease liabilities as at 1 September 2019. After initial recognition of these assets and liabilities, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Figures in years earlier than 2019 are stated in accordance with the policies applicable in those years.

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INDEPENDENT PRACTITIONER'S LIMITED ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF HKBN LTD.

We have undertaken a limited assurance engagement in respect of the selected sustainability information of HKBN Ltd. (the "Company") listed below and identified with a ✓ in the Company's Annual Report for the year ended 31 August 2023 ("the 2023 Annual Report") (the "Identified Sustainability Information").

Identified Sustainability Information

The Identified Sustainability Information for the year ended 31 August 2023 is summarised below:

Environmental

- Sulphur oxides (SOx) (kg)
- Nitrogen oxides (NOx) (kg)
- Particulate matter (PM) (kg)
- Scope 1 Greenhouse Gases (GHG) emissions (Tonne CO_2e)
- Scope 2 Greenhouse Gases (GHG) emissions (Tonne CO_2e)
- Carbon emission from business travel (Tonne CO_2e)
- Carbon emission generated from consumption of recycling office paper (Tonne CO_2e)
- Carbon emission generated from processing fresh water and sewage (Tonne CO_2e)
- Total GHG emissions (Tonne CO_2e)
- GHG emissions intensity (Tonne CO_2e/Revenue ($ million))
- Direct energy consumption (kWh)
- Direct energy intensity (kWh/Revenue ($ million))
- Indirect energy consumption (kWh)
- Indirect energy intensity (kWh/Revenue ($ million))
- Water consumption (M^3)
- Water intensity (M^3/Revenue ($ million))
- Hazardous waste generated (Tonnes)
- Hazardous waste intensity (Tonnes/Revenue ($ million))
- Non-hazardous waste generated (Tonnes)
- Non-hazardous waste intensity (Tonnes/Revenue ($ million))
- (1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable (kWh,%)

Employment

- Total workforce by gender (Number)
- Total workforce by employment type (Number)
- Total workforce by age-group (Number)
- Total workforce by geographical region (Number)
- Employee turnover rate by gender (%)
- Employee turnover rate by age group (%)
- Employee turnover rate by geographical region (%)

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Health and Safety

- Fatalities — full-time employees only (Number)
- Fatalities rate — full-time employees only (Number per 200,000 manhour)
- Lost days due to work-related injury — full-time employees only (Number)

Development and Training

- The percentage of employees trained by gender (%)
- The percentage of employees trained by employee category (%)
- The average training hours completed per employee by gender (Number)
- The average training hours completed per employee by category (Number)

Supply Chain Management

- Number of suppliers by geographical region (Number)

Product Responsibility

- Number of products and service-related complaints received by type of business (Number)

Anti-corruption

- Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases (Number)

Volunteering

- Total volunteering hours contributed by the Company (Number)

Data Privacy

- Total amount of monetary losses as a result of legal proceedings associated with customer privacy (Reporting Currency)

Data Security

- (1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of customers affected

Competitive Behavior & Open Internet

- Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behaviour regulations (Reporting Currency)

Activity Metrics

- Number of wireless subscribers (Number)
- Number of wireline subscribers (Number)
- Number of broadband subscribers (Number)
- Network traffic (Petabytes)

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Our assurance was with respect to the year ended 31 August 2023 information only and we have not performed any procedures with respect to earlier periods or any other elements included in the 2023 Annual Report and, therefore, do not express any conclusion thereon.

Criteria

The criteria used by the Company to prepare the Identified Sustainability Information is set out in 2023 Annual Report under the section titled "About this Report".

The Company's Responsibility for the Identified Sustainability Information

The Company is responsible for the preparation of the Identified Sustainability Information in accordance with the Criteria. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of Identified Sustainability Information that is free from material misstatement, whether due to fraud or error.

Inherent limitations

The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measures and measurement techniques and can affect comparability between entities. In addition, GHG quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Identified Sustainability Information based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements other than Audits or Reviews of Historical Financial Information, and, in respect of greenhouse gas emissions,* International Standard on Assurance Engagements 3410, *Assurance Engagements on Greenhouse Gas Statements*, issued by the International Auditing and Assurance Standards Board. These standards require that we plan and perform this engagement to obtain limited assurance about whether the Identified Sustainability Information is free from material misstatement.

A limited assurance engagement involves assessing the suitability in the circumstances of the Company's use of the Criteria as the basis for the preparation of the Identified Sustainability Information, assessing the risks of material misstatement of the Identified Sustainability Information whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the Identified Sustainability Information. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

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The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

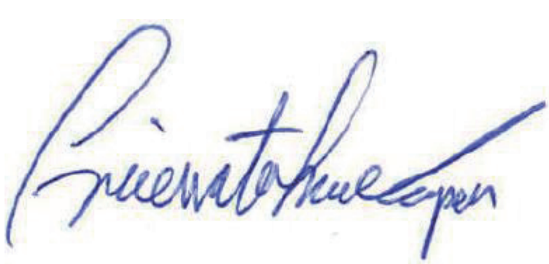
- made inquiries of the persons responsible for the Identified Sustainability Information;
- understood the process for collecting and reporting the Identified Sustainability Information;
- performed limited substantive testing on a selective basis of the Identified Sustainability Information at corporate head office to check that data had been appropriately measured, recorded, collated and reported; and
- considered the disclosure and presentation of the Identified Sustainability Information.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the Company's Identified Sustainability Information has been prepared, in all material respects, in accordance with the Criteria.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Company's Identified Sustainability Information for the year ended August 31, 2023 is not prepared, in all material respects, in accordance with the Criteria.

Our report has been prepared solely for the board of directors of the Company and is not to be used for any other purpose. We do not assume responsibility towards or accept liability to any other parties for the content of this report.



PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 7 November 2023

Environmental Performance Summary

	Unit	FY21	FY22	FY23
The types of emissions and respective emissions data				
Sulphur oxides (SOx)[1]	kg	1.18	0.94	**0.79**
Nitrogen oxides (NOx)[1]	kg	495.80	479.02	**444.92**
Particulate matter (PM)[1]	kg	26.52	44.22	**41.09**
Greenhouse gas emissions				
Scope 1 emission[2]	tCO_2e	214.12	196.73	**162.30**
Scope 2 emission[3]	tCO_2e	39,713.91	45,460.70[4]	**40,123.08**
Carbon emission from business travel[5]	tCO_2e	27.75	7.73[6]	**30.57**
Carbon emission generated from consumption of recycling office paper[7]	tCO_2e	21.11	16.13	**22.32**
Carbon emission generated from processing fresh water and sewage[8]	tCO_2e	2.31[9]	3.73[9]	**3.45**
Total Greenhouse gas emissions[10]	tCO_2e	39,979.20[24]	45,685.02[11]	**40,341.72**
Greenhouse gas emissions intensity[12]	tCO_2e/Revenue ($ million)	3.49	3.93[11]	**3.45**
Direct energy consumption[13]	kWh	787,249.24	763,643.43	**621,106.17**
Direct energy intensity[12]	kWh/Revenue ($ million)	68.67	65.68	**53.12**
Indirect energy consumption[14]	kWh	103,662,519.42	105,303,888.68[15]	**94,120,130.20**
Indirect energy intensity[12]	kWh/Revenue ($ million)	9,042.44	9,057.62[16]	**8,049.96**
Water consumption[17]	m^3	3,623.13[18]	5,442.87[18]	**4,957.61**
Water intensity	m^3/Revenue ($ million)	0.32[19]	0.47[19]	**0.42**

Environmental Performance Summary

	Unit	FY21	FY22	FY23
Waste				
Hazardous waste generated[20]	tonnes	71.72	77.13	**52.15**
Hazardous waste intensity[12]	tonnes/Revenue ($ million)	0.01	0.01	**0.004[21]**
Non-hazardous waste generated[22]	tonnes	254.41	256.58	**264.37**
Non-hazardous waste intensity[12]	tonnes/Revenue ($ million)	0.02	0.02	**0.02**
Waste diverted[23]	tonnes	119.37	130.77	**141.20**
Waste diversion Rate	%	46.92	50.97	**53.41**

1 This KPI is concerned with the air pollution produced by the issuer. Air pollution includes NOx, SOx, and respiratory suspended particles, also known as Particulate Matter ("PM") produced by HKBN's motor vehicles powered by fuel. The air emission factors are based on the Hong Kong Environmental Protection Department's (EPD) EMFAC-HK Vehicle Emission Calculation model and the United States Environmental Protection Agency's (USEPA's) Vehicle Emission Modeling Software — MOBILE6.1.
2 Scope 1 emissions are direct Greenhouse gas (GHG) emissions from sources that are owned or controlled by HKBN such as emissions from fuel of company vehicles and genset, the refrigerant of air conditioning and chiller. The emission factors are based on the Intergovernmental Panel on Climate Change (IPCC) Synthesis Report (AR5) (2014) and EPD's Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong 2010 Edition.
3 Scope 2 emissions are indirect GHG emission resulting from the generation of electricity purchases by HKBN. For Hong Kong operation, emission factor adopted for purchased electricity are 0.68 $kgCO_2e/kWh$ and 0.39 $kgCO_2e/kWh$ as provided by HK Electric Investments Sustainability Report 2022 and CLP Sustainability Report 2022 respectively, subjecting to the location of operation. For Macau operation, emission factor adopted for purchased electricity is 0.609 $kgCo_2e/kWh$ as provided by CEM Sustainability Report 2022. For mainland China operation, the emission factor adopted for purchased electricity is 0.5703 tCO_2/MWh, which is referenced from The Ministry of Ecology and Environment of People's Republic of China.
4 Scope 2 emission of FY22 has been restated due to the restated indirect energy consumption in FY22.
5 The disclosed Carbon emission from business travel solely includes emission from mainland China and is calculated based on flight distance multiplied by corresponding emission factors.
6 Carbon emission from business travel of FY22 has been restated with the most accurate information at the time of reporting. Carbon emission from business travel of FY22 was lower compared to FY21 and FY23, primarily attributed to a decrease in business travel driven by business needs.
7 Carbon emission generated from consumption of recycling office paper are calculated based on the recycling office paper purchased multiplied by corresponding emission factor.
8 Carbon emission generated from processing fresh water and sewage are calculated based on water consumption multiplied by corresponding emission factors.
9 Carbon emissions generated from processing fresh water and sewage of FY21 and FY22 have been restated as a result of the restated water consumption of FY21 and FY22.
10 Carbon emissions generated from the operation owned and controlled in Hong Kong, mainland China and Macau offices.
11 Total GHG emissions and Total GHG intensity of FY22 have been restated as a result of the restated Scope 2 emission and carbon emission generated from processing fresh water and sewage of FY22.
12 The revenue as of 31 August 2021, 31 August 2022 and 31 August 2023 was $11,464m, $11,626m and $11,692m.
13 Vehicle, generator and mobile generator fuel consumption are included in the direct energy consumption.
14 Electricity purchases are included in the indirect energy consumption.
15 Indirect energy consumption of FY22 has been restated with the most accurate information at the time of reporting.
16 Indirect energy consumption intensity of FY22 has been restated as a result of the restated indirect energy consumption of FY22.
17 Water consumption included waters used in offices, data centres and shops. Since there is no water supply in hub sites and switch rooms, this part is not included.
18 Water consumption of FY21 and FY22 have been restated due to the change of scoping of FY23, which incorporates more comprehensive data resulting from the increased availability of more office consumption records.
19 Water intensity of FY21 and FY22 have been restated due to the restated water consumption of FY21 and FY22.
20 Hazardous waste generated included uninterruptible power system and lighting tube only.
21 All figures are rounded to two decimal places except for values less than 0.01, which are rounded to three decimal places.
22 Non-hazardous waste included construction waste and general waste in offices, shops and data centres.
23 Waste diverted included paper, plastic, metal, wooden, e-waste, food waste and glass.
24 Total GHG emissions of FY21 has been restated as a result of the carbon emission generated from processing fresh water and sewage of FY21.

		Unit	FY22		FY23	
Workforce statistics						
Total		Talent	5,015		**4,558**	
By gender[1]	Female	Talent (%)	1,695	34.85%	**1,579**	**35.66%**
	Male	Talent (%)	3,169	65.15%	**2,849**	**64.34%**
By employment type	Full Time	Talent (%)	4,864	96.99%	**4,428**	**97.15%**
	Part Time	Talent (%)	56	1.12%	**51**	**1.12%**
	Contract	Talent (%)	95	1.89%	**79**	**1.73%**
By age-group[1]	≤ 30	Talent (%)	1,035	21.28%	**820**	**18.52%**
	31–50	Talent (%)	3,281	67.45%	**3,047**	**68.81%**
	≥ 50	Talent (%)	548	11.27%	**561**	**12.67%**
By geographical region[1]	Hong Kong	Talent (%)	2,856	58.72%	**2,489**	**56.21%**
	Macau	Talent (%)	36	0.74%	**36**	**0.81%**
	Mainland China	Talent (%)	1,972	40.54%	**1,903**	**42.98%**
Employee turnover rate[1]						
By gender	Female	%	33.22%		**31.45%**	
	Male	%	33.93%		**37.80%**	
By age-group	≤ 30	%	60.85%		**64.44%**	
	31–50	%	28.48%		**30.60%**	
	≥ 50	%	17.89%		**20.43%**	
By geographical region	Hong Kong	%	32.43%		**36.41%**	
	Macau	%	20.00%		**13.89%**	
	Mainland China	%	35.90%		**34.84%**	
Percentage of employees trained[1,2]						
By gender	Female	%	97.41%		**98.19%**	
	Male	%	99.40%		**98.07%**	
By employee category	Managerial-or-above-level Talents	%	95.41%		**97.94%**	
	Supervisory-level Talents	%	98.99%		**99.35%**	
	All other Talents	%	98.97%		**97.97%**	

1 Only cover full-time Talents.
2 Training data of FY22 is revised due to the change of calculation methodology.

Social Performance Summary

		Unit	FY22	FY23
Average training hours completed per employee[1,2]				
By gender	Female	hours per Talent	17.38	**18.06**
	Male	hours per Talent	16.87	**16.31**
By employee category	Managerial-or-above-level Talents	hours per Talent	6.95	**9.05**
	Supervisory-level Talents	hours per Talent	15.25	**12.86**
	All other Talents	hours per Talent	18.20	**18.28**
Work-related fatalities[1]				
Number of work-related fatalities[3]		Number	0	**1[4]**
Work-related fatalities rate[5]		Number per 200,000 manhour	0	**0.02**
Work-related injuries[1]				
Lost days due to work-related injury[6]		Day	2,692[7]	**922**
Work-related injury rate[8]		Number per 200,000 manhour	0.37[6]	**0.38**
Number of suppliers				
By geographical region	Hong Kong	Number	1,642	**1,853**
	Mainland China	Number	542	**734**
	Macau	Number	50	**53**
	Other	Number	443	**146[9]**
Number of products and service-related complaints received				
By type of business	Residential business	Number	1,163	**703**
	Enterprise business	Number	1,139	**1,051**
Community Investment				
Total volunteering hours contributed by the Company		hours	464.0	**1,377.5**

3 In FY21, there were 0 case of employee work-related fatalities.

4 An employee experienced a fatal incident while riding an electric bicycle after work on 27 November 2020. The employee unfortunately passed away on 16 October 2022. It was considered as a fatal work incident according to the Regulation on Work-Related Injury Insurance of the Mainland China.

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

6 "Lost days" is the sum total of calendar days (consecutive or otherwise) for the days on which the work-related injuries and work-related ill health occurred. For Hong Kong, A "Lost Day" occurs when, in the opinion of a physician, an employee cannot work. "Lost day" is calculated based on the total of calendar days (consecutive or otherwise) starting from the lost day occurs. While for Mainland, it is calculated based on the total of calendar days (consecutive or otherwise) for the days on which the work-related injuries and work-related ill health occurred.

7 There was one work-related injury reported in FY22, but the injured employee had withdrawn the claim in FY23. As a result, the "Work-related injury rate" and the "Lost days due to work-related injury" in FY22 are revised.

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

9 Number of suppliers dropped as a result of the disposal of majority stake in HKBN JOS (Singapore) Pte. Ltd.

SASB Content Index

Telecommunications Services

SASB Activity Metrics

SASB Code	Activity Metric	FY22	FY23	Assured by independent practitioner
TC-TL-000.A	Number of wireless subscribers (in thousands)	Residential business: 241 Enterprise business: 32	**Residential business: 239** **Enterprise business: 26**	✓
	Wireless subscribers are defined as those customers that contract with the entity for mobile services, which include cellular phone service and/or wireless data service.			
TC-TL-000.B	Number of wireline subscribers (in thousands)	Residential business: 432 Enterprise business: 454	**Residential business: 386** **Enterprise business: 388**	✓
	Wireline subscribers are defined as those customers that contract with the entity for fixed line phone services.			
TC-TL-000.C	Number of broadband subscribers (in thousands)	Residential business: 897 Enterprise business: 115	**Residential business: 920** **Enterprise business: 117**	✓
	Broadband subscribers are defined as those customers that contract with the entity for fixed line cable and internet services, which include WiFi connections.			
TC-TL-000.D	Network traffic	5,156 Pb	**4,964 Pb**	✓
	The system of rules applied in recording and reporting network traffic statistics complies with Office of the Communications Authority.			

ESG Content Indexes

SASB Accounting Metrics

SASB Code	Accounting Metric	FY22	FY23	Assured by independent practitioner
Environmental Footprint of Operations				
TC-TL-130a.1	(1) Total energy consumed, (2) Percentage grid electricity, (3) Percentage renewable	(1) 381,843.12 GJ (2) 99.29% (3) 0%	**(1) 341,068.18 GJ** **(2) 99.34%** **(3) 0%**	✓
	Please refer to the Climate Action section of this report for further detail on our energy target and reduction initiatives.			
Data Privacy				
TC-TL-220a.1	Description of policies and practices relating to behavioural advertising and customer privacy			
	Please refer to the Data Privacy & Security section of this ESG report, Personal Data & Privacy Statement and Personal Information Collection Statement for details.			
TC-TL-220a.2	Number of customers whose information is used for secondary purposes	N/A	**N/A**	
	Personal information of our customers is used for purposes stated in our privacy policies only.			
TC-TL-220a.3	Total amount of monetary losses as a result of legal proceedings associated with customer privacy	Nil	**Nil**	✓
	There were no recorded monetary losses as a result of legal proceedings associated with customer privacy in FY22 and FY23.			
TC-TL-220a.4	(1) Number of law enforcement requests for customer information, (2) Number of customers whose information was requested, (3) Percentage resulting in disclosure	N/A	**N/A**	
	Currently we do not disclose these metrics. In handling such requests, we follow relevant laws and regulations of the jurisdictions we operate in.			
Data Security				
TC-TL-230a.1[1]	(1) Number of data breaches, (2) Percentage involving personally identifiable information (PII), (3) Number of customers affected	Nil	**Nil**	✓
	There were no recorded data breaches in FY22 and FY23.			
TC-TL-230a.2	Description of approach to identifying and addressing data security risks, including use of third-party cybersecurity standards			
	Please refer to the Data Privacy & Security section of this ESG report for details.			

1 Data breach, personally identifiable information and customer affected are limited to concluded cases with legal claims and penalties brought against the Group and its subsidiaries during the reporting period.

SASB Code	Accounting Metric	FY22	FY23	Assured by independent practitioner
Product End-of-life Management				
TC-TL-440a.1	(1) Materials recovered through take back programmes, (2) Percentage of recovered materials that were recycled	(1) 0.21 tonnes (2) 100%	**N/A**	
	There were sporadic device recovery during the year with limited data availability. Please refer to the Climate Action section of this ESG report for details on the take back programme.			
Competitive Behaviour & Open Internet				
TC-TL-520a.1	Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behaviour regulations	Nil	**Nil**	✓
	There were no recorded monetary losses as a result of legal proceedings associated with anticompetitive behaviour regulations in FY22 and FY23.			
TC-TL-520a.2	Average actual sustained download speed of owned and commercially-associated content and non-associated content	we have not started reporting on this metric in FY22.	**• 1000 Mbp Plan: 916.5 Mbps • 500 Mbp Plan: 545.8 Mbps • 100 Mbp Plan: 95.8 Mbps Please refer below for details.**	
	There is no difference in the download speed of associated and non-associated content, and we do not measure download speeds on the bases specified in the standard. We report the average download speed of our most common Broadband service plan tiers (which represent over 80% of our residential and enterprise installations (including new installations, relocation and maintenance) in Q4 of FY23) be: 1000 Mbp Plan: 916.5 Mbps 500 Mbp Plan: 545.8 Mbps 100 Mbp Plan: 95.8 Mbps Remarks: • The average download speeds were calculated from speed tests conducted during successful new installations, relocation and maintenance in Q4 of FY23. • Our technicians have ensured the speed test of each of such successful new installations, relocation and maintenance meets the guaranteed standard and the result is endorsed by the respective customer. • The actual bandwidth customers enjoyed may be affected by their hardware/software, router specification, site traffic loading, type of content being accessed and other environmental factors.			

SASB Code	Accounting Metric	FY22	FY23	Assured by independent practitioner
TC-TL-520a.3	Description of risks and opportunities associated with net neutrality, paid peering, zero rating, and related practices			
	Regulations on net neutrality, paid peering, zero rating and related practices vary across different jurisdictions, and we comply with any applicable regulations in the jurisdictions we operate in.			
Managing Systemic Risks from Technology Disruptions				
TC-TL-550a.1	(1) System average interruption frequency (disruptions per customer) (2) Customer average interruption duration (hours per customer)	we have not started reporting on this metric in FY22.	**(1) 0.211** **(2) 0.378**	
	By considering that connectivity of the broadband services of enterprise solutions is governed by diverse service-level agreements, we are currently reporting on the performances of residential solutions with the below calculation methodologies: **(1) System Average Interruption Frequency = Total Number of Affected Customers/Total Customers** **(2) Customer Average Interruption Duration = Accumulated Affected Customers Hours/Total Customers**			
TC-TL-550a.2	Discussion of systems to provide unimpeded service during service interruptions			
	Please refer to the Reliable and Responsible Service section of this ESG report for details.			

HKEX ESG Guide Content Index

The Report is in compliance with the mandatory disclosure requirements and "comply or explain" provisions of the HKEX ESG Guide.

Mandatory Disclosure Requirements		Reporting Location	Reference and Remarks	Assured by independent practitioner
Governance Structure	A statement from the Board containing the following elements: (i) a disclosure of the Board's oversight of ESG issues; (ii) the Board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the Board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	Our Approach to ESG Governance & Management	Corporate Governance https://www.hkbn.net/group/en/our-story/corporate-governance	
Reporting Principles	A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report: **Materiality:** The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement. **Quantitative:** Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed. **Consistency:** The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.	About This Report — Reporting principles Communication and Engagement with Stakeholders Materiality Assessment		
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	About This Report — Reporting boundaries		

ESG Content Indexes

Subject Areas, Aspects, General Disclosures and KPIs		Reporting Location	Reference and Remarks	Assured by independent practitioner
A. Environment				
Aspect A1: Emissions				
General Disclosure	Information on: a. the policies; and b. compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Climate Action	Environmental Policy https://www.hkbn.net/tnc/HKBN_Environmental_Policy_EN.pdf	
KPI A1.1	The types of emissions and respective emissions data.	Climate Action, Environmental Performance Summary		✓
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity.	Climate Action, Environmental Performance Summary		✓
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	Climate Action, Environmental Performance Summary		✓
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	Climate Action, Environmental Performance Summary		✓
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Climate Action		
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Climate Action		

Subject Areas, Aspects, General Disclosures and KPIs		Reporting Location	Reference and Remarks	Assured by independent practitioner
Aspect A2: Use of Resources				
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Climate Action	Environmental Policy https://www.hkbn.net/tnc/HKBN_Environmental_Policy_EN.pdf	
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Climate Action, Environmental Performance Summary		✓
KPI A2.2	Water consumption in total and intensity.	Climate Action, Environmental Performance Summary		✓
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Climate Action		
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Climate Action	There were no issues related to sourcing water that was fit for purpose. Water consumption is not a significant source of carbon emissions for HKBN, and as such is not considered material to our Group's ESG priorities. Despite this, we still strive to improve water consumption efficiency in our offices via various water saving initiatives.	
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.		Packaging material is not applicable to the nature of our operations and business.	

ESG Content Indexes

Subject Areas, Aspects, General Disclosures and KPIs		Reporting Location	Reference and Remarks	Assured by independent practitioner
Aspect A3: The Environment and Natural Resources				
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Climate Action	Environmental Policy https://www.hkbn.net/tnc/HKBN_Environmental_Policy_EN.pdf	
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the action taken to manage them.	Climate Action		
Aspect A4: Climate Change				
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Action	Environmental Policy https://www.hkbn.net/tnc/HKBN_Environmental_Policy_EN.pdf	
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Action		
B. Social				
Aspect B1: Employment				
General Disclosure	Information on: a. the policies; and b. compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Talent Interest Alignment, Talent Obsessed Engagement & Development, Diversity & Inclusion		
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Diversity & Inclusion, Social Performance Summary		✓
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Diversity & Inclusion, Social Performance Summary		✓

Subject Areas, Aspects, General Disclosures and KPIs		Reporting Location	Reference and Remarks	Assured by independent practitioner
Aspect B2: Health and Safety				
General Disclosure	Information on: a. the policies; and b. compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Talent Obsessed Engagement & Development		
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Talent Obsessed Engagement & Development, Social Performance Summary		✓
KPI B2.2	Lost days due to work injury.	Talent Obsessed Engagement & Development, Social Performance Summary		✓
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Talent Obsessed Engagement & Development		
Aspect B3: Development and Training				
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Talent Obsessed Engagement & Development		
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Talent Obsessed Engagement & Development, Social Performance Summary		✓
KPI B3.2	The average training hours completed per employee by gender and employee category.	Talent Obsessed Engagement & Development, Social Performance Summary		✓

ESG Content Indexes

Subject Areas, Aspects, General Disclosures and KPIs		Reporting Location	Reference and Remarks	Assured by independent practitioner
Aspect B4: Labour Standards				
General Disclosure	Information on: a. the policies; and b. compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Diversity & Inclusion		
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Diversity & Inclusion		
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Diversity & Inclusion		
Aspect B5: Supply Chain Management				
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Win-win Partnership & Value Chain	Supplier Code of Conduct https://www.hkbn.net/new/uploads/page/about-us/2016/corporate-governance/HKBN_Group_Supplier_Code_of_Conduct_en.pdf	
KPI B5.1	Number of suppliers by geographical region.	Win-win Partnership & Value Chain, Social Performance Summary		✓
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Win-win Partnership & Value Chain		
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Win-win Partnership & Value Chain		
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Win-win Partnership & Value Chain		

Subject Areas, Aspects, General Disclosures and KPIs		Reporting Location	Reference and Remarks	Assured by independent practitioner
Aspect B6: Product Responsibility				
General Disclosure	Information on: a. the policies; and b. compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Impactful Customer Experience, Reliable & Responsible Service, Data Privacy & Security, Corporate Governance Report	Code of Practices on Marketing Call https://www.hkbn.net/personal/support/en/code-of-practices-on-marketing-calls	
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Reliable & Responsible Service		
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Impactful Customer Experience		✓
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Corporate Governance Report		
KPI B6.4	Description of quality assurance process and recall procedures.	Reliable & Responsible Service		
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Data Privacy & Security	Personal Data & Privacy Statement https://www.hkbn.net/personal/dist/img/src/pdf/HKBN_PPS_ENG.pdf Personal Information Collection Statement http://www.hkbn.net/pics/en	

Subject Areas, Aspects, General Disclosures and KPIs		Reporting Location	Reference and Remarks	Assured by independent practitioner
Aspect B7: Anti-corruption				
General Disclosure	Information on: a. the policies; and b. compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Corporate Governance Report	Anti-Bribery, Anti-Corruption, Anti-Fraud and Conflict of Interest Policy https://www.hkbn.net/new/uploads/page/about-us/2016/corporate-governance/Anti-corruption_Policy.pdf Whistleblowing Policy https://www.hkbn.net/new/uploads/page/about-us/2016/corporategovernance/e-Whistleblowing-Policy.pdf	
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Corporate Governance Report		✓
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Corporate Governance Report		
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Corporate Governance Report		
Aspect B8: Community Investment				
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Digital Inclusion for our Communities	Corporate Social Investment Policy https://www.hkbn.net/tnc/HKBN_Corporate_Social_Investment_Policy_CSI_EN.pdf	
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Digital Inclusion for our Communities		
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Digital Inclusion for our Communities, Social Performance Summary		✓

Chairman and Independent Non-executive Director

Mr. Bradley Jay HORWITZ

Executive Directors

Mr. Chu Kwong YEUNG
Mr. Ni Quiaque LAI

Non-executive Directors

Mr. Liyang ZHANG (1)
Ms. Shengping YU
Mr. Zubin Jamshed IRANI (3)
Mr. Agus TANDIONO (4)

Independent Non-executive Directors

Ms. Kit Yi Kitty CHUNG (2)
Ms. Ming Ming Anna CHEUNG (2)
Mr. Stanley CHOW
Mr. Yee Kwan Quinn LAW
Ms. Edith Manling NGAN (4)

Alternate Director

Mr. Hongfei YU (5)

Composition of Board Committees *(as at the date of this report)*

Director	Audit Committee	Nomination Committee	Remuneration Committee	Environmental, Social and Governance Committee
Mr. Bradley Jay HORWITZ	Member	Chairman		
Mr. Chu Kwong YEUNG				
Mr. Ni Quiaque LAI				Member
Mr. Liyang ZHANG	Member		Member	
Ms. Shengping YU		Member		
Ms. Kit Yi Kitty CHUNG	Member			Member
Ms. Ming Ming Anna CHEUNG				Chairman
Mr. Stanley CHOW	Member	Member	Chairman	Member
Mr. Yee Kwan Quinn LAW	Chairman	Member	Member	

Notes:

(1) Appointed on 15 June 2023.

(2) Appointed on 13 September 2023.

(3) Resigned on 15 June 2023.

(4) Resigned on 13 September 2023.

(5) Appointed on 1 March 2023 and resigned on 14 July 2023.

Corporate Information

Company Secretary

Ms. Chung Man CHENG

Authorised Representatives

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Ms. Chung Man CHENG

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Auditor

KPMG
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
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Hong Kong

Cayman Principal Share Registrar and Transfer Office

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Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

COMPUTERSHARE HONG KONG INVESTOR SERVICES LIMITED
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Hong Kong

Principal Bankers

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